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The Assignment of a European Patent Portfolio: *A plea for a 'Lex Proprietas'*

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INTRODUCTION

Intellectual property law is by definition international in scope. Immaterial objects, like inventions, designs, brands or works of authorship cross borders easily and in the cyberspace era such travels literally only require the push of a button.

Technology in particular can be easily applied on a global scale, if only because technology is unbiased by language or culture. In technology dominated industries like electronics, pharmaceuticals, software or household appliances, multinational companies have also been around for quite some time. If one then takes into consideration that past decades have seen a number of subsequent waves of international mergers and acquisitions and subsequent periods in which divestitures were the fashionable thing to do, it is obvious that international patent portfolios have had to change hands quite regularly. Moreover, even if their ownership would have remained the same, these valuable immaterial assets of corporations – their *intellectual capital* – may have been required as collateral for the financial needs of shareholders, banks and venture capital providers. In particular, for start-up companies, where IP rights may be the sole assets in the absence of established revenue streams, being able to use this intellectual capital for financing purposes can be quite critical for the survival of the company. The assignment or collateralization of international patent portfolios is becoming a more common phenomenon in a global knowledge economy in the Information Age.

Open innovation is also a growing trend. This means that companies no longer have a "stand alone" perspective either for developing technologies or for exploiting them. Instead, they try "in-sourcing" technologies from third parties and also focus on opportunities for the "outsourcing" of their technologies by having third parties apply these technologies. This stands for a R&D-paradigm shift from "*not invented here*" to "*proudly found elsewhere.*" It is needles to say that this trend also requires that technology portfolios can be relatively easily assigned or licensed at low transaction costs and with few issues as to whether the transaction is indeed legally valid, binding and enforceable. Such a transaction should in theory be as easy to execute as buying a loaf of bread at the bakery or – perhaps more realistically – buying a house. Not necessarily, an everyday practice for the average citizen, but from a legal perspective a transaction that is a commodity and does not require the application of "rocket science".

Against this background, it is a sobering realization that the legal framework that should be able to facilitate such international IP-transactions is still in its infancy, both at an international as well as at a national level.

The message, however, seems loud and clear: if the legal system does not wish to become (or remain) an obstacle for innovation it has to "*clean up its act*" quickly. Since lawyers do not have a great reputation when it comes to being either quick or practical, I will waste no further words on nice introductions but focus on the task ahead. I hope that by at least discussing patent law, Thomas Reimann will forgive me for taking a subject that is more of interest for a transactional practice and not necessarily the stuff that a an IP litigator wants to be associated with. During our joint stay at Clifford Chance, before we each left to start up IP niche law firms, I have come to know him as being open minded and good-natured. Therefore, I am quite optimistic that he – and hopefully you – will bear with meduring this slight 'detour'.

THE INTERNATIONAL PATENT FRAMEWORK

Industrial property rights have had an international treaty framework for quite some time. The *Paris Convention for the Protection of Industrial Property* of 1883 has, from the start, been a home for patents.[1] As a consequence, The Netherlands – one of the eleven signatory states of the original Convention in 1883 – had to reintroduce a patent system in 1910, after having been a country without patents since 1869. In the period between 1883 and 1979, we have seen seven revisions of the Paris Convention. Thereafter, the *Agreement on Trade Related Aspects of Intellectual Property Rights* of 1994 – better known as TRIPs – provided an additional strong global treaty platform for patents. In the meantime, the procedures that apply to the filing of international patent applications have been unified and improved by the *Patent Cooperation Treaty* of 1970 and the *Patent Law Treaty* of 2000. In a European context patent law has also been harmonized by the *Convention on the Unification of Certain Points of Substantive Law on Patents for Invention* of 1963 – better known as *the Strasbourg Convention* – and, last but certainly not least, the *European Patent Convention* of 1973 ("EPC").

This list clearly shows that the international patent community has been quite busy if it comes to harmonizing international patent application procedures as well as issues of substantive (national) patent law. Issues such as novelty, inventive step, industrial applicability, sufficient disclosure, unity of invention, and claim interpretation have received a lot of attention. This has also resulted in a situation where it is

1 See: G.H.C. Bodenhausen Guide to the Application of the Paris Convention for the Protection of Industrial Property, BIRPI, 1968, Geneva, Switzerland, at page 26.

not uncommon for national courts in European jurisdictions to refer to – and discuss as well as disagree with – patent judgments by fellow European courts, in which these issues are dealt with.

