TRANSNATIONAL CONTRACTS CONCERNING THE COMMERCIAL EXPLOITATION OF INTANGIBLE CULTURAL HERITAGE

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T. Scovazzi, B. Ubertazzi y L. Zagato (a cura di),
Il patrimonio culturale intangibile nelle sue diverse dimensioni,
Milano, Giuffrè Editore, 2012, pp. 93-126.
ISBN 88-14-17318-4

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"Transnational Contracts Concerning the Commercial Exploitation of Intangible Cultural Heritage", in T. Scovazzi, B. Ubertazzi y L. Zagato (a cura di), *Il patrimonio culturale intangibile nelle sue diverse dimensioni*, Milán, Giuffrè Editore, 2012, pp. 93-126.

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PEDRO A. DE MIGUEL ASENSIO[*]

1. Commercial exploitation of intangible cultural heritage: foundations

One of the basic features of the UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage adopted in 2003 (hereinafter, ICH Convention) is that its wording is very general and its terminology is imprecise and not clearly defined. The lack of precision in the text of the ICH Convention is related to the fact that the Convention mainly provides a framework for the safeguarding processes that leaves many issues open for its implementation[1]. In particular, the ICH Convention lacks specific rules on ownership or control over intangible cultural heritage, its commercial exploitation and the benefits that may derive from its safeguarding[2]. However, although

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[1] T. Kono, "Convention for the Safeguarding of Intangible Cultural Heritage (Unresolved Issues and Unanswered Questions)", in T. Kono (ed.), *Intangible Cultural Heritage and Intellectual Property (Communities, Cultural Diversity and Sustainable Development)*, Antwerp, 2009, p. 3, at p. 14.

[2] A. Kearney, "Intangible Cultural Heritage (Global Awareness and Local Interest)", in L. Smith and N. Akagawa (eds), *Intangible Heritage*, London, 2009, p. 209, at p. 216.

characterization of intangible cultural heritage remains problematic under the ICH Convention, it is undisputed that "intangible cultural heritage" as defined in the Convention and its manifestations may also be significant economic assets of the communities, groups or persons who create, practice, develop and custody them. Intangible cultural heritage and in particular certain items resulting from such heritage can be the subject matter of commercial activities.

Even the definition of the expression "intangible cultural heritage" contained in the ICH Convention is descriptive and very broad. According to Article 2(1) intangible cultural heritage "means the practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artefacts and cultural spaces associated therewith – that communities, groups and, in some cases, individuals recognize as part of their cultural heritage"[3]. Furthermore, Article 2(2) of the ICH Convention includes a non-exhaustive list of the domains in which intangible cultural heritage is manifested: oral traditions; performing arts; social practices, rituals and festive events; knowledge and practices concerning nature and the universe; and traditional craftsmanship. In practice the Convention offers selective protection, since the determination of the items which are worthy of safeguarding is connected to those included in the inventories established by the Member States and the international lists created in the UNESCO framework[4]. Under the system established in the Convention, Contracting States have significant discretion especially from the perspective of the position of local and indigenous communities. According to Article 11(b) it is the task of each Member State to "identify and define the various elements of the intangible cultural heritage present in its territory".

According to Article 2 of the ICH Convention the subject matter to be safeguarded are not only intangible elements as such but in many situations some tangible objects resulting from the intangible cultural heritage[5]. Delimitation

[3] Additionally, Article 2(1) ICH Convention makes special reference to some of the main characteristics of such heritage: "transmitted from generation to generation, is constantly recreated by communities and groups in response to their environment, their interaction with nature and their history, and provides them with a sense of identity and continuity, thus promoting respect for cultural diversity and human creativity".

[4] H. Marrie, "The UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage and the Protection and Maintenance of the Intangible Cultural Heritage of Indigenous Peoples", in L. Smith and N. Akagawa (eds), *Intangible…*, cit. p. 169, at p. 177.

[5] A. Lanciotti, "Profili internazionalprivatistici dei nuovi strumenti UNESCO", in L. Zagato (ed.), *Le identità culturali nei recenti strumenti Unesco (Un approcio nuovo alla costruzione della pace?)*, Milan, 2008, p. 285, at p. 291.

between tangible and intangible cultural heritage creates difficulties since both forms of heritage may overlap[6], as illustrated by the inclusion in the definition of intangible cultural heritage in Article 2(1) of the Convention of certain tangible objects, such as instruments or artefacts. Intangible cultural heritage includes traditional knowledge and traditional cultural expressions or expressions of folklore, in line with the terminology typically used in the activities of other organisations such as WIPO[7]. Therefore, it encompasses the content of the knowledge itself, including know-how, skills, innovations, practices and knowledge embodying traditional lifestyles as well as distinctive signs and symbols associated with traditional knowledge. Traditional cultural expressions include phonetic or verbal expressions, such as stories, narratives, signs and names; musical or sound expressions; expressions by action, such as dances, plays, ceremonies, rituals and performances, whether fixed or unfixed; and material expressions of art, such as handicrafts[8].

The Operational Directives for the Implementation of the ICH Convention[9] acknowledge that commercial activities can emerge from certain forms of intangible cultural heritage and that trade in cultural goods and services related to intangible cultural heritage may raise awareness about the importance of such heritage, generate income for its practitioners, enhance the local economy and contribute to improving the living standards of the communities that bear and practice the heritage (para. 116 of the Directives). The Operational Directives stress also the importance of avoiding commercial misappropriation and finding a proper balance between "the commercial party, the public administration and the cultural practitioners, and ensuring that the commercial use does not distort the meaning and purpose of the intangible cultural heritage for the community concerned" (para. 117). Moreover, the Operational Directives envisage the possibility of agreements authorising the commercial use by the private sector of the Convention's emblem (para. 140). Such a possibility could have significant

[6] B. Srinivas, "The UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage", in J.A.R. Nafziger and T. Scovazzi (eds.), *Le patrimonie culturel de l'humanité*, Leiden, 2008,p. 529, at p. 543.

[7] WIPO (Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore), "List and Brief Technical Explanation of Various Forms in which Traditional Knowledge may be Found", WIPO/GRTKF/IC/17/INF/9, 5 November 2010, Annex, pp. 2-3.

[8] Article 1.1 "Draft Articles", WIPO/GRTKF/IC/17/12 Prov., Annex II, p. 5.

[9] Adopted by the General Assembly of the States Parties to the Convention at its second ordinary session in 2008 and amended at its third session in 2010.

impact in the commercial exploitation of heritage included in the lists established within the UNESCO framework, in particular the Representative List of the Intangible Cultural Heritage of Humanity.

A crucial factor affecting the possibilities and means of intangible cultural heritage being commercialized is that there is an enormous diversity among the elements of the intangible cultural heritage, as illustrated by the content of the Representative List of the Intangible Cultural Heritage of Humanity. Such diversity affects the extent of the communities, the territory where the heritage concerned is practiced and if the heritage is endangered and suffers the risk of disappearing. Defining the term "community" as the holder of ICH poses great challenges. There is no clear concept of community in the Convention. A community's entitlement to its cultural traditions is not identical to all sort of communities and may vary depending on the type of community, the relevant stakeholders and the components of cultural traditions[10]. Additionally, differences between elements of heritage influence the expectations of the communities involved and their members as to the possibility of appropriation of the relevant manifestations or the chances of obtaining protection by means of exclusive rights or having the opportunity to exercise control over the use of the heritage by parties not belonging to the relevant community. Some expressions of heritage may be too vague, indefinite or widespread to be subject to appropriation or even to give rise to specific private remedies. This may be especially the case of manifestations of heritage that relate to a entire national or regional group or to broad and indefinite segments of society even of more than one country. In the Representative List of the Intangible Cultural Heritage of Humanity, relevant examples of this kind of expressions of heritage that are practiced in different ways include some artistic expressions, such as tango or flamenco, or other heritage such as the Mediterranean diet.

