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Blockchain and *Smart Contracts* Relating to Copyright: Jurisdiction and Applicable Law

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1. Blockchain and *smart contracts*

The term *smart contract* has become widely used to refer to contractual arrangements that rely on self-executing computer protocols supported on Distributed Ledger Technology (DLT) or blockchains systems. Such a development was possible after the implementation of blockchains that offer the possibility to memorialize contractual obligations[1]. Those systems and their resilient and non-repudiable registries allow for the automatic execution of computer code submitted to them and implemented as algorithmic account holders[2]. Therefore, parties can rely on the execution of certain contractual arrangements without the need, in principle, of further human intervention nor a necessity to have recourse to courts or enforcement mechanisms under state law[3]. The distributed structure of blockchain systems and the transparent and non-repudiable nature of the stored data may guarantee the automatic execution as planned of programable contractual obligations. Often, they encode 'if-then' conditions that can be verified digitally. As regards license contracts or other agreements concerning protected works, such programmable obligations may deal with issues such as payments or granting access to certain copyrighted works.[4]

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1. P. DE FILIPPI and A. WRIGHT, *Blockchain and the Law (The Rule of Code)*, Harvard, 2018, 27-29.

2. N. GUGGENBERGER, *The Potential of Blockchain Technology for the Conclusion of Contracts*, R. Schulze, D. Staudenmayer And S. Lohsse (eds.), *Contracts for the Supply of Digital Content: Regulatory Challenges and Gaps*, Hart-Nomos, 2017, 83-97, 94-96.

3. R. UNSWORTH, *Smart Contract This! An Assessment of the Contractual Landscape and the Herculean Challenges it Currently Presents for Self-executing Contracts*, M. Corrales, M. Fenwick and H. Haapio (eds.), *Legal Tech, Smart Contracts and Blockchain*, Springer, 2019, 17-61, 19-23.

4. B. BODO, D. GERVAIS AND J.P. QUINTAIS *Blockchain and smart contracts: the missing link in copyright licensing?*, in *International Journal of Law and Information Technology*, 2018, 26, 311-336, 315-316.

Such developments have taken place in a context where the discussions about the potential significance of autonomous systems of rules to operate completely outside state laws have re-emerged[5]. Relevant elements in that respect are the disintermediated, autonomous and transnational reach of DLT systems, the uncertain physical location of their records and of the devices and participants involved, as well as their reliance on peer-to-peer networks and consensus between the participants that allow the coordination needed for such systems to function. Without prejudice to the ample room recognized to party autonomy, particularly in transactions other than business-to-consumer (B2C), including the possibility by platforms to establish their own rules binding in principle among participants, the use of DLT and blockchain systems do not alter the previous basic framework concerning conflict of laws on contracts.[6] This is not to deny that the increasing significance of these technologies poses new challenges. For instance, conflict of laws issues raised by claims between participants within a DLT system regarding the functioning of the system may prove demanding, particularly in permissionless systems without a central administrator[7].

'Smart contracts' are not a category of agreements that raise, as such, specific issues as to their classification or characterization for the purposes of conflict of laws. This conclusion should not be a surprise, since in principle *smart contracts* are usually not contracts in the legal sense, but the digital form specification of contractual arrangements[8], as acknowledged even in those national systems where the term has received expressed recognition in legislation. Although legal definitions of *smart contract* are unusual, a reference can be made in this regard to the definition adopted by the Italian legislator. Under that definition, in line with the widely accepted understanding of the term in the technical sense, *smart contract* means a computer programme that operates on the basis of distributed ledgers and whose execution binds automatically two or more parties according to the effects previously defined by them[9].

5. F. GUILLAUME, *Blockchain: le pont du droit international privé entre l'espace numérique et l'espace physique*, I. Pretelli (ed.), *Conflict of Laws in the Maze of Digital Platforms*, Schulthess, 2018, 163-189, 182-186.

6. See, with further references, P. DE MIGUEL ASENSIO, *Conflict of Laws and the Internet*, Edward Elgar, 2020, paras. 6.63 to 6.69.