However, civil or commercial law matters as to how patents can be transferred, licensed or used as collateral, have not received that kind of attention. These issues are hardly touched upon by these treaties and are primarily still a matter of national law.

THE EUROPEAN PATENT CONVENTION: THE *LEX PROTECTIONIS* RULES

A clear example of this national approach can be found in Chapter IV of the European Patent Convention dealing with the European patent application as an *object of property*.

Article 74 EPC states that, unless the Convention provides otherwise, a European patent application as an object of property shall, in each designated Contracting State and with effect for such State, be subject to the law applicable in that State to national patent applications. From a property law perspective the Convention therefore treats a single European patent application already as a bundle of national rights. Given the fact that the end product of the European Patent Convention – a granted European patent – does not really exist but immediately falls apart into a bundle of national patent rights, this solution only seems practical and efficient. If the granted European patent has to be treated as a bundle of national patents, which national patents are subject to the laws of the relevant, designated states, one might as well do the same with regard to the application that is the stepping-stone towards these granted patents.

As article 74 EPC states, national law only applies, unless the Convention provides otherwise. If one then takes a closer look at the articles 71 through 73 of Chapter IV, it becomes clear that this reservation with regard to convention law sounds more threatening than it actually is.

Article 71 EPC – under the heading *transfer and constitution of rights* – states that *a European patent application may be transferred or give rise to rights for one or more of the designated Contracting States*. That the application can be transferred will probably not come as a big surprise. However, although this article may seem to state the obvious, it turns out that it is be quite critical if the national law of a Contracting State is structured in such a way that a right can only be transferred if there is a statutory provision to that effect. This – I must regretfully admit – happens to be the case for Dutch law. As from the coming into effect of the new Dutch Civil Code on 1 January 1992, Dutch law contains a new rule in article 3:83(3) BW, which effectively provides that an intellectual property right can only be transferred if such is provided for in a statutory provision. However, Dutch law, and more in particular the Dutch Patent Act, lacks a provision that states that a European patent application can be transferred. If not for article 71 EPC, European patent applications could therefore not be transferred or assigned as a matter of Dutch law.[2]

Article 71 EPC is also quite intriguing. It states that the application may *give rise to rights for one or more of the designated Contracting States.* Guidance as to what this may entail can be found in the *Implementing Regulations to the Convention on the Grant of European Patents.* Rule 23 and rule 24 thereof make it clear that the (i) *grant or transfer of a license,* (ii) *the establishment or transfer of a right in rem in respect of a European patent application and* (iii) *any legal means of execution affecting such an application* are what the Convention has in mind in this context.

Article 72 EPC provides a mandatory rule for the manner in which a European patent application has to be assigned: *An assignment of a European patent application shall be made in writing and shall require the signature of the parties to the contract.* The requirement of a written document will probably not create much of a problem, since most assignments will be in a written form anyway. As to the signatures of the parties, this provision may perhaps create more of a problem, if for instance national law would be more lenient and perhaps only require the signature of the assignor. If one needs to close an international transaction with party representatives being spread over different international locations, actually getting those signatures in place can sometimes cause quite some excitement. Such a requirement for all signatures – as opposed to a system in which only the signature of the assigning party would suffice – is therefore not necessarily ideal.

Article 73 EPC closes the list by providing that *a European patent application may be licensed in whole or in part for the whole or part of the territories of the designated Contracting States.*

THE IMPACT OF THE *LEX PROTECTIONIS*

Any and all property law aspects of a European patent application – other than the above-referred provisions of the European Patent Convention – are governed by the national law of each of the designated states, as article 74 EPC stipulates. In essence, that means that the so-called *lex protectionis* applies to all issues dealing with a European patent application as an object of property. As the name *lex protectionis* already gives away, that same rule applies if it comes to the protection that can be derived from the national patent that comes out of that European patent application vis-à-vis a third party that might infringe the patent.