[10] B. Hazucha, "Community as a Holder of Intangible Cultural Heritage (A Broader Public Policy Perspective)", in T. Kono (ed.), *Intangible.…*, cit., p. 223, p. 225.

2. Means of protection and regulatory framework: IP rights, *sui generis* protection and other mechanisms

As it is clear even from its own title, the ICH Convention focuses on the safeguarding and preservation of intangible cultural heritage[11]. In this context, safeguarding may be distinguished to a certain extent from legal protection of ICH[12]. The former deals mainly with documentation, revitalization, promotion and other initiatives aimed at guaranteeing the maintenance and viability of the heritage, as stated in the definition of "safeguarding" contained in Article 2(3) of the ICH Convention[13]. By contrast, legal protection of the expressions, skills, knowledge and other elements of intangible cultural heritage refers mainly to the mechanisms that prevent misappropriation and to those that make possible exercise control over the heritage and even enforce collective or individual rights related to the heritage. Although protection and safeguarding are in this context complementary, legal protection is essential for the characterization as economic assets of elements of intangible cultural heritage. The ICH Convention acknowledges the importance of the activities of other international organizations such as WIPO and WTO, the significance of international conventions on intellectual property rights and the international efforts to strengthen the protection of traditional knowledge and cultural expressions. In this connection, Article 3(b) of the ICH Convention establishes that nothing in the Convention may be interpreted as "affecting the rights and obligations of States Parties deriving from any international instrument relating to intellectual property rights or to the use of biological and ecological resources to which they are parties".

The debate about the use and possible adaptation of the system of intellectual property rights to protect traditional knowledge and cultural expressions has been very intense in recent years. Discussions have taken place at international, regional and national level. From the international perspective, it can be noted that as a result of the Doha Declaration, the TRIPS Council has

[11] That is also the case of the 2005 UNESCO Convention for the Protection and Promotion of the Diversity of Cultural Expressions.

[12] W.B. Wendland, "Managing Intellectual Property Options When Documenting, Recording and Digitazing Intangible Cultural Heritage", in T. Kono (ed.), *Intangible.…*, cit., p. 77, at p. 94.

[13] T. Scovazzi, "La notion de patrimoine culturel de l'humanité dans les instruments internationaux", in J.A.R. Nafziger and T. Scovazzi (eds.), *Le patrimonie.…*, cit., p. 3, at pp. 101 et seq.

examined the relationship between the TRIPS Agreement, the 1992 Convention on Biological Diversity (CBD) and the protection of traditional knowledge and folklore. Of particular relevance is that in 2000 WIPO established the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore. The activities of the Intergovernmental Committee have become an essential reference in this area. The Committee has been especially active in examining draft provisions for *sui generis* protection of traditional knowledge and traditional cultural expressions[14]. At regional level some instruments, especially of soft law, have been drafted mainly in fora in which the most industrialized countries have not been involved. Furthermore, at national level many countries with significant indigenous populations have adopted legislation granting specific protection to intangible cultural heritage of local communities with a special focus on biological heritage[15].

The starting point should be that effective protection by means of existing intellectual property rights may be useful to grant exclusive rights with respect to certain expressions of intangible cultural heritage and to oppose certain unauthorised uses and misappropriations of heritage related assets. For instance, original literary, scientific and artistic works in any form of expression are typically protected by copyright, including situations in which a work is created by an author in developing the traditional expression of culture further[16]. Contemporary craft products may typically be protected by copyright if they possess artistic qualities[17] even when they draw upon tradition. Moreover, performances related to intangible cultural heritage, such as traditional dances and plays, fall within the protecting framework of the 1961 Rome Convention and the 1996 WIPO Performances and Phonograms Treaty that expressly provides rights in performances of expressions of folklore (art. 2). Also compilations of elements of intangible cultural heritage may benefit from protection by copyright or *sui generis* database law in certain jurisdictions. Moral rights conferred to authors – such as the right of attribution and the right to integrity- may be significant to

[14] W.B. Wendland, "Managing...", cit., p. 96.

[15] Many of these international, regional and national instruments and measures are analyzed in the documents drafted by WIPO in this field, such as WIPO/GRTKF/IC/5/INF/3 and WIPO/GRTKF/IC/5/INF/4.

[16] S. von Lewinski (ed.) *Indigenous Heritage and Intellectual Property (Genetic Resources, Traditional Knowledge and Folklore)*, 2nd ed., The Hague, 2008, p. 510.

[17] See e.g. ITC (UNCTAD and WTO) and WIPO, *Marketing Crafts and Visual Arts: the Role of Intellectual Property (A Practical Guide)*, http://www.wipo.int/export/sites/www/sme/en/documents/pdf/marketing_crafts.pdf, p. 58.

control the use of certain expressions of intangible heritage, for instance, to the extent that they offer protection against distortion of those expressions.

Protection by industrial designs may be relevant with respect to the aesthetic aspects or outward appearance - ornamentations, shapes designs…- of products such as crafts. Additionally, names, symbols and other signs related to traditional communities or elements of intangible cultural heritage may be protected as trademarks in the benefit of the relevant community, although the trademark system does not provide protection for names that are regarded as descriptive and also poses significant risks of misappropriation of intangible elements by third parties for commercial use. Collective marks and certification marks may result particularly appropriate for products originating in traditional communities since the rightholders may be associations.

Recourse to geographical indications may be useful for the protection of the commercial goodwill of certain traditional communities and their products – such as handicrafts, music instruments…- to the extent that such indications may be used to identify goods as originating in the relevant territory and having certain characteristics related to its origin, in line with Article 23 of the TRIPS Agreement. Geographical indications may in practice be useful to prevent misappropriation of names related to traditional communities by third parties. The collective nature and potentially unlimited duration of geographical indications are features of these exclusive rights that fit with the protection needs of traditional knowledge and cultural expressions, although a drawback is that they do not protect the knowledge embodied within the good nor the related production process. Moreover, intangible cultural heritage is not necessarily related to a specific territory[18].

Notwithstanding the possibilities of protection resulting from the IP system, significant drawbacks and limitations in the protection of intangible cultural heritage and its derivates by means of conventional IP rights have been identified. Therefore, recourse to the current IP system and the other legal regimes available may produce in certain situations the result of frustrating the expectations of traditional communities or groups to have proper control over their intangible cultural property. For instance, although patent law is relevant for the appropriation and commercialization of traditional knowledge related, among

[18] T. Kono, "Geographical Indication and Intangible Cultural Heritage", in B. Ubertazzi and E. Muñiz Espada (eds.), *Le indicazioni di qualità degli alimenti*, Milan, 2009, pp. 294 and 298.

others, to the use of plants to treat diseases, the patent system normally does not benefit the community where the knowledge originates. In the typical situations the patent application refers to a drug developed by a pharmaceutical company after having isolated the active ingredient from the plant to which the traditional knowledge referred and the patent system does not require sharing the benefits with the community from which the information about the plant was obtained[19]. Additionally, trademarks do not protect against the exploitation of imitations on which the trademark is not used. Geographical indications do not protect the traditional knowledge or cultural expression itself but only the reference to its territorial origin.

Furthermore, many practices, skills or expressions of intangible cultural heritage do not meet the necessary requirements to be protected under conventional IP rights and hence under such a regime these expressions may be considered as part of public domain and lack adequate protection. The originality requirement as a prerequisite for copyright protection raises special difficulties in the context of ICH related works, since such works are usually based upon preexisting traditional art practices and often emphasize the expressions of previous generations. Hence originality may be disputed especially to the extent that the law does not distinguish between derivates produced by members of the relevant tradition or culture (where a less restrictive originality requirement could be justified) and works produced by third parties. The existence and exercise of a right to control the making of adaptations and the distinction between the unlawful copying and the authorized adaptation or legitimate inspiration pose special challenges in connection with ICH[20]. Determination of authors, beneficiaries of protection or persons who have the power to enforce the rights may be controversial in the field of ICH because traditional knowledge and cultural expressions are often owned and transmitted collectively and there are no specified authors. Moreover, moral rights are typically focused on the protection of the individual authors and not the community[21]. Materials in the public domain may in principle be freely used even for commercial purposes, since no one can establish proprietary interests in those materials. However, beyond conventional

[19] R.K. Paterson and D.S. Karjala, "Looking Beyond Intellectual Property in Resolving Protection of the Intangible Cultural Heritage of Indigenous Peoples", 11 *Cardozo J. Int'l & Comp. L.*, 633 2003-2004, at p. 645.