7. A.S. ZIMMERMANN, *Blockchain-Netzwerke und Internationales Privatrecht – oder: der Sitz dezentraler Rechtsverhältnisse*, *IPRax*, 2018(6), 566-573; and A. DICKINSON, *Cryptocurrencies and the Conflict of Laws*, D. FOX and S. GREEN, *Cryptocurrencies in Public and Private Law*, Oxford, 2019, 93-137, 104-118.

8. P. DE FILIPPI and A. WRIGHT, *Blockchain. . . , cit.*, 78-80; and M.K. WOEBBEKING, *The Impact of Smart Contracts on Traditional Concepts of Contract Law, JIPITEC*, vol. 10, 2019, 106-113, 107-109.

9. See first indent of Article 8-ter (2) of *Decreto-legge n.135 (14.12.2018) convertito con modificazioni dalla Legge n.12 (11.02.2019) (G.U. n. 36, 12.02.19)*.

Therefore, the underlying agreement between the parties that leads to the contractual promises being encoded and deployed on the blockchain remains determinative with regard to the legal nature of the contract. In typical situations, the use of DLT systems will be an issue regarding the performance of certain obligations under a contract. From the conflict of laws perspective, the characterization of such underlying relationship – that usually is only partially encoded in the *smart contract*- is decisive with regard to the international jurisdiction over the disputes between the parties and to address the choice of law issues that such disputes may pose. For instance, issues concerning the interpretation and performance of a contractual obligation – regardless of whether it is encoded as a *smart contract* or not - fall within the scope of the law governing the contract (art. 12 of the Rome I Regulation[10]).

This general conclusion applies also to cross-border *smart contracts* relating to copyright. The underlying contract is determinative to establish jurisdiction and the national law applicable to disputes concerning the *smart contract*. This applies to disputes that may be similar to those that arise from contracts that have not been encoded, such as claims concerning the unlawfulness of a clause, as well as to claims specific to *smart contracts* or to the use of blockchain systems. Examples of the latter may be claims regarding alleged errors in how parties' arrangements have been encoded or disputes arising from situations in which the underlying contract was terminated but the execution of the encoded transaction could not be reverted[11].

2. International jurisdiction: choice of forum

Contractual claims concerning *smart contracts* are not subject to a specific jurisdiction regime. As regards business-to-business (B2B) contracts, an exclusive choice of contract agreement in the underlying contract will usually be determinative with respect to the jurisdiction over any contractual claim arising from the *smart contract* concerned[12]. Party autonomy is a very powerful tool to provide legal certainty to B2B cross-border transactions. Under Article 25(1) of the Brussels I Regulation (Recast)[13], the effectiveness of a choice of court agreement is subject to certain requirements. Formal re-

10. Regulation (EC) No 593/ 2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I).

11. M.K. Woebbeking, 'The Impact of Smart Contracts on Traditional Concepts of Contract Law', *JIPITEC*, vol. 10, 2019, pp. 106-113, p. 111.

12. P. De Miguel Asensio, *Conflict. . . , cit.*, paras. 6.70 to 6.87.

13. Regulation (EU) No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast).

quirements raise particular concerns in those situations where the choice of forum clause is part of the terms and conditions of the underlying contract. Article 25(1) allows several alternative forms: (a) in writing or evidenced in writing; (b) in a form according to the regular practices between the parties; or (c) in a form which accords to the common usages in the particular trade or commerce concerned[14].

As regards the underlying contract, it is to be noted that choice of court agreements included in standard terms and conditions may meet the 'writing' requirement. In those situations, an explicit reference that such terms form part of the contract, which can be controlled by the other party exercising reasonable care, in addition to the actual communication to that party of the general conditions containing the jurisdiction clause may suffice[15]. Article 25(2) provides a special rule to clarify that prorogation agreements concluded by electronic means may satisfy the requirement of 'writing'[16]. The general terms and conditions of the underlying contract that include the choice of court clause may be accepted by the 'click-wrapping' method, provided that the other party is given the possibility of obtaining a durable record of the prorogation agreement[17]. A valid choice of court agreement in the underlying contract shall cover disputes between the parties concerning the performance of the resulting obligations memorialized in the *smart contract*.