2 There a number of other IP rights that at present may, because of this provision, not be transferable under Dutch law, such as (i) PCT applications and the entitlement thereto, (ii) priority rights as provided by, for instance, the Paris Convention and the Madrid Arrangement or Protocol, and (iii) Community Design Rights, since neither the Paris Conventions. One would think that the legislature would quickly fix this gap, but that thought has since turned out to be naïve, since nothing has been done in this regard since 1992.

The consequence of this regime as applied by the European Patent Convention is that one has to check the national laws of each designated state of European patent application, if one wants to determine whether a given assignment of such an application is indeed legally valid, binding and enforceable in each jurisdiction involved. In this context, one has to think of issues like (i) does a transfer need a valid title and what happens if that title is invalidated at a later stage, (ii) when does a transfer actually occur and what are the requirements for a valid deed of transfer, (iii) when can the assignor be deemed to be authorized to transfer, and (iv) when does a transfer have effect as between the parties involved and when vis-à-vis third parties or a receiver in the bankruptcy of the owner of the patent application.

These subjects may not seem to be that "sexy", but if one pictures these questions against the background of a transfer being done, or a security interest being created, one day before a bankruptcy, one can probably imagine that these issues can turn out to be very critical and to require close scrutiny. The same kind of interest may be evoked if the patent application concerned covers the critical technology of a company that will be acquired by a third party or that will do an initial public offering of its shares on a stock exchange. The required due diligence, legal opinions from counsel and the prospectus will need to be clear and correct, if it comes to answering the question whether that company is actually the owner and whether any previous transfer of rights is indeed legally valid, binding an enforceable and cannot be reversed by the previous owner(s) or the receiver in the bankruptcy of any previous owner. If the company turns out not to own its technology or no longer to have access to its core technology, that will of course have a major impact on its value. Any incorrect or incomplete disclosure of the legal position of that company with regard to its patents may therefore result in claims from affected third parties, like banks or holders of shares or bonds of that company. Needless to say, that such will also mean that any of the legal advisers involved will be confronted with professional liability issues.

If and when all matters concerning a European patent application as an object of property are therefore governed by the various national laws of the designated states, a transaction concerning such an application can be quite cumbersome and costly. If one realizes that at present the European Patent Organization has 34 Contracting States, it will be obvious that if one does not want to run any risk with regard to a particular issue, and one is dealing with a patent that applies in all states, that issue should be checked under the laws of 34 countries. Simply exchanging a few e-mails with local counsel in each jurisdiction and having them answer a few simple questions may easily result in easily spending up to € 1000 per country. Before you know it, this may mean that you have been spending up to € 50 000. One can probably also safely assume that the more complex the question is, the less likely it will be that the answers from all these jurisdictions will be the same or similar. I assume, this expose makes it obvious that transaction costs can rapidly become quite substantial.

Imagine the question being whether a New York law security interest can be vested on a European Patent application. That "simple" question can – at least as a matter of Dutch law – trigger quite a number of issues that are not really covered by the handbooks or case law. The result will be that asking such questions is a luxury that not too many parties can afford. This is therefore not really a legal environment that actually makes it easy for technology driven companies to use the value of their intellectual capital as collateral for their financial needs. If one's goal is to create an environment that stimulates investments in innovative technologies, having the *lex protectionis* govern matters that deal with patent applications as an object or property is therefore far from ideal.

PROPERTY: AN ASSET THAT BELONGS TO AN OWNER

What is an *object of property*? "Property" is a legal term and shorthand for *property right*. A property *right* stands for the relationship between an object and its owner. Objects, ranging from real estate, movable goods, rights and claims, are usually owned by a certain person. That "person" can either be a natural person or a legal entity, like a corporation. An object of property is an *asset* of its owner, which is listed on that owner's balance sheet as part of that owner's estate. In case of a bankruptcy, the receiver will liquidate those assets for the benefit of all creditors of the bankrupt owner.

Estate and property law focuses on the relationship between the owner and all of his assets. Those assets may be all in one jurisdiction or they may be spread out over multiple jurisdictions and can have all kinds of "shapes and forms". From a private international law perspective, the one constant is the owner and his place of domicile. From an estate law perspective that domicile is also of major importance because that residence is likely to be the jurisdiction where bankruptcy proceedings against that owner will be opened and under which laws that bankruptcy will be resolved.[3]

It is an established principle of private international law that the applicable law to a legal relationship should be the law that is the most closely connected thereto. Naturally, there are some exceptions to this general rule.