[20] T. Janke, "Indigenous Intangible Cultural Heritage and Ownership of Copyright", in T. Kono (ed.), *Intangible.…*, cit., p. 159, pp. 163 et seq.

[21] R.K. Paterson and D.S. Karjala, "Looking…", cit., p. 644.

IP rights it may happen that certain communities have developed traditions or rules that restrict the access or use of certain ICH related materials. The limited duration that is an essential feature of most IP rights (although with some significant exceptions such as trademarks, geographical indications and moral rights in certain jurisdictions) may also undermine the expectations of communities as to their possibilities to control the exploitation of traditional elements of ICH for which they claim perpetual cultural property rights.

Additionally, the lack of flexibility of existing IP rights may also produce inadequate results, for instance, by conferring exclusivity to the rightholder in circumstances that undermine the position of the community to which the ICH is related and disregarding the traditional values and customary rules relevant to the ICH concerned[22]. For instance, appropriate management of collections of ICH related materials may require special rules on access and control with a view to safeguard the interest of the relevant traditional communities[23].

Although the availability of IP protection for ICH expressions differs between legal systems, there is currently an international trend towards increased protection of elements of ICH, even though some important values and interest, such as freedom of expression, personal autonomy, or fostering access to culture may favour some restraint. There is demand for IP regimes or legislation in general to adapt to better protect traditional production systems and cultural expressions and play a renewed role in the preservation of cultural diversity by enabling the valuation of territorial and cultural distinctions[24]. In particular, some less developed countries and traditional communities have pleaded for stronger protection of ICH.

Against this background, it has been advocated the development of new *sui generis* systems of protection that could be especially adapted to the needs of ICH related assets[25]. *Sui generis* protection is mainly based on the idea of building

[22] Discussing the application in this area of indigenous customary law as an alternative to intellectual property, see M.RaoRane, "Aiming Straight: The Use of Indigenous Customary Law to Protect Traditional Cultural Expressions", 15 *Pac. Rim L. & Pol'y J.* 827 2006.

[23] M. Torsen and J. Anderson, *Intellectual Property and the Safeguarding of Traditional Cultures (Legal Issues and Practical Options for Museums, Libraries and Archives)*, WIPO, 2010, pp. 67-82.

[24] R.J. Coombe, S. Schnoor and M. Ahmed, "Bearing Cultural Distinction: Informational Capitalism and New Expectations for Intellectual Property", 40 *U.C. Davis L. Rev.* 891 2006-2007, at p. 892.

[25] A. Telesetsky, "Traditional Knowledge: Protecting Communal Rights through a *Sui Generis* System", in J.A.R. Nafziger and T. Scovazzi (eds.), *Le patrimonie…*, cit, p. 297, at pp. 336 et seq; and S. von Lewinski (ed.) *Indigenous…*, cit., pp. 518 et seq.

systems that enable traditional communities to control access to genetic resources and use of traditional knowledge and cultural expressions, so that third parties interested in such access or use need to obtain the prior informed consent under the conditions determined by the traditional community. *Sui generis* protection may also include in this context a right to claim the indication of the source or of attribution of ownership and also statutory obligations on financial issues by means of mandatory contract law that may cover other aspects of the transactions.

The Intergovernmental Committee established at WIPO in 2000 divided its activities in two sets of objectives and principles which are closely related, one dealing with traditional cultural expressions and the other focusing on traditional knowledge as such. The Committee has mainly developed documents in both areas with a view to shape future international instruments and national legislations. The results of these efforts have become a basic reference of the possible content of *sui generis* protection in this area. The main documents developed by the Intergovernmental Committee include the "Revised Provisions for the Protection of Traditional Cultural Expressions: Policy Objectives and Core Principles"; "The Protection of Traditional Cultural Expressions: Draft Articles"[26]; "Revised Provisions for the Protection of Traditional Knowledge: Policy Objectives and Core Principles"[27]; and the "Draft Articles on the Protection of Traditional Knowledge"[28]. The Committee received a mandate to undertake negotiations and to submit to the General Assembly a text of an international legal instrument.

The development of *sui generis* protection is also related to the fact that other areas of the law different from IP have been identified as relevant to contribute to achieve the legitimate demand of control over their knowledge and cultural expressions by traditional communities. Those areas encompass privacy law, creation by public authorities of specific certification stamps or hallmarks, protection of undisclosed information and other aspects of unfair competition law, including protection against certain imitations, and against the displaying of a trust mark, quality mark or equivalent without having obtained the necessary authorisation. Other relevant fields include contract law and quasi-contract claims or unjust enrichment claims for breach of a confidential relationship in situations in which the other party obtains undue advantage from unfair conduct, for

[26] WIPO/GRTKF/IC/18/4, version of February 18, 2011.
[27] WIPO/GRTKF/IC/18/5, version of January 10, 2011.
[28] WIPO/GRTKF/IC/18/7, version of March 17, 2001.

instance, related to access to traditional knowledge[29]. Contract law seems especially appropriated in this context especially in connection with manifestations of intangible cultural heritage that are perceived as belonging to the relevant community as a whole, since contracts remain the basic mechanism that makes possible the transfer of information, knowledge, ideas… in exchange of compensation. Recourse to contract law for the protection and control of ICH may empower traditional communities to exploit their heritage an obtain benefits from it without a need at least in certain situations to establish exclusive rights that may conflict with the collective nature of heritage and the traditional rules of the community[30].

The drafting of international instruments in this area seems especially justified to promote international uniformity in this innovative field and because cross-border exploitation of these assets has become more and more common. Indeed, a greater degree of uniformity at international level would contribute to a more effective protection in cases of exploitation of ICH with a transboundary scope[31]. The lack of international provisions render of the outmost importance choice of law issues resulting from transnational contracts for the exploitation of ICH.

3. Specific substantive provisions on contracts: informed consent, representation, financial and other issues

It is still to be seen to what extent the international instruments on *sui generis* protection that may develop in the future require the establishment of new exclusive property rights concerning intangible cultural heritage. At any rate, providing adequate control by the traditional communities over the relevant resources and in particular concerning access to and use of such heritage by third parties is crucial in this context. Empowering the relevant communities to exercise their control over their heritage in an effective manner is an essential aspect for the commercial exploitation of the heritage under those *sui generis* systems. The

[29] R.K. Paterson and D.S. Karjala, "Looking…", cit., pp. 663 et seq.

[30] L. Lixinski, *A Framework for the Protection of Intangible Cultural Heritage in International Law*, Doctoral Thesis, EUI, Florence, 2010, at p. 271.

[31] F. Lenzerini, "Indigenous Peoples' Cultural Rights and the Controversy over Commercial Use of their Traditional Knowledge", in F. Francioni and M. Scheinin (eds.), *Cultural Human Rights*, Leiden, 2008, at para. 3; and S. von Lewinski (ed.) *Indigenous…*, cit., p. 526.

adoption of provisions imposing specific requirements to contracts concerning the commercial exploitation of such heritage tends to be a key component of instruments that enable the collective management of rights and to ensure the protection of the community where the relevant manifestations of heritage originate. The main issues to be addressed by international instruments or national legislations in this field include certain obligations imposed on the party willing to use the heritage. Such obligations refer to the general information to be given to the community where the heritage originates, securing prior and informed consent and attribution to the traditional community or the relevant persons as well as some duties concerning financial benefits to be granted to the community.

