17 Laws Applicable to Transfer and Licensing Contracts of Industrial Property Rights(*)

Research Fellow: Atsuko YAMAGUCHI

Conflict of laws rules for juridical acts as specified in Article 7 and later provisions of the Act on General Rules for Application of Laws (hereinafter referred to as the "General Rules Act") are applied to contracts concerned with transfer and licensing of industrial property rights (limited to contractual issues). Rulings and discussions have not sufficiently been accumulated concerning how conflict of laws rules in the absence of choice of law, especially Article 8(2) of the General Rules Act based on the theory of characteristic performance, should be interpreted for industrial property right contracts. The interpretation thus has yet to be clarified. For this reason, I would like to clarify the interpretation of the abovementioned rules in a bid to secure the safety of international transactions. I first analyze related arguments under the Rome Convention and the Rome I Regulation: both of these, as well as the General Rules Act include conflict of laws rules for contracts based on the theory of characteristic performance. With a view to legislative considerations, additionally, I also compare and analyze private international law principles and legislative proposals on intellectual property rights as prepared by four research groups. Based on these analyses, I give my personal view on the abovementioned conflict of laws rules of Japan.

Ⅰ Introduction

Laws applicable to the formation and effects of contracts concerned with transfer and licensing of industrial property rights[1] are determined in accordance with the Act on General Rules for Application of Laws (hereinafter referred to as the General Rules Act). This act is the main source of Japanese private international law. The rules for contracts under the act are summarized as follows: Under Articles 7 and 9 of the act, parties to a contract can choose a governing law of their contract. In the absence of such choice, a governing law is determined according to Article 8 of the act. The latter article, particularly Paragraph 2 based on the theory of characteristic performance, must be interpreted for each category of contract. But the manner in which the provision should be interpreted for industrial property right contracts has not sufficiently been discussed. Rulings on the interpretation have yet to be accumulated. However, since these types of contracts feature complicated, diversified relationships between rights and obligations of parties to the contracts and are difficult to interpret Article 8(2) of the General Rules Act for such contracts, the interpretation is further required to be clarified for safe transactions.

As a matter of course, if a governing law of a contract has been chosen, Article 8 of the act may not be applied and its interpretation may not be at issue. But parties to a contract are also allowed to choose no governing law. Even if the parties have chosen a governing law, the choice may not fall within “a choice of law under Article 7 of the General Rules Act”. In such cases, a governing law may be determined in accordance with Article 8. This means that as far as there are cases where no governing law is chosen, it is very significant to clarify the interpretation of conflict of laws rules for these cases.

In this study, therefore, I analyze the conflict of laws rules for contracts under the General Rules Act from the viewpoint of contracts concerned with transfer and licensing of industrial property rights focusing on the rules for cases where parties to the contracts have not chosen any governing law of their contracts. The analysis refers to related arguments in Europe that has had rules similar to the Japanese General Rules Act and active discussions on the matter. With a view to legislative considerations as well, I also compare and analyze private international law principles and legislative proposals on intellectual property rights as prepared by four research groups. Based on these analyses, I

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finally give my personal view on the abovementioned conflict of laws rules of Japan.

Ⅱ Laws applicable to Contracts: Act on General Rules for Application of Laws

I would like to give an overview of the conflict of laws rules for the formation and effects of contracts in Japan. Articles 7 to 9 of the General Rules Act provide for the rules.

Article 7 allows parties to a contract to choose a governing law of the contract at the time of conclusion of the contract. Article 9 allows the parties to change the governing law ex post facto.