Unlike the situation in B2B contracts, recourse to choice of court agreements in B2C transactions falling within the protective regime for consumers laid down in Articles 17 to 19 of the Brussels I Regulation (Recast) is subject to significant restrictions[18]. The protective regime applies where certain basic conditions are met. A contract must actually have been concluded between a consumer and a trader or professional. Moreover, a consumer is only protected in situations in which the contract has certain connection to the country of his habitual residence, because the trader pursues his commercial activity in that country or directs his activities by any means to that country, and the contract is concluded as a result of such activities. Choice of court agreements in B2C transactions falling within the scope of the protective regime of the Brussels I Regulation (Recast) are only permitted in the three exceptional situations provided for in Article 19. Typical choice of court agreements included in B2C online transactions traditionally do not fall within any of those exceptions.

14. See also Article 3 of the 2005 Hague Choice of Forum Convention and Article 23 of the 2007 Lugano Convention.

15. CJEU Judgment of 14 December 1976, *Estasis Saloti di Colzani*, 24/76, EU:C:1976:177, para 12.

16. Article 3(c)(ii) of the 2005 Hague Choice of Court Convention contains a similar provision.

17. CJEU Judgment of 21 May 2015, *El Majdoub*, C-322/14, EU:C:2015:334, paras 33-36.

18. Z.S. TANG, *Electronic Consumer Contracts in the Conflict of Laws*, 2nd ed, Hart, 2015, 121-136.

3. Jurisdiction in the absence of choice

In the absence of a choice of forum agreement, the interpretation of the special jurisdiction rule in matters relating to a contract laid down in Article 7(1) of the Brussels I Regulation – as an alternative to the courts of the Member State of the defendant's domicile - raises particular challenges with regard to contracts that are to be performed by electronic means[19]. The term 'matters relating to a contract' is defined regardless of the use of electronic means for the assumption of the obligation, the conclusion of the contract or the performance of the contractual obligations at issue. Pursuant to the general rule in Article 7(1)(a), jurisdiction is conferred to 'the courts for the place of performance of the obligation in question'. Hence, the relevant contractual obligation is the one whose non-performance is relied upon to support the claim. Article 7(1)(a) is only applicable to cases that cannot be classified as sale of goods or provision of services. Article 7(1)(b) provides for autonomous definitions of 'the place of performance of the obligation in question' with regard to contracts relating to the sale of goods and provision of services.

The jurisdiction grounds in Article 7(1)(b) of the Brussels I Regulation (Recast) are intended to establish a single forum with regard to disputes concerning all contractual obligations arising from a sale of goods or a provision of services. In the case of the sale of goods, such a place is the place in a Member State where, under the contract, the goods were delivered or should have been delivered. In the case of the provision of services, the single place of performance is located in a Member State where, under the contract, the services were provided or should have been provided. These rules apply to establish jurisdiction with regard to disputes over *smart contracts* where the underlying contract is a sale of goods or a provision of services even in situations where the obligation encoded as *smart contract* is not the delivery of goods or the provisions of service. Non-physical performance of obligations, as it is typically the case with those encoded as *smart contracts*, deserve particular attention as regards the location of the connecting factors in 7(1)(b).

Contracts concerning the supply of goods that incorporate digital content or digital services or interconnect to such content or services are in principle to be regarded as sale of goods[20]. Sale of goods contracts encompass the online trade of digital content in those situations involving the transfer of ownership in intangible property. The CJEU has addressed

19. P. DE MIGUEL ASENSIO, *Conflict. . . cit.*, paras. 6.91 to 6.124.

20. Article 3(3) of Directive (EU) 2019/771 on certain aspects concerning contracts for the sale of goods seems to provide a useful indication in that regard.

the classification as 'sale' of the making available of digital content to the customer by means of a download in the context of the copyright legislation. Notwithstanding that different context, its remarks on the concept of 'sale' in its *UsedSoft* judgment[21] provide useful indications to establish the autonomous concept of 'sale' that may be relevant when applying Article 7(1)(b) Brussels I Regulation (Recast) to contracts on digital content. The Court stated that it makes no difference whether the copy of the computer program was made available to the customer by means of a download from the rightholder's website or by means of a material medium such as a CD-ROM or DVD, since both operations involve the transfer of the right of ownership of that copy (para 47). In other situations where the making available of the digital content is not intended to be permanent, but only for a limited period of time, it appears that in principle the transaction should not be classified as a 'sale of goods'. The terms of a licence agreement may be relevant to give customers the right to use the content made available temporarily to them. However, such contracts will usually involve the provision of services relating to the making available, implementation and maintenance of the digital content[22]. Therefore, the better view appears to be that in most situations such contracts not involving the transfer of the right of ownership of a copy should be classified as 'provision of services' for the purposes of Article 7(1)(b) of the Brussels I Regulation (Recast)[23].