Negotiation and formation of contracts concerning traditional knowledge and traditional cultural expressions are to a great extent influenced by the existence in the applicable law of provisions on who is to represent and conclude the contract on behalf of the relevant community. In this connection, national provisions on who is to act as custodian and representative of the community acquire special importance. Such provisions may in some legal systems determine that the State or a public body has to act as custodian of the relevant community – for example, an indigenous group- and hence be directly involved in the negotiations and supervision of the content of the agreement and even conclude it. In some situations customary rules of the communities where the ICH originates can also be relevant in this context.

The ICH Convention does not include detailed provisions on any of these issues and it was assumed from its adoption that given the limited and general framework that the Convention establishes its effectiveness for safeguarding the ICH would be to a great extent influenced by the quality of domestic legislation in this area[32]. According to Article 13 of the ICH Convention, the measures that each State Party shall endeavour to adopt in order to ensure the safeguarding, development and promotion of the intangible cultural heritage, include: designate or establish one or more competent bodies for the safeguarding of the intangible cultural heritage present in its territory; and establish appropriate legal, administrative and financial measures aimed, among others, at promoting institutions for training in the management of such heritage and its transmission through forums intended for the performance or expression thereof; and ensuring

[32] H. Marrie, "The UNESCO…", cit., p. 188.

access to the intangible cultural heritage while respecting customary practices governing access to specific aspects of such heritage.

Because of the limitations of the ICH Convention, international developments in other related fields where commercial exploitation of community resources have received more detailed attention are very significant. Although limited in scope, the 1992 Convention on Biological Diversity (CBD) can be regarded as a balanced international convention that can exercise great influence on certain aspects of the protection and commercial exploitation of traditional knowledge in general and cultural expressions[33]. Among the main objectives of the CBD is to ensure a fairly and equitably sharing of the benefits deriving from the use of natural and genetic resources. This goal aims at enabling developing countries and traditional communities to obtain compensation for the use of their resources in the development of pharmaceuticals, cosmetics and other products. According to Article 15 CBD access to genetic resources shall be subject to the prior informed consent of the Contracting Party providing such resources and shall be based on mutually agreed terms in order to ensure the sharing of benefits arising from the utilization of these genetic resources with the Contracting Party providing such resources. With a view to contribute to the implementation of these provisions, the Conference of the Parties to the Convention adopted in 2002 the Bonn Guidelines on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising out of Their Utilization[34]. The Bonn Guidelines are a set of non-binding provisions intended to assist States when adopting legislative, administrative or policy measures on access and benefit-sharing but also other stakeholders when drafting contractual arrangements for obtaining access to genetic resources. The search for an international regime to promote and safeguard the fair and equitable sharing of benefits arising out of the utilization of genetic resources within the framework of the CBD has also resulted in the adoption at the 10th Conference of Parties of the CBD in 2010 of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the CBD[35]. With respect to the use of genetic resources and associated traditional knowledge, the Protocol includes

[33] P.K. Yu, "Cultural Relics, Intellectual Property, and Intangible Heirtage", 81 *Temp. L. Rev*. 433 2008, at p. 439.

[34] http://www.cbd.int/doc/publications/cbd-bonn-gdls-en.pdf.

[35] http://www.cbd.int.

specific obligations to support compliance with regulatory requirements of the country of origin of such resources and with terms mutually agreed in contracts.

The need to ensure prior and informed consent in contracts concerning the use of intangible cultural heritage is connected with the idea that a similar rationale to that of the CBD may apply in transactions on ICH since one of the parties is more vulnerable and lacks significant information compared to the other. Prior informed consent is related to the requirement that outsiders interested in using ICH explain in advance their intentions regarding the relevant elements of ICH with a view to improve the bargaining position of the traditional community and to make possible the adoption of an appropriate decision on the acceptance of the intended use. The concept of prior informed consent has experienced increasing recognition in support of the control of traditional knowledge and ICH, as illustrated by its importance in the provisions drafted by the WIPO Intergovernmental Committee in this area[36]. Differences in bargaining power in these situations are frequently connected to the lack of knowledge in drafting contracts by the holders of the ICH. The Bonn Guidelines include detailed indications concerning the establishment of a system of prior informed consent. As to the position of users, the Guidelines refer to their obligation to seek the prior informed consent of providers; respect customs, traditions, values and customary practices of local communities; only use resources for purposes consistent with the terms under which they were acquired; and ensure the fair and equitable sharing of benefits arising from their commercialization.

Rules on representation play a decisive role as to who should give the consent. It has been suggested that the representation necessary to conclude transactions concerning a certain manifestation of heritage should be largely the same that is necessary to inscribe it in one of the lists created in the framework of UNESCO including the national inventories[37]. Representative bodies become essential with respect to expressions of heritage of a large and widespread social presence. In other situations reference to the traditional rules and practices of the relevant community may be appropriate to determine that the holder of the rights on traditional knowledge or cultural expression is the person or group recognized

[36] G. Dutfield, "Prior Informed Consent and Traditional Knowledge in a Multicultural World", in T. Kono (ed.), *Intangible…*, cit., p. 261, pp. 269-276.

[37] L. Lixinski, *A Framework...*, cit., p. 261.

by the community as the custodian of the heritage[38]. Indeed, the extent to which a community as such can control the use of certain cultural traditions and the means by exercising such control may be especially controversial. Communities are very diverse and may be structured in very different ways. Respect to the practices and rules developed by the communities themselves concerning access to or use of ICH should be a key component in the recognition of communities and their ICH[39].

The participation of entities designated by the governments seems especially justified in situations in which the traditional community lacks the necessary experience, as it is usually the case with indigenous communities. A key element of the model established in the Bonn Guidelines is the possibility to establish national authorities that may be responsible for granting access and have the legal power to grant prior informed consent. Moreover, from the perspective of the potential users and the viability of commercial exploitation of ICH, it is very important that transactions costs associated with obtaining consent to use ICH from its holders are not excessive[40]. In the framework of the ICH Convention, participation of the relevant community in the decision-making processes relating to its ICH is a question of the outmost importance. According to Article 15 of the ICH Convention, "each State Party shall endeavour to ensure the widest possible participation of communities, groups and, where appropriate, individuals that create, maintain and transmit such heritage, and to involve them actively in its management". In this connection, Chapter III of the Operational Directives for the Implementation of the ICH Convention is devoted to the participation of communities, groups and individuals, as well as experts, centres of expertise and research institutes and non-governmental organisations. These provisions encourage Member States to create a body or a coordination mechanism to facilitate the participation of communities and other relevant stakeholders in the identification and management of the different elements of intangible cultural heritage present on their territories. Additionally, States Parties

[38] See the definition of "traditional owners" in article 4 of the 2002 Model Law for the Protection of Traditional Knowledge and Expressions of Culture of the Secretariat of the Pacific Community, *http://www.forumsec.org.fj/resources/uploads/attachments/documents/PacificModelLaw,ProtectionofTKandExprssnsofCulture20021.pdf.*

[39] B. Hazucha and T. Kono, "Conceptualization of Community as a Holder of Intangible Cultural Heritage", T. Kono (ed.), *Intangible…*, cit., p. 145, at p. 153.

[40] R. Kojima, "Prior Informed Consent (An Intellectual Property Law Perspective)", in T. Kono (ed.), *Intangible…*, cit., p. 309, p. 315.

shall endeavour to foster respect for practices governing access to specific aspects of intangible cultural heritage in conformity with Article13 (d) of the Convention which includes a reference to the respect of relevant customary practices.

Under the text of the previously mentioned WIPO Draft Articles on the Protection of Traditional Cultural Expressions[41] the possibility to grant licences or collect benefits from the use of the traditional cultural expressions may be vested on a national authority. Such public authority may also play an essential role concerning financial aspects of the transactions, in particular to enforce the appropriate measures to ensure that the communities concerned are their primary beneficiaries as required by the Operational Directives for the Implementation of the ICH Convention.