In the absence of a choice of law under Article 7, the formation and effects of a contract shall be governed by the law of the place with which the contract is most closely connected at the time of conclusion of the contract (hereinafter called the law of the place with the closest connection) under Article 8(1). Since Article 8(1) represents an approach rather than a rule, this provision is clarified by Articles 8(2) and (3), namely presumption rules[2]. The indicated place in accordance with these provisions shall be presumed to be the place with the closest connection. Article 8(2), which is applied to juridical acts causing claim-obligation relationship in general, including contracts on industrial property rights, states that the law of the habitual residence of the party providing the characteristic performance (hereinafter referred as the characteristic performer) shall be presumed to be the law of the place with the closest connection. Article 8(2) is based on the so-called characteristic performance theory. A legislative document for the General Rules Act explains the theory as an approach where the principal place of business for the party providing the characteristic performance (a performance that can become a standard to separate some type of contracts from the other types) is considered the place with which the contract is most closely connected[3], based on and generalizing a view that the place of business for the merchant is the place with which the contract is most closely connected because the center of gravity of the contractual relationship for commercial acts is situated on the side of the party undertaking professional acts. The characteristic performance is generally interpreted as performance for which the payment is due in case of bilateral contracts[4]. In a sales contract, for example, the delivery of goods is the performance for which the payment is due, and then the former performance is viewed as the characteristic performance. Therefore, the law of the habitual residence of the seller providing the characteristic performance is presumed to be the law of the place with which the sales contract is most closely connected[5].

The characteristic performance can be identified in this way. In an exchange or joint venture contract under which both parties are required to provide equal performance each other, however, no characteristic performance can be determined[6]. In this case, the law of the place with the closest connection is determined under Article 8(1). If the law of the habitual residence of the characteristic performer is identified for the relevant contract but the contract is more closely connected with another place, the presumption under Article 8(2) can be rebutted. In this case, the contract shall be governed by the law of the other place as the law of the place with the closest connection[7].

The formation and effects of contracts concerned with transfer and licensing of industrial property rights are governed by laws determined under the above rules. The problem here is the interpretation of the theory of characteristic performance. What is the characteristic performance of transfer and licensing contracts of industrial property rights? Who is the characteristic performer? Can the characteristic performance be identified? These questions have not been sufficiently discussed or clarified in Japan[8]. Therefore, I analyze discussions on these questions under the Convention on the law applicable to contractual obligations opened for signature in Rome on 19 June 1980 (hereinafter referred to as the "Rome Convention"[9]) and the Regulation (EC) 593/2008 of the European Parliament of the Council of 17 June on the law applicable to contractual obligations (hereinafter referred to as the "Rome I Regulation"[10]). Based on the analysis, I clarify the interpretation of Japan's rules.

Ⅲ Rules on Law Applicable to Contractual Obligations: Rome Convention and Rome I Regulation

Before considering discussions under the Rome Convention and Rome I Regulation, I overview the rules provided in them on the law applicable to contractual obligations as far as they are directly related to this study.

The Rome Convention allows the parties to a contract to choose a law applicable to the contract

(Article 3(1), first sentence). In the absence of such choice, the convention provides that the contract shall be governed by the law of the country with which it is most closely connected (Article 4(1), first sentence). On the law of the country with which it is most closely connected, the convention adopts the theory of characteristic performance[11] and presumes that the law of the country where the characteristic performer has its habitual residence, which is determined under the theory, is the law of the country with which the contract is most closely connected (Article 4(2)). If the characteristic performance cannot be determined, Article 4(2) may not apply (first half of Article 4(5)). If it appears from the circumstances as a whole that the contract is more closely with another country, the presumption in Article 4(2) may be disregarded (second half of Article 4(5)) and the law of the other country may apply.

Meanwhile, the Rome I Regulation, like the Rome Convention, recognizes the freedom of the parties to a contract to choose a governing law of the contract (Article 3(1), first sentence). In the absence of such choice, the Rome Convention is based on the interaction between the general principle of the closest connection and concretization of that principle through the theory of characteristic performance, while the Rome I Regulation does not adopt the principle of the closest connection but provides for a catalogue of conflict of laws rules for various types of contracts with rigid connecting factors (Article 4(1) of Rome I Regulation) [12]. If the relevant contract cannot be classified as being one of the specified types, however, the law of the country where the characteristic performer has its habitual residence governs the contract under Article 4(2) (which adopts the theory of characteristic performance while not being a presumption rule) [13]. Contracts relating to intellectual or industrial property rights are not covered by the specified types of contracts listed in Article 4(1)[14] and are subject to Article 4(2).