In case of a contract, article 4 of the 1980 Rome Convention on the law applicable to contractual obligations (*Rome I*)[4] provides that – in the absence of a choice of law – a contract is deemed to be most closely connected with the country where the party that has to effect the performance, which is characteristic of the contract, is located. That location is the country of that party's (i) habitual residence, or (ii) its central administration in case of a corporation, and (iii) in case of a contract entered into in the course of the party's trade: its principal place of business. There are various exceptions to this principal rule, such as for immovable property, in which case the contract – in the absence of a choice of law – shall be presumed to be most closely connected with the country in which the immovable property is situated (article 4(3), Rome I). In case of a tort, the law of the country in which the damage occurs applies, as article 4(1) of the Rome II-regulation provides.[5]

These provisions, however, are only exceptions to the general rule that the law of the jurisdiction of the domicile primarily governs the relationship between an owner and his assets. These exceptions are indicated by the circumstance that there is a closer connection with another jurisdiction than with that of the law of the jurisdiction of domicile. That connection is closer because either the person himself, the acts concerned or the relevant object is situated in that other jurisdiction or causes effects that create an impact outside the jurisdiction of domicile.

THE "CLOSE CONNECTIONS" OF AN IP RIGHT

By its nature, an IP right primarily has an impact in the jurisdiction in which it can be invoked against third parties. Its creation, term, scope and content are aspects that primarily have an impact in, and are most closely connected to, the country in which that IP right exists. Therefore, these matters are naturally governed by the lex protectionis.

With regard to the property aspects of an IP right, however, that lex protectionis is a less obvious candidate. Dealing with IP rights as an object of property means dealing with issues related to the fact that these rights are part of the estate – the collection of all assets – of their owner. Those aspects seem more closely connected to the jurisdiction of that owner's habitual residence. That jurisdiction will also govern the transfer of the estate in case of an inheritance or merger and will most likely apply in case of a bankruptcy. Having such aspects governed by the lex protectionis does not seem obvious at all and will primarily unnecessarily complicate matters.

Matters of ownership primarily concern the relationship between a proprietor and his assets. Therefore, those matters are most closely connected to the jurisdiction of that proprietor's domicile. It is only if the IP right concerned may be invoked against a potential infringer that the law of the jurisdiction in which the IP

3 See: Article 3 (international jurisdiction) and article 4 (applicable law) of Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings, Official Journal of the European Communities, 30 June 2000, L 160/1: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:160:0001:0018:EN:PDF.

4 1980 Rome Convention on the law applicable to contractual obligations, Official Journal of the European Communities, 26 January 1998, C 027, p. 34 -46 (Rome I). http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:41998A0126(02):EN:HTML.

5 Regulation (EC) no 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II). http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_199/l_19920070731en00400049.pdf.

right actually exists become relevant again as the law that is most closely connected to the relationship between the owner of that IP right and the potential infringer. Given the fact that IP rights are not only national rights but also rights that can be invoked against potentially numerous third parties, the law that may govern aspects of ownership is certainly not a serious candidate to govern these infringement related aspects of an IP right. However, it seems that the choice for the law of the proprietor's domicile as the law governing aspects of an IP right as an object of property can hardly meet serious opposition and obviously provides for the most cost effective result.

LEX PROPRIETAS

To indicate that with regard to an IP right as an object of property the law of the jurisdiction of the proprietor is better suited to apply than the actual law of the jurisdiction for which the right is granted or exists – the lex protectionis – it may be opportune to introduce a separate term. The Latin term for property – proprietas – seems appropriate for this purpose, also because it closely resembles the English term "property" and the French term "propriété". Against this background, I will use the term "lex proprietas". That term basically stands for two aspects. First, that the law of one jurisdiction can govern the transfer of international IP rights as opposed to the laws of the numerous jurisdictions in which these IP rights exist. Second, that in the absence of a choice of law by the parties, the default rule should be that the law of the jurisdiction where the owner has his domicile applies.

It is my opinion that the lex proprietas is to govern matters concerning the property aspects of an IP right.[6] However, this does not mean that the lex protectionis is no longer relevant in this context.