The identification of the place of delivery of goods and provision of services in situations where such obligations are to be performed online has been regarded as one of the most challenging issues posed by the application of jurisdiction rules to Internet transactions[24]. As relevant elements in this regard, reference has been made to several factors, such as: the location of the server which hosts the digital content being supplied or the data relevant for the provision of the service; the place from where that content

21. Judgment of 3 July 2012, *UsedSoft*, C-128/11, EU:C:2012:407.

22. See by analogy the remarks of AG Bot in his Opinion of 24 April 2012 in *UsedSoft*, C-128/11, EU:C:2012:234, para 57,

23. In this connection, it is noteworthy that when establishing that a licence contract is not a contract for the provision of services, the Court referred to a contract under which the owner of an IP right grants the licensee the right to use that right in return for remuneration and undertakes merely not to challenge the use of that right, see CJEU Judgment of 23 April 2009, *Falco Privatstiftung and Rabitsch*, C-533/07, EU:C:2009:257, paras 29-32. See B. UBERTAZZI, *IP-Lizenzverträge und die EG-Zuständigkeitsverordnung*, *GRURInt*, 2010, 103-115. See also CJEU Judgment of 19 July 2012, *Pie Optiek*, C-376/11, EU:C:2012:502, paras 47-48.

24. See, e.g., HCCH, *Electronic Commerce and International Jurisdiction*, Prel. Doc. No. 12 of August 2000, available at <*www.hcch.net*>; D. GIRSBERGER, *The Internet and Jurisdiction based on Contracts*, in *European Journal of Law Reform*, vol. 4, 2002, 165-183, 180-182; P. MANKOWSKI, "Art 5", U. Magnus y P. Mankowski (eds.), *Brussels I Regulation*, 2nd ed., Munich, Sellier, 2012, 189-191; and S. LEIBLE, 'Art 5 Brüssel I-VO', T. Rauscher (ed.), *EuZPR/EuIPR (Brüssel I-VO –LugÜbk)*, Munich, Sellier, 2011, 232-245.

was uploaded on the server or the service is administered; the seller's or provider's domicile; the place of receipt, access or downloading of the information; and the recipient's domicile. In typical situations of services provided online it appears reasonable to consider that the place where, pursuant to the contract, the main provision of services is to be carried out is the place of establishment of the service provider, where typically he organises the elements involved in the provision of the service that is made available to the recipient.

As an exception to the general framework of the Brussels I Regulation (Recast), consumers are granted a *forum actoris* in those situations in which special protection is given to them as the party of the contract deemed to be economically weaker and less experienced in legal matters (Article 18). Consumer protection is reinforced by restricting the grounds of jurisdiction available when proceedings are brought against a consumer by the trader or professional. The other party to the contract can only bring proceedings in the courts of the Member State in which the consumer is domiciled. Other grounds of jurisdiction, in particular the special rule on jurisdiction in matters relating to a contract in Article 7(1) are not applicable to such B2C transactions.

4. Applicable law: limited scope of the law governing the contract

In order to establish the rules applicable to cross-border *smart contracts*, a basic starting point is that the law governing the contract, as designated by the Rome I Regulation, applies in principle to all issues that may be deemed as contractual with regard to the transaction concerned, such as its formation, content, interpretation and performance. The law of the contract determines the binding force of the contract, provides the rules to interpret and supplement the terms of the contract and the limits within which the parties are free to agree on such terms. As regards obligations encoded as *smart contracts*, the law applicable to the underlying contract shall in principle be determinative, since the programmable obligations do not qualify as a separate contract. As an exception, pursuant to Article 12(2), the law of the country in which performance takes place is to be taken into consideration 'in relation to the manner of performance and the steps to be taken in the event of defective performance'. This exception is deemed relevant to minor issues such as public holidays or delivery hours[25], which are particularly relevant to physical performance of obligations. The

25. M. MCPARLAND, *I Regulation on the Law Applicable to Contractual Obligations*, OUP, 2015, paras 17.28-17.34.

location of online acts of performance and the significance of this provision with regard to such acts requires a case-by-case analysis considering the type of contract and its terms. It may not be excluded that activities involved in the online performance of a single obligation are deemed to take place in different States for the purposes of this provision.