In the absence of choice of law, a governing law of a contract may be determined as explained above. If it is clear from all the circumstances of the case that the contract is manifestly more closely connected with another country than that indicated in Article 4(1) or (2), the law of the other country may apply to the contract (Article 4(3)). If the governing law cannot be determined pursuant to Article 4(1) or (2), the contract may be governed by the law of the country with which the contract is most closely connected (Article 4(4)). The Rome I Regulation has no specific provisions for the principle of the closest connection but uses the concept of "the closest connection" in two contexts in Article 4(3) and (4). The general principle of the closest connection thus emerges as a key principle in Article 4 of the Rome I Regulation, similar to the Rome Convention[15].

In the absence of choice of law, as explained above, governing laws of contracts pertaining to transfer and licensing of industrial property rights are determined under the theory of characteristic performance which both the Rome Convention and the Rome I Regulation depend on. In this sense, they have adopted the same rule as Japan's General Rules Act. Chapters IV and V analyze discussions on the interpretation of the theory of characteristic performance under the rules.

Ⅳ Theory of Characteristic Performance: Traditional Interpretation

Given that the characteristic performance is "a performance that can become a standard to separate some type of contracts from the other types," the performance must be determined for each type of contract rather than for each individual contract. Contracts related to intellectual or industrial property rights can be divided into two types. One type represents contracts having as their main object the transfer or license of intellectual property rights, such as transfer and licensing contracts. The other type covers contracts having the transfer or license of intellectual property rights as ancillary duty of one of contracting parties , such as franchise and distribution contracts. Here, it may be appropriate to conceive the former type as contracts related to intellectual property rights.

What is the characteristic performance for transfer and licensing contracts of industrial property rights? In Europe, it is widely accepted that "the transfer of industrial property rights by the transferor" under transfer contracts and "the grant of the right to use or exploit the subject matter of industrial property rights by the licensor (hereinafter referred to as grant of license) under licensing contracts are interpreted as the characteristic performance[16]. Therefore, the transferor may be the characteristic performer for transfer contracts of industrial property rights and the licensor for licensing contracts of the rights.

There are different opinions about licensing contracts. The first opinion says that the grant of license by the licensor is the characteristic performance, with the licensor being the characteristic performer, irrespective of whether a duty to exploit the licensed rights is imposed on the licensee under a contract[17]. The second opinion says that while the licensor under a simple licensing contract[18] is the characteristic performer as noted in the first opinion, the licensee's performance is the characteristic performance, with the licensee being the characteristic performer, under a complicated licensing contract that the licensee is obliged to exploit the licensed rights[19]. The third opinion says that while the licensor is considered the characteristic performer under a simple contract as noted in the first and second opinions, the licensee's country of business is presumed to be the country with which the contract is more closely connected under a complicated licensing contract, because the center of gravity of the contractual relationship is transferred to the licensee from the licensor[20]. Some people have criticized the second opinion for determining either the licensor or the licensee as the characteristic performer depending on whether the licensee is required to exploit the licensed rights, noting that such standard depends on substantive national law[21] and also that whether the licensee has such duty under a contract should be determined by application and interpretation of the governing law of the contract[22].

The three opinions agree that under a simple licensing contract, the licensor is the characteristic performer. This point has been endorsed in rulings and legislations, according to earlier studies[23]. But they are divided over a contract under which the licensee is required to exploit the licensed rights, as explained above. The three opinions are divided into two positions -- interpreting the duty of the licensee to exploit the licensed rights as shifting the center of gravity of the contractual relationship from the licensor to the licensee (second and third opinions) and rejecting such interpretation (first opinion). The second and third opinions, though commonly endorsing the shift, are still different. The second interprets the habitual residence of the licensee (as the characteristic performer) as the country with which the contract is most closely connected under the theory of characteristic performance, while the third views the licensee's habitual residence as the country with which the contract is more closely connected under the principle of the closest connection. Therefore, whether the duty of the licensee to exploit the licensed rights is interpreted as a cause of shifting the center of gravity of the contractual relationship from the licensor to the licensee and if so, whether the interpretation should be based on the theory of characteristic performance are at issue in interpreting the characteristic performance under this kind of contract.