First of all, that lex protectionis, under which the IP rights exist, is to determine whether that right can be transferred.[7] As mentioned above, Dutch law requires the existence of a statutory provision that determines that a right can be transferred. This provision of Dutch law will apply to all Dutch IP rights, if only because it cannot be that a Dutch right would be transferable simply because the proprietor would be domiciled outside The Netherlands. Second, the lex protectionis plays a role with regard to any provisions concerning how the transfer of a national IP right can be invoked against a third party, like an infringer. It is obvious that when that

6 See for a more detailed analysis (in Dutch): Th.C.J.A. van Engelen, *Intellectuele eigendom en internationaal privaatrecht, Boom juridische uitgevers*, Den Haag, 2007, which can also be found at www.dickvanengelen.nl.

7 This approach is also in line with the regime that applies to the assignment of contractual claims against a debtor as provided in the Rome I Convention: *The law governing the right to which the assignment relates shall determine its assignability, the relationship between the assignee and the debtor, the conditions under which the assignment can be invoked against the debtor and any question whether the debtor's obligations have been discharged.*

lex protectionis contains provisions of mandatory law, these provision will also apply. Such may for instance be the case if the applicable law requires that the proprietor of a patent must be registered before he can enforce the patent. If such a provision is indeed mandatory under the applicable national law of the lex protectionis, disregarding that provision will not be possible. However, whether or not the transfer of the patent to the new owner is indeed valid, as a matter between the assignor and the assignee, is an issue where that lex protectionis does not have a natural role to play.

Perhaps a hypothetical example may provide some clarity. Let us assume that a California based biotechnology company sells its European patent portfolio to a German pharmaceutical company. The European patent portfolio consists of a total of 10 patents and patent applications, with 15 designated states, among which Germany, the United Kingdom, Switzerland and The Netherlands. Under the lex proprietas rule, California law is to determine whether the assignment is legal, valid and binding as between these two companies. It also seems obvious to me that Dutch law should not have any role to play there, except in case a third party should be confronted with a claim of patent infringement concerning The Netherlands.

The consequence of the lex proprietas rule is also that the law that applies to the transfer of a patent is not a static matter but dynamic. It changes if the domicile of the owner changes. Such will be the case when the present proprietor moves his residence or principal place of business to another jurisdiction. In addition, once the patent has changed hands and has become the property of a new proprietor with a residence abroad, the applicable lex proprietas will change as well.

LEX PROPRIETAS: THE RULE FOR EU-IP-RIGHTS

The lex proprietas regime is not new. The system has been introduced with regard to the Community IP rights that we are familiar with since the nineties.

Given the fact that we do have Community IP rights – for trademarks, designs and plant varieties – but that we do not have a European civil law, the Community legislator had to decide this conflict of laws issue when introducing these unitary, supra-national IP rights. It is clear that if the legislator had followed the regime of the European Patent Convention, such would have seriously hindered achieving the desired result of establishing a unitary European right. In addition, it would have meant that any transfer would immediately trigger substantial transaction costs, simply because the laws of all of the Member States would have to be checked. Therefore, it was obvious that if the European legislator wanted its newly created IP right to become a success, it would have to come up with a more appealing solution.

Ideally, the European legislator would have addressed and solved all civil law aspects in the applicable IP regulations. However, such would have required actually developing a European civil code, or at least a substantial part of the body of law that otherwise would be part of such a European civil code, and that was clearly a bridge too far. Therefore, the European legislator has provided that these European IP rights *as an object of property* shall be dealt with in their *entirety, and for the whole area of the Community, as a national* IP right.[8] The consequence of this regime is that property aspects of a community IP right are governed by a dual track system: the provisions of the applicable Community regulation as well as the provisions of one national law.

It is noteworthy that the European legislator has limited the applicable laws that govern these property aspects of Community IP rights to the national laws of a member state. All three regulations do have a sophisticated "waterfall" provision that must ultimately lead to the application of the law of a Member State. For instance, the Community Trademark Regulation provides in article 16(1) that a Community trade mark as an object of property shall be dealt with in its entirety, and for the whole area of the Community, as a national trade mark registered in the Member State in which, according to the Register of Community trade marks, (a) the proprietor has his seat or his domicile on the relevant date; or (b) – where subparagraph (a) does not apply – the proprietor has an establishment on the relevant date. Article 16(2) CTR then indicates that if neither (a) or (b) applies, the law of the Member State in which the seat of the Office is situated applies. Section 3 of article 16 CTR further provides that if two or more persons are mentioned in the Register of Community trademarks as joint proprietors, section 1 shall apply to the joint proprietor first mentioned; failing this, it shall apply to the subsequent joint proprietor(s) in the order in which they are mentioned.