Furthermore, according to Article 1(3) the Rome I Regulation does not apply to evidence and procedure, without prejudice to the application of the rules of the law of the contract concerning presumptions of law and the determination of burden of proof. Under Article 18(2), an act intended to have legal effect may be 'proved by any mode of proof recognised by the law of the forum or by any of the laws referred to in Article 11 under which that contract or act is formally valid, provided that such mode of proof can be administered by the forum'. Therefore, the law of the forum may be determinative as regards the legal recognition of blockchain electronic timestamping functions in order to establish the admissibility as evidence and the effects of such records in proceedings.

Smart contracts may also involve the processing of personal data. From the EU perspective, compliance with EU data protection law will be deemed as mandatary to the extent that the situation falls within the territorial scope of application of EU data protection law in accordance with article 3 of the GDPR[26], regardless of the law applicable to the contract.

International copyright contracts involve other relevant aspects not subject to the law of the contract, particularly certain issues concerning copyright as such. The territorial nature of these exclusive rights greatly influences the law applicable to them in contrast to the conflict of law rules on contracts. Since IP rights are exclusive rights with limited territorial scope, protection of the relevant subject matter for the territory of several countries presupposes the acquisition or recognition of parallel rights for each of the countries or territories covered by the contract. The fragmentation resulting from territoriality may eventually lead to the application of different national laws to the IP rights which are the subject matter of a multistate license.

Characterization of transferability as an issue governed by the law applicable to the copyright itself has significant implications due to the fact that in most copyright legislations certain rights cannot be transferred or licensed. This is especially true for systems that recognize moral rights as inalienable rights which in principle cannot be waived. The law applicable to the extent of moral rights and to determine if they are waivable by

26. Regulation (EU) 2016/679, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

means of a license is the law applicable to each copyright and not the law applicable to the contract. Furthermore, since limitations and exceptions to copyright are basic elements of the scope of protection of copyright that balance the different interests involved according to the policies of the respective copyright regime, these issues also fall within the scope of application of the conflict of law rule on copyright. The same rule applies to the possibility of waiving those exceptions or limitations[27]. This can be of great relevance to the position of certain licensees. All of the above-mentioned issues are governed by the law applicable to the copyright itself. The law applicable to the copyright itself - that governs transferability, registration of contracts in public registries, scope of protection, possibility of waiving moral rights, limitations and exceptions to copyright and the possibility to waive them - is the law of the country for which protection is claimed (Article 8 of the Rome II Regulation[28]). With respect to contracts such an approach leads to the law of the country for which rights are licensed or transferred. Recourse by the parties to blockchain technologies enabling the automatic execution of certain elements of a copyright transaction do not allow them to disregard such mandatory rules of the law of the law of the country for which rights are licensed or transferred.

5. Party autonomy

As regards contractual issues, Article 3 of the Rome I Regulation codifies the principle of party autonomy in very broad terms. Choice by the parties of the law applicable to the contract is the most effective tool to provide legal certainty[29]. As regards *smart contract* a choice of law in the underlying contract shall in principle be determinative. According to article 3(1) of the Rome I Regulation, the parties can select the law applicable "to the whole or to part only of the contract". However, the latter possibility is exceptional and only applies if a part of the contract is independent and objectively separable of the rest of the contract. It must relate to contract elements which can be governed by different laws without leading to contradictions[30]. The fact that an obligation is encoded and its performance automated with blockchain technology is not sufficient by itself in this respect.

27. See, e.g., article 7 of Directive 2019/790 on copyright in the digital single market.

28. Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II).