Ⅴ New Interpretation of Theory of Characteristic Performance

As noted above, the characteristic performance must be determined for each type of contract. Since the diversity of contracts related to industrial property rights makes it difficult to classify all such contracts into specific types, specify the characteristic performance for each type and identify the contracting party who carries out the performance as the characteristic performer, however, Professors Fawcett & Torremans and Professor Shoichi Kidana[24] have insisted on the view that the characteristic performance should be identified looking at contracts on a contract-by-contract basis instead of a type-by-type basis[25]. Nevertheless, Professors Fawcett & Torremans argues that a single characteristic performance cannot be determined for complicated contracts. Under this argument, Article 4(2) in the Rome I Regulation does not apply but the law of the protecting country applies as the law of the country with which the contract is most closely connected in Article 4(4) in the Regulation under the principle of the closest connection[26]. Meanwhile, Professor Kidana insists that the law of the protecting country should apply to the complicated contracts, based on either the view that such country is more closely connected with the relevant contract than the law presumed under the characteristic performance theory or the view that the parties to the contract have chosen implicitly the law of the protecting country as the governing law of the contract[27].

These arguments indicate that Professors Fawcett & Torremans and Professor Kidana are trying to refrain from or avoid dependence on the traditional characteristic performance theory in determining the governing law of contracts related to industrial property rights (including complicated contracts). This approach is seen in the private international law principles and

legislative proposals to be analyzed in the next chapter.

Ⅵ Analysis on Private International Law Principles and Legislative Proposals

As analyzed above, there are disputes over what the characteristic performance is for transfer and licensing contracts of industrial property rights, how to identify the characteristic performance and where the center of gravity of the contractual relationship is for such contracts. Amid such disputes, four research groups prepared and released private international law principles regarding intellectual property (rights), including "Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes" (hereinafter referred to as the ALI Principles[28]), a "Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Japan and Korea)" (hereinafter referred to as the Waseda Principles[29]) and "Conflict of Laws in Intellectual Property: The CLIP Principles" (hereinafter referred to as the CLIP Principles[30]), and legislative proposals made by the Transparency Working Group (hereinafter referred to as the Transparency Proposal[31]) (hereinafter these are collectively referred to as private international law principles and proposals). They include conflict of laws rules for governing laws of contracts related to intellectual property. In order to decide whether any legislative action is required for Japan's conflict of laws rules for a contract, especially a contract related to industrial property rights, I compare and analyze the relevant rules proposed by the four research groups as shown in the private international law principles and proposals from two viewpoints: whether the theory of characteristic performance has been adopted while its interpretation is still at issue, and, which law is proposed as a governing law for a licensing contract under which the licensee is obliged to exploit the licensed rights while views under the theory are divided over such contract.

First, conflict of laws rules for contracts in the private international law principles and proposals adopt the principle of party autonomy as Japan's General Rules Act does[32]. In the absence of choice of law, the three sets of private international law principles specifically provide that the contract shall be governed by the law of the country with which it is most closely connected. The legislative proposal also proposes a rule based on the principle of the closest connection[33]. The principles or proposals do not include any provision like Article 8(2) of the General Rules Act to generalize the characteristic performance theory as a method for determining the place with the closest connection. Instead, the ALI Principles and the Transparency Proposal explicitly specify the country with the closest connection. The Waseda and CLIP Principles provide that for each individual contract after determining the party where the center of gravity of the contractual relationship is located, based on factors listed in the respective sets of principles[34], the habitual residence of the party at which the center of gravity is located shall be determined as the country with the closest connection[35].

In this way, these principles and proposals seem to refrain from depending on the characteristic performance theory. But according to comments on the ALI Principles, the "residence of the transferor or licensor" in the Principles will often correspond to the residence of the characteristic performer[36]. The "right holder's habitual place of residence" in the Transparency Proposal is explained as a connecting factor depending on the theory of characteristic performance[37]. The methods for exploring the country with the closest connection under the Waseda and CLIP Principles consider the habitual residence of the party on which the center of gravity of the contractual relationship is situated to be the country with the closest connection, taking over a major feature of the theory of characteristic performance[38]. Therefore, these principles and proposals may be interpreted as developing the characteristic performance theory into new rules to address disputes or problems over the interpretation of the theory for intellectual property contracts[39], rather than as an attempt to eliminate the theory.