The result of this regime is that with regard to foreign – in terms of not having an establishment within the European Union – owners of Community IP rights, Spanish law applies in case of a Community trademark or design right, while French law governs in case of a Community plant variety right. I must admit that I fail to see why the laws of the Member States are given priority over the laws of foreign jurisdictions. In case of a transfer of a portfolio of Community trademarks from a New York based owner to a Japanese buyer, such would require Spanish law advice on the property aspects. It is not because of me being envious of my Spanish or French colleagues playing leading roles in the international transactional arena, that I question the wisdom of this provision. Given the fact that in such a transaction between a US seller and a Japanese buyer, neither Spanish nor French law has a natural role to play, it seems obvious that parties will probably overlook this requirement in a substantial number of cases. Good law is law that coincides with the "default" situation, unless there are good reasons to deviate. I fail to see such reasons. In addition, it increases transaction costs, which is always a bad thing, and it reeks of European provincialism and protectionism, which is usually a bad thing as well (at least in the long run).

8 See: Article 16 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, Official Journal L 11, 14 January 1994, p. 1–34; Article 22 of Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, Official Journal L 227, 1 September 1994, p. 1–30; Article 27 of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, Official Journal L 3, 5 January 2002, p. 1–24

The issues that arise for a national court of a Member State if it has to apply foreign – in terms of non-EU – law, seem equally challenging whether that court has to apply the laws of another Member State or of a non-EU jurisdiction. On the other hand, this requirement clearly creates additional difficulties and costs if – in the example above – the New York based seller and the Japanese buyer end up litigating the acquisition of the European trademark portfolio. That acquisition as such, either as an independent transaction, or as part of a transaction that includes a worldwide portfolio of trademarks and/or businesses – is likely to be governed by either New York law or Japanese law, but almost certainly not – with all due respect – by French or Spanish law. Therefore, if the European Community really wants to act on the world stage that accompanies a global economy, this limitation to the laws of a European Member State market appears to be rather provincial.

LEX PROPRIETAS: ENVISIONED BY THE COMMUNITY PATENT

The lex proprietas approach that one finds in the existing Community IP rights for trademarks, design rights and plant variety rights, finds its origin in the draft Community Patent Convention of 15 December 1975. However that draft has never come into effect because it has not been ratified by enough countries.[9]

Article 39 of the draft Convention provides that a community patent as an object of property shall be dealt with in its entirety, and for the whole of the territories in which it is effective, as a national patent of the Contracting State in which, according to the register of European patents provided for in the European Patent Convention had – shortly put – his residence on the date of filing for the application. If this would not result in the law of a contracting state being applicable, then the laws of Germany would apply.

Similar language was again used in the second attempt to establish the Community Patent with the Agreement relating to Community Patents of 15 December 1989, that also did not come into effect because it again lacked a sufficient number of ratifications.[10]

9 76/76/EEC: Convention for the European patent for the common market (Community Patent Convention), Official Journal L 017, 26 January 1976, pages 1–28. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:41975A3490:EN:HTML

10 89/695/EEC: Agreement relating to Community patents – Done at Luxembourg on 15 December 1989, Official Journal L 401, 30 December 1989, pages 1–27 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:41989A0695(01):EN:HTML.

The above two initiatives were at the level of the Contracting States to the European Patent Convention. The subsequent initiative by the European Union to create a European Community patent, which also did not reach the finish line in May of 2004,[11] used the same a language as well. Article 14 of the draft Regulation provides that the Community patent as an object of property shall be dealt with in its entirety, and for the whole of the Community, as a national patent of the Member State in which – shortly put – (a) the applicant for the patent had his residence or place of business on the date of filing of the Community patent application; or (b) where subparagraph (a) does not apply, the applicant had an establishment on that date. Article 14 closes by stating that in all other cases, the Member State referred to shall be that in which the European Patent Organization has its seat.