4. Intangible heritage and tangible expressions: a tentative typology of contracts

The economic implications of the system established in the ICH Convention go well beyond the direct commercialization of such heritage, the derivatives and adaptations thereof as the subject matter of contracts with parties from outside the community where the manifestation of heritage originates. In particular, inclusion of an expression of heritage in the Representative List of the Intangible Cultural Heritage of Humanity established under the ICH Convention may have significant economic consequences in order to add value to different services not directly related to the exploitation of the heritage itself or to its derivates, such as tourism in the territory where the heritage originates. However, the scope of this paper is limited to commercial contracts having as their subject matter expressions of intangible cultural heritage, including knowledge, and the derivates and adaptations of such heritage. Furthermore, contracts concerning non-commercial uses of elements of heritage –such as certain agreements on uses for collection and research- will not be considered.

Contracts having as their subject matter expressions of intangible cultural heritage in the terms of Article 2 of the ICH Convention can be grouped in two main categories. The basic groups include, on the one hand, IP transfer and licence contracts –on different kinds of exclusive rights- and related agreements

[41] WIPO/GRTKF/IC/18/4, version of February 18, 2011.

granting access to or the possibility to use the relevant heritage and, on the other, sales agreements related to tangible manifestations of heritage. Notwithstanding this, other types of contracts can also be relevant such as certain contracts for the provision of services, for instance with respect to representations.

First, to the extent that elements of the ICH are protected by IP rights and *sui generis* rights, they may be the subject matter of transfers or licences[42]. Given that specific protection for traditional knowledge and traditional cultural expressions is envisaged as complementary to the protection of expressions and derivatives thereof resulting from existing international and national intellectual property instruments, licences of IP rights play a significant role in the commercial exploitation of certain expressions of ICH. As already noted, many expressions, derivatives or adaptations of ICH can benefit of protection by means of copyright and related rights, design rights, trademarks, and even patents. Hence, international licence contracts may be of prime importance except in the case of exclusive rights that can not be licensed, in particular geographical indications. Moreover, it is very significant that closely related to typical IP licence contracts are agreements enabling access to traditional knowledge or the possibility to use it under certain conditions to third parties not belonging to the relevant communities. This kind of agreement is the means to commercially exploit heritage that benefits of specific mechanisms of protection that grants communities the right to control access to or use of elements of heritage as collective resources.

Secondly, tangible goods that result from international cultural heritage can also be traded internationally. The contracts used for the trade of tangible manifestations of cultural heritage are well-known international business transactions. Even with respect to artworks having intangible aspects that benefit from protection by an intellectual property right (such as copyright or design) the artwork in its material form as physical property is typically the subject matter of sales, supply or distribution contracts. For instance, this may be the case of craft items culturally rooted that may be the peculiar expression of a given intangible cultural heritage. Additionally, recourse to geographical indications –that due to their nature can not be licensed- is mainly significant with regard to trade on certain goods[43].

[42] D.A. Posey and G. Dutfield, *Beyond Intellectual Property: Toward Traditional Resource Rights for Indigenous Peoples and Local Communities*, Otawa, 1996, pp. 69-70.

[43] See ITC (UNCTAD and WTO) and WIPO, *Marketing…*, cit., p. 86.

Finally, a reference may be made to certain peculiar transactions that may result from the system established by the ICH Convention. The Operational Directives for the Implementation of the ICH Convention contain specific rules on the use of the emblem of the Convention and envisage the contractual arrangements between the Secretariat and third parties involving commercial use of the Convention's emblem by the other party. The situations which involve such commercial use include the sale of goods or services bearing the emblem of the Convention chiefly for profit. If the commercial use of the emblem is directly connected with a specific element inscribed on a List, the use may be authorized after consulting the State(s) Party(ies) concerned and the Intangible Cultural Heritage Fund must receive a fair share of the revenues. Application of the international and national prohibitions concerning emblems of international organizations (Article 6ter of the Paris Convention) and the content and applicability of the terms of the authorisation granted by the relevant organization are of essential importance in these situations. Paragraphs 126 to 150 of the Operational Directives establish principles and regulations concerning the use of the emblem of the Convention. According to these provisions, any contractual arrangement between the Secretariat and outside organizations involving commercial use of the Convention's emblem by those organizations "must include a standard clause stipulating that any use of the emblem must be requested and approved previously in writing" (para. 140) and "any commercial use of the emblem of the Convention must be expressly authorized by the Director-General, under a specific contractual arrangement" (para. 142).

5. Content of the contract and choice of law

International contracts may raise complex issues concerning the law applicable to the contract that may undermine the predictability of the rights and obligations of the parties and render especially uncertain the outcome of litigation. A thorough drafting of the content of international contracts may provide significant legal certainty. It can diminish the role to be played by the law of the contract since the agreed terms prevail over the non-mandatory rules of the law of the contract. The brief typology presented above shows that contracts having as

their subject matter expressions of intangible cultural heritage and the derivates and adaptations of such heritage are very diverse.

Such diversity influences the terms of the international contracts in this area. Additionally, the negotiation and conclusion of these contracts may be directly affected by national legislation dealing with representation of the relevant community –even by a public authority- and certain mandatory terms to be included in contracts. Beyond those peculiar situations, a number of specific issues have been identified as relevant when drafting commercial contracts on intangible cultural heritage in order to achieve a balanced regime and adequate protection of the weaker party, especially concerning licence contracts and other agreements granting access to or the use of community resources. In particular, in certain situations specific rules developed in the relevant traditional community with respect to the element of heritage concerned should be incorporated in the content of contracts referring to its exploitation. Furthermore, obligations of the party who is to exploit the relevant element of heritage aimed at ensuring an adequate protection of the traditional community where the heritage originates should also be included if necessary in the contract even in situations in which no legal obligation to do so exists. In this connection, certain model provisions may be of interest[44].

The previously discussed Bonn Guidelines adopted in the framework of the CBD contain in Annex I a list of suggested elements for inclusion in material transfer agreements that *mutatis mutandis* can be a source of inspiration also with respect to the drafting of contracts concerning other areas of traditional knowledge and cultural expressions. The suggested contractual terms include: description of resources covered by the transfer agreement; permitted uses of the resources; whether intellectual property rights may be sought and if so under what conditions; no warranties guaranteed by provider on identity or quality of the provided material; whether the resources or information may be transferred to third parties and if so conditions that should apply; confidentiality clause; duration of the agreement and other clauses common in international contracts, including dispute settlement arrangements and choice of law. Moreover, key components of the mutually agreed terms are typically the provisions on the conditions, obligations and types of benefits to be shared, including their distribution. Annex

[44] A pioneer example in this direction was the so-called "Covenant on Intellectual, Cultural and Scientific Resources", drafted by the Global Coalition for Biocultural Diversity, see D.A. Posey and G. Dutfield, *Beyond...*, cit., pp. 73-74 and reproduced in pp. 175-178.

II of the Bonn Guidelines and the Annex to the Nagoya Protocol contain a list of possible monetary benefits (such as access fees or fee per sample acquired; up-front payments; milestone payments; payment of royalties; licence fees in case of commercialization; salaries; research funding; joint ventures; joint ownership of relevant IP rights) and other regarding non-monetary benefits (including sharing of research results; cooperation in research programmes; cooperation in education and training; institutional capacity-building; contributions to the local economy; and social recognition).

Finally, a key issue when drafting international contracts in this area are the clauses concerning dispute resolution and choice of law. A valid choice of forum (or an arbitration) agreement provides certainty as to the available forum to litigate and hence clarifies the private international law and the procedural law that will be applied in case of a dispute. Moreover, the inclusion in the contract of a choice of law agreement between the parties can prevent the difficult task of establishing the law applicable to the contract in the absence of choice. Given the uncertainties as to the law applicable to licence contracts, parties to such contracts should make all possible efforts to agree on a choice of law clause[45]. The choice by the parties of the law of the country where the relevant ICH originates as the law of the contract may be a useful instrument to ensure the application to the relationship of the provisions adopted by that country on the exploitation of the heritage and even customary rules developed within the community. Notwithstanding this, the application of customary law, especially not belonging to the forum where the dispute is adjudicated, may raise practical difficulties due to the special difficulties in ascertaining its content, in particular with regard to indigenous communities.