Next, the four research groups propose different conflict of laws rules for governing laws of licensing contracts under which the licensee is obliged to exploit the licensed rights. But the principles and proposals apparently agree that the habitual residence of the licensee is not necessarily determined as the country with the closest connection only due to the duty. For example, the ALI Principles provides that the contract is presumed to be most closely connected to the State in which the licensor resided at the time of the execution of the

contract[40]. While whether the licensee is required to exploit the licensed rights may be considered in deciding whether the presumption could be rebutted, according to comments on the ALI Principles, the reason for presuming the residence of the licensor as the State with the closest connection[41] apparently indicates that the duty itself may not greatly influence the decision. Even in this case, therefore, the contract would be governed by the law of the State in the licensor resided at the time of execution of the contract. The Transparency Proposal provides a tiered approach. The contract shall be governed by the law of the country granting the intellectual property right that is the subject matter of the contract. If there are multiple countries granting the intellectual property right that is the subject matter of the contract, the contract shall be governed by the law of the place of the habitual residence of the rights holder [42]. However, if another country has a closer connection to the contract than the country granting the intellectual property right or the place of the habitual residence of the rights holder, the contract shall be governed by the law of that other country[43]. Given any specific situation presumed by the proposal for applying this provision[44], it may apparently be unlikely that any other country than that provided above could be determined as the country with the closest connection only due to the existence of the duty of the licensee to exploit the licensed rights.

Meanwhile, both the Waseda and CLIP Principles cite the duty of the licensee to exploit the licensed rights as one of factors for determining the habitual residence of the licensee as the country with the closest connection[45]. Both apparently interpret the duty as shifting the center of gravity of the contractual relationship to the licensee. Given the method of considering the factors listed in both principles[46], however, the licensee's habitual residence may be determined as the country with the closest connection only if the duty is accompanied by other factors shifting the center of gravity of the contractual relationship to the licensee, and moreover, either by the absence of factors shifting the center to the licensor or by the presence of such factors that do not affect the decision that the center of gravity is situated on the side of the licensee.

Therefore, both principles may indicate more or less that the duty of the licensee to exploit the licensed rights is not the only factor for determining the licensee's habitual residence as the country with the closest connection.

Ⅶ Personal View as Conclusion

Finally, I would like to build on the above analysis to provide my personal view about an interpretation of conflict of laws rules that governs transfer or licensing contracts of industrial property rights in the absence of choice of law.

First, the transfer or licensing contracts of industrial property rights is usually interpreted as falling under the case where "only one of the parties is to provide a characteristic performance involved in a juridical act" as provided by Article 8(2) of the General Rules Act. In this case, the "characteristic performance" in the paragraph refers to "the transfer of rights by the transferor" under the transfer contract of industrial property rights or "the grant of license by the licensor" under the licensing contract of the rights, leading to the law of the country where the transferor or licensor has its habitual residence being presumed as the law of the place with the contract is most closely connected . This means that the licensor should be always recognized as the characteristic performer of the licensing contract irrespective of whether the licensee is required to exploit the licensed rights. Then, considering various factors of individual contract, if the contract is more closely connected with another country than with the licensor's habitual residence country, the law of the other country may be interpreted as the law of the place with the closest connection under Article 8(1) of the act.

As explained above, I provided my personal view as an interpretative proposal rather than as a legislative proposal on the conflict of laws rules. This is because I believe that we can determine an appropriate governing law of transfer and licensing contracts of industrial property rights through the application and interpretation of the existing Article 8 of the General Rules Act even without any new legislative action for the following reasons: First, the characteristics of the transfer or licensing contracts of industrial property rights, namely their diversity and complexity, fit Article 8's structure and function (to ensure the foreseeability with the theory of characteristic performance in Article 8(2) and to secure the specific appropriateness with the principle of the closest connection in Article 8(1)). Second, the proposed rules in the private international law principles and proposals are not

irreconcilable with the theory of characteristic performance, although the rules were prepared even amid disputes over the interpretation of the theory.