The good news that comes with all these failures to establish a unitary Community-wide patent is that there seems to exist a consensus among the various Contracting States and Member States that the envisioned Community patent as an object of property can indeed be dealt with by the law of only one jurisdiction. However, the bad news seems to be that these various failed attempts at establishing a Community patent do seems to label the person that still hopes for the Community patent to actually see the light of day as being really naïve. Finishing this article on the note that one may be naïve does not seem appropriate for a "Festschrift". Therefore – but not only in an attempt to avoid this contribution from being rejected – I finish by taking the position that there is no reason why national patent laws cannot under their own national conflict of laws principles already apply the lex proprietas rule as a matter of their national private international law.

LEX PROPRIETAS: A CONFLICT OF LAWS PRINCIPLE FOR NATIONAL PRIVATE INTERNATIONAL LAW

The term private international law is somewhat misleading in that – contrary to what this term may suggest – there is no such thing as a unitary body of law that governs private international law issues as a matter of international or supranational law. At the end of the day, it is still a matter of national law, albeit that for the European Union, the Rome I Convention (for contractual obligations) and the Rome II Regulation (for non-contractual obligations) do provide for a harmonized body of national law for certain areas of law.

However, each national law is free to be inspired by the conflict of laws rules as provided for with regard to the Community IP rights and to apply a lex proprietas regime when dealing with IP rights as an object of property. The benefits of such an approach seem obvious. It would clearly facilitate the transfer of international IP portfolios as well as the use of the value of such IP portfolios for financing purposes. Such will result in lower transactions costs and function as a positive environmental factor for stimulating innovation.

Bearing in mind that it is always wise to try to improve any given system, I also am of the opinion that the application of the lex proprietas rule should obviously not be limited to the law of a EU Member State, but should simply include – at least in principle – all jurisdictions. Let us look again at the examples referred to above of (i) a California based biotechnology company selling its European patent portfolio to a German pharmaceutical company, or (ii) a New York based seller and a Japanese buyer of a trademark portfolio. The parties to those transactions, as well as any other interested parties, such as facilitating financial institutions and the shareholders of these companies, are only served well by the application of the lex proprietas rule if indeed the laws of California or New York will apply to the transfer of the IP portfolio as a whole. European law does not really have a role to play with regard to the validity of the assignment between the parties to these transactions.

LEX PROPRIETAS AND ARTICLE 74 EPC

As noted earlier, article 74 of the European Patent Convention provides that the European patent application as an object of property shall, unless the Convention provides otherwise, in each designated Contracting State and with effect for such State, be subject to the law applicable in that State to national patent applications.

This article indicates that national law, i.e., the lex protectionis, shall apply to a European patent application. However, it is up to that national law how it will solve any conflict of laws issues. Article 74 EPC does not prohibit, or otherwise interfere with, national law adopting the lex proprietas rule. Via this route the end-result, that has been envisioned for the Community patent that has not yet materialized, can nevertheless be achieved for the European application; the first building block for such a Community patent. This would mean that all efforts to come to a Community patent will at least not have not been wasted completely if this little step forward for European patent applications is achieved.

LEX PROPRIETAS AND CHOICE OF LAW

The lex proprietas rule consists of two elements. First, it provides that the transfer of multi-jurisdictional IP rights can be governed by the law of only one jurisdiction as opposed to the transfer each national IP right being governed by its national law. Second, it provides a default rule by providing that the laws of the domicile of the proprietor will govern such a transfer.

11 Proposal for a Council Regulation on the Community patent. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007DC0165:EN:NOT.

However, the application of the law of the jurisdiction of the proprietor is – in my opinion – only a default rule. It seems that there is no reason why the lex proprietas rule, either as provided for Community trademarks, designs and plant varieties, or as a general principle of private international law, should be deemed to be of a mandatory nature. Its purpose is simply to indicate that one national law shall apply. It provides a default rule for which national law that will be, thus resolving any possible conflict of laws issues in that regard. Which law will actually apply because of this rule is, however, rather arbitrary. That being the case, I see no reason why the parties to a transfer of IP rights should not be in a position to choose the applicable law.