The basic principle that parties have the freedom to determine the law applicable to the contract is internationally acknowledged, although in some cases with restrictions. Within the EU the conflict of laws provisions in the field of contracts have been unified and are now contained in Regulation (EC) No 864/2007 (Rome II Regulation)[46]. Article 3 of the Rome I Regulation establishes the principle of party autonomy in very broad terms, since it allows parties to choose the law of whatever country they agree even if it is a country that has no

[45] P. Torremans, "Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation", *Journal of Private International Law*, 4, 2008, p. 397, at p. 420.

[46] Regulation (EC) No 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I) (OJ L 177/6, 4.7.2008).

connection with the contract. Moreover, Article 3 of the Rome I Regulation accepts not only express choice of law but also tacit choice, provided that it can be "clearly demonstrated by the terms of the contract or the circumstances of the case"[47]. As a counterbalance of the parties' freedom to choose as the law of the contract the law of the country they prefer even if such a country has no connection with the relevant contract, according to Article 9 of the Rome I Regulation not only the overriding mandatory provisions of the law of the forum prevail over the law of the contract but also under certain circumstances overriding mandatory provisions of third countries may also be effective. Furthermore, the law of a country other than the law of the contract may be applicable to issues which fall beyond the scope of application of the law of the contract, as it is the case with the protection and the transferability of IP rights.

6. Law applicable to the contract: trade on tangible goods

The interpretation and performance of an international contract are among the issues governed by the law of the contract. The law of the contract provides also the default rules applicable to supplement the terms of the contract and establishes the basic mandatory framework of rules that the parties can not avoid or limit. The criteria to determine the law of the contract may vary among the different countries since each forum applies its own system of Private International Law. In the EU Article 4 of the Rome I Regulation establishes the criteria to determine the applicable law in the absence of choice. By contrast with the 1980 Rome Convention, Article 4 of the Rome I Regulation begins with a provision that establishes the law applicable to certain categories of contracts by means of fixed and direct rules that only in exceptional circumstances may be disregarded under the escape clause of Article 4(3)[48]. Article 4 of the Regulation

[47] According to the Preamble to the Regulation, the inclusion in a contract of a choice of forum agreement is only one of the factors to be considered in determining whether a choice of law has been clearly demonstrated. See M.X. Scherer, "Le choix implicite dans les jurisprudences nationals: vers une interpretation uniformed du Règlement? – L'exemple du choix tacite resultant des clauses attributives de jurisdiction et d'arbitrage", in S. Corneloup and N. Joubert (dirs.), *Le règlement communautaire "Rome I" et le choix de la loi dans les contrats internationaux*, Paris, 2011, p.253, at pp. 271-274.

[48] The wording of Article 4(3) of the Rome I Regulation stresses its nature as an exceptional device that is only to be applied in cases in which the contract is "manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2", in line with the

only requires identification of the characteristic performance to determine the governing law in those cases where the contract cannot be categorised as being one of the specified types listed in paragraph 1 or where the elements of the contract fall within more than one of those types as provided for in paragraph 2.

Therefore, characterization of a contract as falling within one of the specified types listed in paragraph 1 produces the result that the applicable law is determined in accordance with its fixed rules that only can be disregarded under the exception clause of Article 4(3) of the Regulation. Most international contracts concerning trade on tangible goods that result from intangible cultural heritage – such as crafts and artworks in material form- seem to be covered by the category of contracts "for the sale of goods" of Article 4(1)(a) of the Rome I Regulation. According to recital 17 of the Preamble of the Rome I Regulation, the categories contracts "for the sale of goods" and contracts "for the provision of services" should be interpreted in the same way as when applying the jurisdictional provision of Article 5.1 of Regulation No 44/2001 (Brussels I Regulation)[49]. The term sale of goods in Article 4(1)(a) includes in principle all forms of sale of movables[50], including supply contracts with successive sales, with the exception of contracts for the sale of goods by auction that are covered by a specific provision on Article 4(1)(g). Contracts which require further activities by the party delivering the goods, in particular sales of goods to be produced or manufactured, tend to be considered as sale contracts[51] and treated like sales of ready-made goods. This approach influences the interpretation of "sale of goods" under Article 4(1)(a) of the Rome I Regulation and it is also the criterion adopted by Article 3(1) of the 1980 UN Convention on Contracts for the Sales of Goods. According to this provision the Convention is applicable to contracts for the supply of goods to be manufactured or produced except for those cases in which a substantial part of the materials necessary to manufacture or produce the goods are supplied by the "buyer". Typically, this situation will not concur in contracts concerning the sale of goods that are tangible manifestations of ICH where the

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restrictive interpretation of the escape clause of article 4(5) Rome Convention advocated by the Court of Justice in its judgment of 6 October 2009, C-133/08, *ICF*.

[49] Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L 12/1, 16.1.2001)

[50] See U. Magnus, "Article 4 Rome I Regulation: The Applicable Law in the Absence of Choice", in F. Ferrari and S. Leible (eds.), *Rome I Regulation (The Law Applicable to Contractual Obligations in Europe)*, Munich, 2009, p. 27 at p. 37.

[51] ECJ Judgment of 25 February 2010, C-381/08, *Car Trim*, paras. 34-39.

connection with the community where the heritage originates is a key feature of the goods. Hence, international sale contracts on tangible expressions of ICH tend to be covered by the substantive scope of application of the 1980 Sales Convention.

Under Article 4(1)(a) of the Rome I Regulation, contracts for the sale of goods shall be governed by the law of the country where the seller has his habitual residence. From the perspective of export sales of tangible derivates of ICH it is remarkable that this criterion leads in typical situations to the application of the law of the country where the relevant ICH originates. Article 4(1)(b) of the Rome I Regulation leads to a similar result with respect to contracts for the provision of services related to ICH by persons belonging to the relevant traditional community, since the law applicable is the law of the country where the service provider has his habitual residence.

Under the special provision of Article 4(1)(g) Rome I Regulation, auction sales are governed by the law of the place where the auction takes place. The rationale of this special provision of great interest in the context of art trade is that the seller (and hence its domicile) may be unknown to the buyer at the time of the sale and that it is usual that specific provisions govern auctions sales to protect fairness in transactions. The special provision of Article 4(1)(g) only applies if the place where the auction takes place can be determined. This restriction is especially significant in the context of Internet auctions, although it is open to interpretation if the fact that the terms of the auction site determine the place where the auction is deemed to take place (in particular, the place where the organizer of the auction is located) may also be taken into consideration in this respect.

Commercialization in foreign markets of tangible derivates of international cultural heritage may also take place by means of distribution contracts. In the framework of the Rome I Regulation such contracts are also subject to a special rule. Under Article 4(1)(f) of the Rome I Regulation, distribution contracts are governed by the law of the country where the distributor has his habitual residence. Hence, to the extent that the distributor is located in a foreign country these contracts may be governed by a law other than the country where the relevant ICH originates.

7. Contracts relating to IP rights and *sui generis* protection

International contracts dealing with the commercial exploitation of IP rights on elements of ICH or *sui generis* mechanisms of protection of ICH raise complex conflict of laws issues. First, the delimitation between the scope of the law of the contract and the scope of the law(s) applicable to the protection of the exclusive rights covered by the contract may become a difficult task, especially with respect to contracts relating to the use of intangibles in several countries. Secondly, the application of choice of law rules on the law applicable to the contract in the absence of choice may prove in this area an additional source of uncertainty.

Conflict of laws rules on contractual obligations are typically based on different criteria from those applicable to the protection of IP rights as exclusive rights with limited territorial scope. The law applicable to the IP protection granted to ICH should be distinguished from the determination of the law applicable to the transfer or licence contracts. Therefore with respect to international contracts on IP rights characterization of an issue as governed by the law of the contract (such as formation of the contract, interpretation, performance, payment and royalties, consequences of a breach of obligations) or the law to the IP right itself (such as the existence and scope of the right, its transferability, the requirements of the transfer and licensing and issues concerning third party effects of these transactions) plays a crucial role. With respect to rights on elements of the ICH, national (even customary) or international provisions on existence, entitlement, initial ownership, scope of the rights, determination of holders or custodians of the rights, agency and representation of the community by public bodies or third parties, and adequate compensation to the communities concerned may be of great importance. The effects of such provisions and their international application may differ widely depending on their nature.

