

COPYRIGHT LAWS ACROSS THE BORDER: EXTRATERRITORIAL ENFORCEMENT
DORIS ESTELLE LONG
PROFESSOR AND CHAIR, INTELLECTUAL PROPERTY, INFORMATION TECHNOLOGY AND
PRIVACY
THE JOHN MARSHALL LAW SCHOOL
CHICAGO, ILL

COPYRIGHT LAWS ACROSS THE BORDER: EXTRATERRITORIAL ENFORCEMENT
DORIS ESTELLE LONG¹

THE SCOPE OF THE PROBLEM

An asset without protection is not an asset, it is a liability. One of the fastest “growth industries” today is the provision of pirated works internationally. According to a recent report on global software piracy, 35% of all installed software in 2004 was pirated, resulting in over \$33 billion dollars in lost revenue for US industries alone.² Estimates by the US Department of Commerce place global piracy losses by US industries at approximately \$250 billion in lost sales.³ Moreover, the economic impact of global piracy is not limited to IP owners in the developed world. To the contrary, in a 1995 report focusing on hard goods piracy, the United Nations Conference on Trade and Development (UNCTAD) reported that while the Jamaican music industry generated in excess of \$1billion (US) globally in 1995, the total value of lawful Jamaican music exports amounted to only \$1.4 million (US).⁴

Copyright piracy, and the desire by US intellectual property rights owners to enforce their rights against illegal acts occurring in whole or in part abroad, has become one of the most problematic areas of enforcement of the 21st Century. The truth is no one can precisely measure the scope of global piracy. Pirates are not exactly known for keeping accurate tallies of their sales. Yet there are numerous signposts that demonstrate how large the pirate problem on the ground has become. Importation of optical disc media far in excess of domestic demands, the presence of law enforcement officials patrolling well-known pirate markets, the virtual absence of legitimate sales by domestic music groups in the face of wide-spread popularity of the groups themselves, all help demonstrate the entrenched nature of global piracy in the hard goods world.

Whatever the actual figure of economic losses due to global piracy, there is no doubt that the problem is increasing, both in scope and frequency. Yet the ability to obtain relief against such cross border activities --often criticized as an unlawful extraterritorial application of US law -- remains unpredictable.

In an era of increasing global trade, where infringement may occur in diverse countries or be accomplished through cross-border activities, copyright protection both internationally and domestically remains rooted in territorial principles. Present day territoriality is premised largely on Article 5(2) of the Berne Convention on the Protection of Literary and Artistic Works. This

¹ Professor of Law and Chair, Intellectual Property, Information Technology and Privacy Group, The John Marshall Law School, Chicago, Ill 7long@jmls.edu. I would like to acknowledge the invaluable research assistance of Josh Brackin in the preparation of this paper.

² BSA Global Piracy Study for 2004, <http://www.bsa.org/globalstudy>.

³ Bush creates new post to fight global piracy, http://news.com.com/2102-1028_3-5800092.html (July 22, 2005). This figure presumably does not include lost tax revues, or lost business and employment opportunities.

⁴ Speaking Notes for HM at Official Launch of JIPO, http://www.mct.gov.jm/jipo_launch.pdf.

Article expressly provides that apart from the minimum standards of protection which have been established under the Convention, “the extent of protection as well as the means of redress afforded to the author to protect his rights shall be *governed exclusively by the laws of the country where protection is claimed.*”⁵ Similarly, under US law, it is well established that US copyright laws cannot be applied extraterritorially.⁶ The reality, however, is that the wall of “extraterritoriality” is becoming increasingly porous in both environments. It is also unfortunately becoming increasingly unpredictable.

The Berne Convention’s recognition of situs based protection leaves far too many issues open. For example, assume that a US authored movie has been distributed on DVDs in the United States with the authorization of the US copyright holder. A US national purchases a legitimate copy of the DVD and sends it to the UK with instructions to the recipient to reproduce the DVD for sale in the EU. All reproductions and sales occur abroad. Under this scenario, where can “protection” be claimed such that the forum’s laws should apply? Can protection be claimed in the US simply because the copyright holder is a national? Can protection be claimed if the only act in a series of potentially infringing acts is the authorization to a foreign national in another country to distribute illegal copies? What if the reproduction and distribution of the works in the UK is lawful under UK law? Can acts lawful in one country be the basis for liability in another? The answers under international copyright law are unfortunately far from clear.

US law is similarly in a state of flux regarding the types of cross border activities that may result in liability under US copyright law. It is axiomatic that US copyright law cannot be applied extraterritorially.⁷ What is not clear is what exactly qualifies as an “extraterritorial” application.