29. P. DE MIGUEL ASENSIO, *Conflict. . .*, cit., paras. 6.135 to 6.146.

30. M. GIULIANO and P. LAGARDE, *Report on the Convention on the law applicable to contractual obligations*, OJ C 282, 31.10.1980, 1-17.

The power of certain service providers and communities in the Internet context – such as platforms, social networks and DLT systems - to develop rules governing activities within such communities have brought renewed attention to the topic of the role of non-state bodies of rules as the law governing certain categories of transactions[31]. This is also relevant with respect to the consensus rules of so-called Decentralized Autonomous Organizations (DAOs), their self-enforcing protocols and the idea that such rules regulate the conduct of all participants in the network. Under Article 3 of the Rome I Regulation, the parties only may choose as the law of the contract the law of a country (or a territory having its own rules of law in respect of contractual obligations), and not a mere set of non-State principles and rules of substantive contract law. The Regulation does not preclude parties from incorporating by reference into their contract a non-State body of law (recital 13).

In practice, this means that if the parties to a contract choose only a non-State set of principles, under the Rome I Regulation, the non-State body of law prevails over the law of the contract, without prejudice to the application of the provisions of the law of the contract which cannot be derogated from by agreement. Under the Rome I Regulation, a choice of a set of non-state principles and rules by the parties is to be supplemented, if necessary, by the law of the contract determined in accordance with the Regulation, whose mandatory provisions also prevail. From the perspective of the Rome I Regulation the application of non-state consensus rules to the execution of certain aspects of the encoded obligations formalized by a *smart contract* is compatible with the fact that the underlying contract between the parties remains governed by the national law applicable to the contract. The latter shall apply to the extent that its provisions cannot be derogated from by agreement.

Furthermore, significant restrictions to party autonomy in B2C transactions arise in particular from the special protection granted to consumers under Article 6 of the Rome I Regulation. The scope of application of such protective rules and the contracts covered by them are similar in the Rome I Regulation and the Brussels I Regulation (Recast), previously discussed. Choice of law agreements in B2C contracts which fulfil the requirements of Article 6(1) are subject to the limitations established in paragraph 2. Pursuant to this provision, parties are allowed to choose the applicable law but such a choice may not deprive the consumer of the protection afforded to him by the mandatory provisions of the law of the country where the consumer

31. See, e.g., T. LUTZI, *Private Ordering, the Platform Economy, and the Regulatory Potential of Private International Law*, I. Pretelli (ed.), *Conflict … cit.*, 129-145, 134-136; and A. DICKINSON, *Cryptocurrencies…, cit.*, 107-109.

has his habitual residence. Due to the mandatory nature of those provisions, the protective measures in favour of the weaker party should prevail over the chosen law in all cases in which the content of the latter does not reach the protection granted by the harmonized EU rules. Furthermore, the CJEU has held that Directive 93/13 on unfair terms applies to choice of law clauses[32].

6. Applicable law in the absence of choice

In addition to restricting party autonomy to protect the consumer against a choice detrimental to his interests, Article 6 establishes, as a default rule, that consumer contracts shall be governed by the law of the country where the consumer has his habitual residence[33]. By establishing that the law of the habitual residence of the consumer governs, Article 6(1) is intended to protect the consumer and usually leads to a different law that would be otherwise applicable under the general rules in Article 4.

The use of electronic means in the formation of a contract or the performance of its obligations do not affect the rules applicable under the Rome I Regulation to determine the law governing the contract in the absence of choice. Additionally, the connecting factors used in this regard by the Rome I Regulation focus on the habitual residence of the parties and hence their application to contracts performed online is less problematic than connecting factors that rely on the place of performance of the contractual obligations[34].

Under Article 4 of the Rome I Regulation the first step to determine the applicable law in the absence of choice is to assess if the contract concerned can be categorised as being one of the specified types listed in paragraph 1. If that is the case, the applicable law is determined in accordance with the fixed rules of paragraph 1, and the resulting law can only be disregarded under the exception clause of Article 4(3) of the Regulation. The fact that certain arrangements of a contract relating to copyright are encoded as a *smart contract* and that self-executing protocols and DLT are used to perform some of the obligations arising thereof, does not alter the characterization of the underlying contract between the parties for the purposes of Article 4 of the Rome I Regulation.