From a comparative perspective it is widely accepted that the law applicable to the infringement of intellectual property rights is that of each country for which protection is sought or *lex loci protectionis* (Article of the 8 Rome II Regulation[52]). It is not the law of the contract but the *lex loci protectionis* (in principle as many different laws of protection as countries covered by the

[52] Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (OJ L 199/40, 31.7.2007).

contract) the law that governs those issues that fall within the scope of the law applicable to the IP right as such that remain independent from the *lex contractus* and in particular from a choice of law agreement because of the mandatory nature of conflict of laws rules on the law applicable to the IP right as such. Hence, the law of the country of protection applies in principle to certain issues relevant to contracts for the transfer of IP rights related to ICH[53], such as existence, validity and protection of intellectual property rights[54]. However, in some systems the law applicable to initial ownership of copyright is the law of the country of origin[55]. Additionally, application of provisions of the law of origin are very significant in some areas, such as geographical indications and in the context of ICH it seems appropriate to weigh the special connection of traditional knowledge and cultural expression with the place where the relevant communities are located. For instance, the provisions of the country of origin on the existence of such heritage, its ownership, the representation of the relevant communities, the requirements to use a quality mark or the certification systems that establish the practices or elements included in the heritage should be given effect in foreign countries, especially in those countries where the heritage is exploited[56]. This approach has been to a great extent implemented in the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the CBD that includes obligations of the foreign countries where the resources are being used of supporting compliance with the legislation of the country of origin[57].

The law applicable to contracts relating to intellectual property in the absence of choice remains controversial in the EU under Article 4 of the Rome I Regulation[58]. The lack of a specific reference to these contracts in the Regulation

[53] A. Lanciotti, "Profili…", cit., pp. 298-301

[54] J. Drexl, "Internationales Immaterialgüterrecht", *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, 5th ed., Bd. 11, Munich, 2010, pp. 1437-1439.

[55] D. Moura Vicente, *A Tutela internacional de propiedade intelectual*, Coimbra, 2008, pp. 208 et seq.

[56] See the contribution in this volume by B. Ubertazzi.

[57] For instance, according to Article 16(1) of the Nagoya Protocol: "1. Each Party shall take appropriate, effective and proportionate legislative, administrative or policy measures, as appropriate, to provide that traditional knowledge associated with genetic resources utilized within their jurisdiction has been accessed in accordance with prior informed consent or approval and involvement of indigenous and local communities and that mutually agreed terms have been established, as required by domestic access and benefit-sharing legislation or regulatory requirements of the other Party where such indigenous and local communities are located".

[58] See A. Metzger, "Transfer of Rights, License Agreements, and Conflict of Laws: Remarks on the Rome Convention of 1980 and the Current ALI Draft", in J. Basedow, J. Drexl, A.

(in particular in Article 4.1)[59] has become a source of uncertainty. First, it has to be ascertained whether the relevant contract can be categorised as falling within only one of the types of contracts set forth in Article 4(1). Concerning the possible classification of contracts relating to IP rights as contracts for the provision of services in the terms of Article 4(1)(b) of the Rome I Regulation, the Court of Justice in the *Falco* case[60] ruled that "a contract under which the owner of an intellectual property right grants its contractual partner the right to use that right in return for remuneration is not a contract for the provision of services". Under Article 4.2 of the Rome I Regulation, when the contract is not covered by any of the categories of contracts listed in paragraph 1 the contract shall be governed by the law of the country where the party required to render the characteristic performance of the contract has his habitual residence. Determination of the characteristic performance with respect to contracts relating to IP rights remains highly controversial.

The prevailing view is that the party who renders the characteristic performance in a typical transfer or a licence of rights contract is the transferor or licensor of the IP rights. The rule according to which the licensor is the party who effects the characteristic performance has been countered by arguing that in most license agreements the licensee's obligations go far beyond the payment of money and hence it can be argued that when the license is exclusive or the licensee assumes the obligation to exploit the subject matter of the contract, the licensee is the party who effects the characteristic performance. However, the basic idea of

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Kur and A. Metzger (eds.), *Intellectual Property in the Conflict of Laws*, Tubingen, 2005, p. 61, at pp. 67-69; P. Torremans, "Licenses…", cit., pp. pp. 397-420; P.A. de Miguel Asensio, "Applicable Law in the Absence of Choice to Contracts Relating to Intellectual or Industrial Property Rights", *Yearbook PIL*, 2008, pp.199-219; P. Mankowski, "Contracts Relating to Intellectual or Industrial Property Rights under the Rome I Regulation", in S. Leible and A. Ohly (eds.), Intellectual *Property and Private International Law*, Tubingen, 2009, p. 31, at pp. 42-47; B. Ubertazzi, "La legge applicabile ai contratti di trasferimento di tecnologia", *Riv. dir ind*., 2008, pp. 118-150; Y. Nishitani, "Contracts Concerning Intellectual Property Rights", in Franco Ferrari and Stefan Leible (eds.), Rome I… cit., p. 51, at pp. 74-80; N. Boschiero, "I contratti relativi alla proprietà intellettuale alla luce della nuova disciplina comunitaria di conflitto. Analisi critica e comparatistica", N. Boschiero (coord.), *La nuova disciplina comunitaria della legge applicabile ai contratti (Roma I)*, Turin, pp. 463-538; and U. Stimmel, Ulrike, "Die Beurteilung von Lizenzverträgen unter der Rom I-Verordnung", *GRURInt*, 2010, pp. 783-788.

[59] Article 4(1)(f) of the 2005 Proposal of the Rome I Regulation contained a specific provision stating that contracts relating to intellectual property rights should be governed by the law of the country in which the person who transfers or assigns the rights has his habitual residence. This provision was suppressed in the final version of the Regulation.

[60] ECJ Judgment of 23 April 2009, C‑533/07, *Falco Privatstiftung*, concerning the interpretation of Article 5.1 Brussels I Regulation.

licensing agreements is that the owner of an exclusive right or know-how permits the licensee to enjoy it in return for payment. The licensor confers the right to use the subject matter of an exclusive right and the licensee seeks to participate in the legal or effective exclusivity of the licensor. Hence, it is widely accepted that the characteristic performance in basic license contracts consists of the permission granted by the owner of the IP right in return for payment so that the characteristic performance is made by the licensor. This approach seems also relevant to determine the characteristic performance with respect to contracts related to *sui generis* systems of protection established to give traditional communities the means to control access to or use of traditional knowledge and cultural expressions. Typically, the object of this kind of agreement is to enable third parties to obtain access or the possibility to use the relevant intangible elements or expressions of heritage in exchange of money.

Therefore, it can be noted that the criterion that in typical IP transfer and licence contracts the IP rightholder is the party that renders the characteristic performance leads to a situation in which the law applicable to these contracts under Article 4 of the Rome I Regulation is in most cases the law of the place where the relevant ICH originates. Notwithstanding the idea that the transferor or the licensor is in principle the party that executes the characteristic performance in a contract having as its main subject matter the assignment or license of an IP right, it is noteworthy that the typology of contracts relating to IP rights is very diverse. In practice, these contracts include categories of agreements in which the characteristic performance is accomplished by the other party (such as in publishing contracts), contracts in which no characteristic performance can be determined (for instance, reciprocal licences or other complex agreements that will not be common with respect to rights on ICH), and contracts that are manifestly more closely connected with a country other than that of the habitual residence of the transferor or licensor (such as certain situations in which the contract refers to IP rights of only one country and presents a special connection with the country of protection)[61]. For those situations in which the determination of the characteristic performance is not possible, Article 4(4) of the Rome I Regulation establishes that the contract is governed by the "law of the country with which it is most closely connected". The interpretation of this provision based on the principle of proximity may lead to significant uncertainty. To

[61] See P.A. de Miguel Asensio, "Applicable...", cit., p. 218.

establish the country with the closest relationship to the contract a wide range of factors have be taken into consideration, including the place of residence or business of the parties and their nationality, the subject-matter of the contract and the place of performance in order to establish if the contract is more integrated in the social and economic sphere of one country, and the structure and content of the contract. The special connection of ICH to a given community and its practices may be an additional factor to be considered in these situations favouring the finding of a closer connection with the territory where the heritage originates.