Next, in my view, the characteristic performance of transfer and licensing contracts of industrial property rights should be identified for each contract type, namely under the traditional approach. At the same time, I adopt an ordinary interpretation of the characteristic performance for transfer contracts and a widely accepted interpretation at least for simple licensing contracts, giving priority to the clearness of the conflict of laws rules and the guarantee of foreseeability. Specifically, the transfer of rights by the transferor and the grant of license by the licensor should be interpreted as the characteristic performance. I adopt this interpretation even for the case where the licensee has the duty to exploit the licensed rights under a contract[47]. It may be certain that the licensee, if required to exploit the licensed rights, may bear commercial or economic risk that the licensee does not have to bear without the duty. Unless the licensor makes the relevant industrial property rights available, however, the licensee may have no access to the rights. Unless the licensor permits the exploitation of the rights, the licensee may remain unable to legally exploit the rights. Therefore, I cannot agree that the duty of the licensee to exploit the rights alone definitely shifts the center of gravity of the contractual relations from the licensor to the licensee[48]. This is why I uniformly interpret the grant of license by the licensor as the characteristic performance of the licensing contract and the licensor as the characteristic performer.

As a matter of course, the duty of the licensee to exploit the licensed rights and other conditions could indicate that the center of gravity of the contractual relationship is situated on the side of the licensee. In such case, I think that the center of gravity may be interpreted as having shifted from the licensor to the licensee and that the latter's habitual residence may be interpreted as more closely connected with the relevant contract, and accordingly the law of the licensee's habitual residence may apply to the contract as the law of the place with the closest connection under Article 8(1) of the General Rules Act. The interpretation may lead to more appropriate law of the country with the closest connection for the contract, because it is possible to determine the law giving consideration to not only the performance of parties but also other conditions of the contract. Useful for making a conclusion under the paragraph will be factors listed in the Waseda and CLIP Principles for determining whether any party's habitual residence is the place with the closest connection. Since not only the country where each party to a contract has its habitual residence but also any other country could be the place with the closest connection under Article 8(1) of the General Rules Act as explained above, however, various conditions of specific contractual relationship, which would not be limited to the factors listed in the Waseda and CLIP Principles, may be taken into account in determining the place with the closest connection.

The above is my present personal view on the interpretation of conflict of laws rules for contracts in the General Rules Act in terms of transfer and licensing contracts of industrial property rights. As reiterated above, discussions and rulings on the interpretation have not been accumulated sufficiently in Japan. Many problems have yet to be clarified. While expecting this study to trigger discussions on the matter, I would like to wait for more discussions and rulings on the matter to be accumulated, reconsider my view repeatedly and further deepen my study on the matter.

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[1] A general view on governing laws of a transfer and licensing contract of patents and copyrights is that contractual issues are governed by a governing law of the transfer and licensing contract, while issues relating to the rights are governed by the law of the protecting country (Hiroshi Matsuoka, *Kokusai Kankei Shihō Nyūmon* (Introduction to International Private Law), p. 166 [Miho Tanaka] (Yuhikaku Publishing Co., 3rd Edition, 2012). This study targets conflict of laws rules for the former issue.

[2] Yoshiaki Sakurada & Masato Dogauchi, *Chūshaku Kokusai Shihō* (Explanations on International Private Law) (1), p. 202 [Yasushi Nakanishi] (Yuhikaku Publishing Co., 2001).

[3] Office of Counsellor, Civil Affairs Bureau, Ministry of Justice, *Kokusai Shihō no Gendaika ni kansuru Yōkō Chūkan Shian Hosoku Setsumei* (Supplementary Explanations for Interim Draft Outline for Modernization of International Private Law), p. 39.

[4] Tadashi Kanzaki, *Kaisetsu Hō no Tekiyō ni kansuru Tsūsokuhō: Atarashii Kokusai Shihō* (Commentary on Act on General Rules for Application of Laws: New International Private Law), p. 66 (Koubundou Publishers Inc., 2006); Nakanishi, *supra* note 2, p. 206, etc.

[5] See *supra* note 3, p. 39.

[6] Nakashi, *supra* note 2, p. 210; Kanzaki, *supra* note 4, p. 66.

[7] See Nakashi, *supra* note 2, p. 211. It is said that the

provision fails to clarify the degree of evidence for rebutting the presumption and the strength of the presumption and must be interpreted (Yoshihisa Hayakawa, "Tsūsokuhō ni okeru Keiyaku Junkyohō" (Contract Governing Laws under Act on General Rules for Application of Laws), *Japanese Yearbook of Private International Law* No. 9, pp.20 (2007); Toshiyuki Kono, *Chiteki Zaisanken to Shōgai Minji Soshō* (Intellectual Property Rights and External Civil Suits), p. 321 [Mari Nagata] (Koubundou Publishers Inc., 2010)).