32. CJEU Judgments of 28 July 2016, *Verein für Konsumenteninformation*, C-191/15, EU:C:2016:612; and of 3 October 2019, *Verein für Konsumenteninformation*, C-272/18, EU:C:2019:827

33. Z.S. TANG, *Electronic. . . cit.*, 160-162.

34. P. DE MIGUEL ASENSIO, *Conflict. . . cit.*, paras. 6.147 to 6.172.

Some of the rules in Article 4(1) make explicit the widely accepted result of applying to the relevant groups of contracts the characteristic performance doctrine. That is the case, in particular, with paragraph (a), which establishes that a contract for the sale of goods shall be governed by the law of the country where the seller has his habitual residence, and paragraph (b), which states that a contract for the provision of services shall be governed by the law of the country where the service provider has his habitual residence. Licences and contracts relating to intellectual property rights are not mentioned in Article 4(1) of the Rome I Regulation. Contracts not included in any of the categories listed in Article 4(1) are subject to the characteristic performance test under Article 4(2).

The distinction between contracts for the provision of services and certain contracts involving IP rights may be of particular interest for the purposes of Article 4(1)(b). With respect to the interpretation of the concept of provision of services in Article 4(1) of the Rome I Regulation, its Preamble stresses that it should be interpreted in the same way as in Article 7(1) of the Brussels I Regulation insofar as provision of services is covered by that Regulation. In the light of the *Falco* judgment, typical contracts to make available digital content temporarily to users over the Internet, even if include the terms of a licence agreement, should be regarded as contracts for the provision of services when involving services relating to the making available, implementation and maintenance of the digital content. Therefore, contracts involving a licence in which the licensor performs services in granting a right to use the IP concerned are usually covered by Article 4(1)(b) of the Rome I Regulation. The same should apply to all agreements where the permission for use granted to the licensee by the owner of the IP right is functionally subordinate to the main obligation of one of the parties to provide certain services to the other party.

Concerning contracts whose main object is the transfer or licence of IP rights, which are not covered by Article 4(1), the prevailing view is that it is possible to determine the performance of one of the parties as characteristic with regard to the basic types of contracts on IP rights[35]. The party who is to effect the characteristic performance in typical assignment or transfer of rights contracts is the assignor or transferor. Also, it is widely accepted that the characteristic performance in basic licence contracts whose content consists of the permission granted by the owner of the IP right (or know-how) to enjoy it in return for payment is that of the licensor. Notwithstanding that, it can be noted that the typology of contracts relating to IP rights is

35. P.A. DE MIGUEL ASENSIO, *The Law Governing International Intellectual Property Licensing Agreements (A Conflict of Laws Analysis)*, J. de Werra (ed.), *Research Handbook on Intellectual Property Licensing,* Edward Elgar, 2013, 312-336, with further references.

very diverse. In practice, these contracts include categories of agreements in which the characteristic performance corresponds to the other party, contracts in which no characteristic performance can be determined, and contracts that are manifestly more closely connected with a country rather than that of the habitual residence of the transferor or licensor.

In order to safeguard the proximity principle, Article 4(3) provides for an escape clause. Where the contract is manifestly more closely connected with a country other than that indicated in paragraph (1) or (2), Article 4(3) establishes that the law of that other country is to apply. In any case, the Regulation grants a certain degree of discretion to the courts and provide little guidance on how to exercise it. The only indication is that, with a view to determine if such a manifestly closer connection exists, a relevant factor is the existence of a very close relationship of the contract in question with another contract or contracts, as stated in the Preamble to the Rome I Regulation (recital 20). This element may be relevant in situations where certain contracts are a part of a broader framework arranged through a number of contracts. Concerning agreements whose main object is the transfer or licence of an IP right, it has also been noted that the specific nature of such rights may decisively affect the existence of special links between the contract and one country. The view that certain contracts whose object is IP rights of one single country are clearly most closely connected with that country (country of protection) has found significant acceptance[36].

36. A. METZGER, *Article 3:502: Applicable Law in the Absence of Choice*, European Max Planck Group on Conflict of Laws in Intellectual Property (ed), *Conflict of laws in intellectual property,* OUP, 2013, 272-279.