Referring again to the above example of the California based seller of an international patent trademark portfolio to a German buyer, one can imagine that these companies are publicly traded companies and have there shares listed at the New York Stock Exchange. In that case, there may be an express choice of law clause in the contract, choosing New York law as the applicable law. One of the reasons behind that choice of law is probably that most of the international banks and shareholders of both companies and their advisors will be familiar with, and feel comfortable with, New York law being applicable. It will therefore limit the transaction costs and provide cost benefits for a great number of interested third parties. In that situation, I see no reason why that choice of law should not hold water, assuming that this does not create any conflicts with mandatory provisions of laws of other jurisdictions that may be relevant.

In a European context, the Rome I Convention on the law applicable to contractual obligations also seems to provide some guidance in this context. Article 12(1) of Rome I provides that *the mutual obligations of assignor and assignee under a voluntary assignment of a right against another person ("the debtor") shall be governed by the law which under this Convention applies to the contract between the assignor and assignee*. It was the generally held view among Dutch scholars that the Rome I convention only applies to the *contractual obligation to assign* – the title for the transfer – a claim against a debtor, but not to the actual assignment thereof – the actual transfer of ownership of that claim (as a right in rem). However, in its *Hansa*-judgment of 15 May 1997,[12] the Dutch Supreme Court found that although the language of article 12(1) clearly does not include the actual transfer as well – and is indeed limited to the underlying obligation to transfer only – the purpose of Rome I is to have a broad scope of application with regard to its subject matter. Against this background, the Dutch Supreme Court then ruled that article 12(1) of Rome I not only determines which law applies to the obligation to assign a claim against a debtor, but also determines which law applies to the actual assignment of that claim. The consequence of this ruling by the Dutch Supreme Court is that the parties to the agreement to assign one or more contractual claims against one or more

12 Hoge Raad, 16 May 1997, *Hansa v Bechem*, NIPR 1997, nr. 209, p. 254; NJ 1998, 585, m.nt. De Boer and IEPT19970516 (at www.iept.nl) (all in Dutch).

debtor(s) are free to choose the law that applies both to their contractual relationship as well as to the actual transfer of these claims as between the assignor and the assignee.[13] I fail to see why that same freedom of choice with regard to the law that applies to the transfer of contractual claims can't apply with regard to the transfer of IP rights as well.

That the parties to an agreement to transfer IP rights have a freedom of choice as to the law that is applicable to the actual assignment, is also what the Court of Appeals at The Hague ruled. In its judgment of 20 September 2007 regarding the transfer of international copyrights in computer software programs,[14] the court held that Swiss law – as the law chosen by the parties – did apply to the actual assignment of the worldwide copyrights in the programs. In that case, the Court of Appeals also did find that Swiss law does not have formal requirements for a valid assignment of copyright, which is contrary to Dutch law where a deed of assignment is a formal requirement that needs to be met. Nevertheless, the court ruled that even though there was no actual deed of assignment, the assignment of the copyrights, including the Dutch copyrights, was legally valid and binding. The court thereby accepted the choice of law as made between the parties as binding and applied the lex proprietus rule.

CONCLUSION

Although private international law with regard to the transfer and assignment of IP rights is still in its infancy, and international harmonization and treaty provisions are still dearly missed, it seems comforting to be able to conclude that national laws do have the tools to come to a practical and cost effective solution.

Taking inspiration from the regimes as introduced with regard to the supranational Community IP rights, national law can also follow the lex proprietas rule. This means that in principle (a) one jurisdiction governs the assignment of international IP rights and (b) the law of the domicile of the proprietor of the IP rights governs that assignment, in the absence of a choice of law. This rule applies, except where relevant national laws might contain a mandatory provision. This may be the case with regard to requirements that need to be met before a right can be invoked against an infringer, such as the requirement that the transfer needs to be recorded in a public register.

One may therefore be somewhat optimistic as to the potential of the law to live up to the requirements imposed by international economic developments with regard to the exploitation of IP rights as intellectual capital. However, this optimism

13 The law that applies to the assigned claim, however, will govern the validity of the actual transfer of the claim against its debtor, as provided for in article 12(2) of Rome. See footnote 7 above.

14 IEPT20070920, Hof Den Haag (*Technip Kinetisch stroomschema*).

is only justified if the judiciary in the various jurisdictions is willing to take the initiative and will not shy away from actively creating new law. And that is were the true litigator can rise to the occasion and learn that transactional issues can be "quite exiting" after all.