8. Effects of overriding mandatory provisions

The progressive development of special legislation providing traditional communities with mechanisms of control over access and use of certain resources –such as traditional knowledge and cultural expressions- by parties outside the community may include certain provisions imposing specific contractual requirements. The relevant rules may include: obligations to ensure that contracts are concluded only after appropriate consultation and with the prior informed consent of the beneficiaries in accordance with their traditional processes; provisions on community representation that determine who is to act as custodian or representative; and minimum content of the contractual terms to ensure the sharing of benefits with the community or the equitable remuneration to the beneficiaries. Moreover, as already noted, legislation may also provide for the compulsory involvement of a public authority that has the power to authorize the use of community resources by third parties.

In connection with this kind of legislations covering contracts on traditional knowledge and cultural expressions the issue arises as to the applicability of certain provisions of the law of the country where the heritage originates even to international contracts that are not governed by the law of this country. The issue is especially relevant in situations in which the country of origin has adopted legislation in this area including mandatory provisions concerning formation, content or performance of contracts on traditional knowledge or certain cultural expressions.

Characterization of these provisions as "overriding mandatory provisions" in the sense of Article 9 of the Rome I Regulation has important practical implications on international contracts and may contribute to achieve effective international protection[62], since overriding mandatory provisions are rules which must apply within their scope of application irrespective of the law applicable to the contract. Overriding mandatory provisions under Article 9 are mainly relevant with respect to issues included in the scope of application of the law of the contract. In particular, overriding mandatory provisions of the law of the forum always prevail over the law of the contract, and under Article 9.3 effect may be given to the overriding mandatory provisions of a foreign law other than the law of the contract. Overriding mandatory provisions are closely connected to notions of public policy and hence their violation or non-application by a court may be decisive to refuse recognition and enforcement of foreign judgments at least in the country that adopted the relevant legislation, usually, the country where the relevant heritage originates.

Article 9.1 of the Rome I Regulation defines "overriding mandatory provisions" as "provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract". The growth of international law on cultural heritage, including the ICH Convention, has influenced the emergence of cultural heritage as part of the shared interest of humanity that may be regarded an issue of general interest of the international community connected to the protection of cultural diversity and human rights. Protection of cultural heritage of international relevance as part of the common heritage of humanity has been identified as a new principle[63]. In this connection, it can also be noted that the characterization of certain provisions of the law of origin as overriding mandatory provisions has obtained significant acceptance with respect to sales, export restrictions and restitution of tangible goods of cultural property that can also be relevant for some tangible expressions of intangible cultural heritage. Indeed, national legislations impose export controls on cultural property objects aimed at preventing such objects from leaving the country of origin and ensuring their restitution, in line with the principles

[62] A. Lanciotti, "Profili…", cit., p. 302.

[63] F. Francioni, "Beyond State Sovereignty: The Protection of Cultural Heritage as a Shared Interest of Humanity", 25 *Mich. J. Int'l L.*, 1209, 2003-2004, at p. 1213.

underlying the 1970 UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property may in some cases be applicable to certain tangible derivates of intangible cultural heritage[64]. Moreover, the substantive uniform provisions on the restitution and return of cultural objects contained in the 1995 UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects may also be relevant in this context.

Not all items resulting from intangible cultural heritage deserve equal protection and the definition of Article 9.1 of the Rome I Regulation is intended to be restrictive and to refer mainly to situations in which "exceptional circumstances" concur, according to the Preamble of the Regulation (para. 37). However, it can be observed that the aims and function of certain provisions imposing specific contractual requirements in the framework of the legal instruments adopted at national level to provide adequate control to traditional communities over access and use of certain resources are related to their characterization as overriding mandatory provisions with respect to international contracts on the exploitation of the heritage that originates or is located in the country adopting the legislation. These specific mandatory provisions concerning intangible cultural heritage that under certain circumstances may be considered overriding mandatory provisions cover basically certain contractual restrictions aimed at guaranteeing the basic goals of the intangible cultural heritage regulatory framework, including the protection of such heritage and of the position of certain local communities, especially by means of the establishment of access and benefit-sharing requirements.

The characterization of the relevant rules as overriding mandatory provisions depends on the country that adopts the rules but the possibility of such rules being applied by the courts of other countries depends on the Private International Law system of the forum country. In the EU, according to Article 9(3) of the Rome I Regulation: "Effect may be given to the overriding mandatory provisions of the law of the country where the obligations arising out of the contract have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the contract unlawful". By contrast with the 1980 Rome Convention, Article of the 9(3) Rome I Regulation restricts the connection that must exist between the contract and the country that

[64] See Article 2(e), (k) and (g).

adopted the provision, since it allows only for the consideration of provisions of the country where the contractual obligations are performed. The reference to the place of performance is an additional factor of uncertainty[65]. The special connection of elements and manifestations of intangible cultural heritage with the community of origin may favour the interpretation that some contractual obligations are to be performed in the country of origin even in contracts concerning the use of such resources in third countries.

Additionally, according to the last indent of Article 9(3): "In considering whether to give effect to those provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application". The fact that the values and aims of the foreign overriding mandatory provisions are shared by the forum country is of great importance when assessing the consideration to be given to such provisions. As already noted, the development of international instruments on intangible cultural heritage recognizing the importance of its protection is an important factor showing not only the existence of important public interests in this field that may require the adoption of overriding mandatory provisions but also the existence of international values and principles in this area that may favour the application of such provisions by foreign courts. Essential in the system of the ICH Convention is Article 19(2)[66]. According to this provision, "the States Parties recognize that the safeguarding of intangible cultural heritage is of general interest to humanity, and to that end undertake to cooperate at the bilateral, subregional, regional and international levels". The establishment of international lists such as those envisaged in Article 16 (Representative List of the Intangible Cultural Heritage of Humanity) and article 17 (List of Intangible Cultural Heritage in Need of Urgent Safeguarding) of the ICH Convention but also the inventories drawn up by Member States under Article 12 of the Convention may play a role in determining the international significance of an element of intangible cultural heritage[67].

However, important differences also exist between countries that may undermine the possibility of giving effects to foreign overriding mandatory provisions in this area. Significant in this context are the difficulties encountered in the process of negotiation of international instruments regarding specific

[65] A. Bonomi, "Overriding Mandatory Provisions in the Rome I Regulation on the Law Applicable to Contracts", *Yearbook PIL*, 2008, p. 285, p. 297.
[66] T. Scovazzi, "La notion…", cit., p. 100.
[67] F. Francioni, "Beyond…", cit., p. 1220.

mechanisms of protection of traditional knowledge and cultural expressions and the lack of uniform rules that have achieved general acceptance from an international perspective. Moreover, although in accordance with Article XX(f) GATT 1994 States have the possibility to control and restrict the export of cultural property, the interaction of certain protective provisions on traditional knowledge and cultural expressions with the international trade regime for goods and services remains a source of controversy[68].

[68] For instance, at the time of the adoption in 2005 of the UNESCO Convention for the Protection and Promotion of the Diversity of Cultural Expressions, the US representative expressed its objection and invoked the risk that the ambiguous provisions of such Convention and the broad and imprecise term "cultural expressions" could be invoked to assert a right to erect barriers to goods or services that could be deemed to be cultural expressions undermining the free exchange of ideas and images and impairing the world trade system, see T. Scovazzi, "La notion…", cit., p. 113.