[8] Regarding the related discussions and interpretations in Japan, for example, see Nakanishi, *supra* note 2, pp. 208-209, and V in this paper.

[9] Official Journal of the European Communities 1980, L 266/1; (consolidated version), Official Journal of the European Union 2005, C334/1.

[10] Official Journal of the European Union 2008, L 177/6.

[11] A report on the Rome Convention explains the theory of characteristic performance adopted by the convention (Report on the Convention on the law applicable to contractual obligations by Mario Giuliano, Professor, University of Milan, and Paul Lagarde, Professor, University of Paris I, Official Journal of the European Communities C 282, October 31, 1980, pp. 20-21) (hereinafter referred to as Giuliano-Lagarde report). According to this report, the characteristic performance theory adopted by the convention may be interpreted as the same as the theory under Japan's General Rules Act as discussed in the previous chapter.

[12] See, Andrea Bonomi, "The Rome I Regulation on the Law Applicable to Contractual Obligations: Some General Remarks", *Yearbook of Private International Law*, vol. 10 (2008), pp. 173-174.

[13] The theory of characteristic performance in the Rome I Regulation may be interpreted as the same as the theory under the Rome Convention. See, Lawrence Collins and others, *Dicey, Morris & Collins on the Conflict of Laws*, (Sweet & Maxwell, 15th ed., 2012), pp. 1779 and 1783.

[14] But the Rome I Regulation has provisions for franchise and distribution contracts related collaterally to transfer and licensing of intellectual property rights. See Article 4(1)(e)(f) of the Regulation.

[15] Pedro A. de Miguel Asensio, "Applicable Law in the Absence of Choice to Contracts Relating to Intellectual or Industrial Property Rights, *Yearbook of Private International Law*, vol. 10 (2008), p. 201.

[16] Pedro A. de Miguel Asensio, "The law governing international intellectual property licensing agreements (a conflict of laws analysis) ", in Jacques de Werra *ed*., *Research Handbook on Intellectual Property Licensing* (Edward Elgar Publishing, 2013), p. 325. See also, James J. Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (Oxford University Press, 2nd ed., 2011), p. 765; Yuko Nishitani, "Contracts Concerning Intellectual Property Rights", in Franco Ferrari *and* Stefan Leible *eds*., *Rome I Regulation: The Law Applicable to Contractual Obligations in Europe* (Sellier European Law Publishers, 2009, pp. 65-66.

[17] Nishitani, *supra* note 16, pp. 67-70; de Miguel Asensio, *supra* note 15, pp. 210-214; de Miguel Asensio, *supra* note 16, pp. 325-328.

[18] A simple licensing contract means that the licensor grants the licensee a non-exclusive license on industrial property rights, while the licensee makes a lump sum payment for the license.

[19] Peter Mankowski, "Contracts Relating to Intellectual or Industrial Property Rights under the Rome I Regulation", in Stefan Leible *and* Ansgar Ohly *eds*., *Intellectual Property and Private International law* (Mohr Siebeck, 2009), pp. 51-55 *and* pp. 77-78; Thomas Petz, "Intellectual Property and Private International Law: situation in Austria", in Toshiyuki Kono *ed*., *Intellectual Property and Private International Law* (Hart Publish, 2012), pp. 235-238; Giovanna Modiano, "International Patent Licensing Agreements and Conflicts of Laws", 2 *Nw. J. Int'l L. & Bus.* 11 (1980), pp. 23-27.

[20] Eugen Ulmer, *Intellectual Property Rights and the Conflict of Laws* (Kluwer Academic Publishers, 1978), pp. 94-96 *and* p. 99 et seq.

[21] Nishitani, *supra* note 16, p. 68.

[22] *Ibid*. See also, de Miguel Asensio, *supra* note 16, p. 326.

[23] See, Axel Metzger, "The Emergence of a Lex Mercatoria (or Lex Informatica) for International Creative Communities", *jipitec*, vol. 3 (2012), p. 363. (http://www.jipitec.eu/issues/jipitec-3-3-2012/3523/metzger.pdf)

[24] Since the theory of characteristic performance has not been sufficiently discussed from the viewpoint of contracts on intellectual property rights including industrial property rights in Japan, as noted above, I have focused on the related discussions in Europe. Under the circumstances, Professor Kidana is one of a few researchers discussing the matter under Japan's private international law (namely, the General Rules Act) and his view is close to Fawcett & Torremans. For this reason, I take up Professor Kidana's view here.

[25] Fawcett & Torremans, *supra* note 16, pp. 762-763; Shoichi Kidana, *Kokusai Chiteki Zaisan H* (International Intellectual Property Law), pp. 452-453(Nippon Hyron Sha Co., 2009).

[26] Fawcett & Torremans, *supra* note 16, pp. 766-774.

[27] See Kidana, *supra* note 25, pp. 453.

[28] The ALI Principle were made by the American Law Institute. The American Law Institute, *Intellectual Property: Principle Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute Publishers, 2008).

[29] The Waseda Principles were made by an International Law and Private International Law Group of the Global COE program "Waseda Institute for Corporate Law and Society." Shoichi Kidana, *Chiteki Zaisan no Kokusai Shihō Gensoku Kenkyū: Higashi Ajia no Nichi-Kan Kyōdō Teian* (Study on International Private Law Principles for Intellectual Property: Japan-South Korea Joint Proposal for East Asia) (Seibundo Publishing Co., 2012).

[30] The CLIP Principles were made by the European Max-Planck Group for Conflict of Laws in Intellectual Property (hereinafter referred to as the CLIP Group). European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford University Press, 2013).

[31] The Transparency Proposal was made as a Japanese legislation proposal by the Transparency Working Group. Toshiyuki Kono, *Chiteki Zaisanken to Shōgai Minji Soshō* (Intellectual Property Rights and External Civil Suits), (Koubundou Publishers Inc., 2010).

[32] Article 315(1) of the ALI Principles; Article 302 of the Waseda Principles; Article 3:501 of the CLIP Principles; Article 306(1) of the Transparency Proposal.

[33] Article 315(2) of the ALI Principles; Article 307(1) of the Waseda Principles; Article 3:502(1) of the CLIP Principles; Article 306(2) of the Transparency Proposal.

[34] See Article 307(2) of the Waseda Principles, and Article 3:502(2)(a)(b) of the CLIP Principle.

[35] As for the CLIP Principles, see Article 3:502(3) of the Principles.

[36] Article 315(2) of the ALI Principles; ALI, *supra* note 28, p. 148.

[37] See Nagata, *supra* note 7, p. 328. But the Transparency Proposal primarily determines the country granting the relevant right as the country with the closest connection (see Article 306(2), first sentence) and the place of the habitual residence of the right holder as such country if multiple countries have granted the relevant right (see the same paragraph, second sentence). See also, Article 306(3).

[38] See Kidana, *supra* note 29, p. 36. See also, European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP), *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford University Press, 2013), p. 273 [Axel Metzger].

[39] The ALI Principles and the Transparency Proposal interpret the licensor or right holder as the characteristic performer and specify his/her habitual residence or residence as the place with the closest connection. By specifying the characteristic performer, they apparently attempt to put an end to disputes over the interpretation of the characteristic performance theory (including what the characteristic performance is). Meanwhile, the Waseda and CLIP Principles adopted their respective approaches in an apparent bid to overcome a problem criticized under the characteristic performance theory: the difficulty in conceiving the characteristic performance for each type of contracts.

[40] Article 315(2) of the ALI Principles.

[41] Article 306(2) of the Transparency Proposal.

[42] Article 306(2) of the Transparency Proposal.

[43] Article 306(3) of the Transparency Proposal.

[44] See Nagata, *supra* note 7, p. 328.

[45] See *supra* note 34.

[46] See Kidana, *supra* note 29, p. 36. Metzger, *supra* note 38, p. 274.

[47] This means I adopt the first opinion as explained in Chapter IV.

[48] If the licensee's exploitation of the relevant rights under his/her duty is interpreted as the characteristic performance, licensing contracts may have to be classified by the presence or absence of such duty. Given that the presence or absence must be determined under the law governing the relevant contract. However, such classification may turn out inappropriate.