In the course of a civil copyright infringement action filed in the United States, the issue of extraterritorial application of US law arises under three basic scenarios. The first is the issue of extraterritorial application in obtaining personal jurisdiction over a foreign actor. The second is the issue of extraterritorial application in determining what acts actually qualify as infringing, and all subsidiary issues related to such a finding including the critical issues of originality and “chain of title.” Such issues arise not only in a determination on the merits, but also in the critical arena of subject matter jurisdiction. Finally, and with increasing importance, extraterritoriality issues arise in the context of choice of law. This paper will focus primarily on the latter two scenarios. While personal jurisdiction is an equally significant and troubling issue in the context of cross border infringement, it is beyond the scope of this paper.

This paper is intended to be an overview of some of the major issues that face litigators in attempting to either obtain relief or avoid liability for potentially infringing actions under US copyright law predicated on acts occurring partly or wholly beyond US territorial boundaries. It is not intended to serve as a comprehensive examination of all cases or even all issues which

⁵ Berne Convention, Article 5(2)(emphasis added).

⁶ See, e.g., *Subafilms v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) and the other cases cited hereinafter.

⁷ *Id.*

may arise in this context. It is also not intended to serve as a substitute for advice of legal counsel. Instead, the goal is to illuminate some of the issues surrounding this complicated problem and provide some insights into future developments.

EXTRATERRITORIALITY AND UNIVERSAL COPYRIGHT

Unlike patents and trademarks, rights under international copyright law do not require any territorially based registration.⁸ Copyrights under international law exist without the need for any such registration. In fact the Berne Convention specifically prohibits any formalities, including registration, for copyright protection to attach.⁹ The absence of any registration requirement arguably provides strong evidence of the potentially universal nature of copyright. New communications media, including satellite and the internet, and the increasing ease (and speed) of reprographic technologies, particularly for works in digital form, strengthen the potentially “universal” nature of copyright as works created in one country are increasingly reproduced, distributed and performed in others. In fact in today’s digital era, a work may be created in country A, unlawfully copied in country B, transmitted via peer-to-peer file transfer to an end user in country C, who subsequently downloads the file and sells hard copies of the work in the local market at a discount rate. Yet despite these attributes of universality, copyright has remained a territorially restricted right, with all the problems that such territoriality implies in a world where infringing acts often occur across borders.

Although no “formalities” are required under international treaties for copyright protection to attach, copyright remains rooted in territorial principles of authorship. Under the Berne Convention, protection attaches either as a result of authorship by a national or resident domiciliary in a Berne Convention country, or on the first publication of a work in a Berne Convention territory.¹⁰ These points of attachment arguably underscore the territorial nature of copyright protection. Yet such territorial nature is undermined by the added recognition in Article 5 of the Berne Convention of the independence of copyright protected works, requiring that all works be protected in accordance with local law, regardless of the protected or non-protected status of the work in its country of origin.

As noted above, the strongest evidence of the territorial nature of copyright protection is contained in Article 5(2) of the Berne Convention which expressly provides that, apart from the

⁸ The only exception to this registration requirement for trademarks lies in the protection of well-known marks under Article 6bis of the Paris Convention and the limited recognition by some countries, including the United States, that trademark rights can be acquired through use alone. Despite a growing trend toward famous marks registries, under international law such marks must be protected against infringing registration and uses without the obligation of formal registration.

⁹ This limitation does not prevent the United States from imposing a registration requirement for US authors before subject matter jurisdiction exists. Foreign authors, however, may not subject to such strictures without violating international standards under Berne.

¹⁰ Specifically, the Berne Convention provides that protection under the treaty is extended to works of Berne Convention nationals (both published and unpublished)(Art. 3(1)(a)); for non-Berne Convention works which are either first published in a Berne Country or simultaneously published in a Berne Country (Art. 3(1)(b)); and for non-Berne nation authors “who have their habitual residence” in a Berne Country. Such habitual residents are entitled to the same treatment as nationals (in other words, both published and unpublished works are protected).

minimum standards of protection which have been established under the Convention, “the extent of protection as well as the means of redress afforded to the author to protect his rights shall be governed exclusively *by the laws of the country where protection is claimed.*”¹¹ Unfortunately, despite the clear preference for territorial based enforcement, Berne does not specify to what extent extraterritorial acts may serve to establish the location of the “country where protection is claimed.” This forum centric focus, combined with the national treatment provisions of Berne and TRIPS, assures that foreign authors not be discriminated against in seeking to enforce their copyrights. The minimum substantive law provisions of Berne, combined with the minimum enforcement provisions of TRIPS, should further assure that a certain level of copyright protection is available regardless of the forum selected. The vagaries of international enforcement, the availability of differing limitations and exceptions to copyright protection (“fair use”), the lack of uniform treatment of neighboring rights, and divergent domestic public policies, however, result in an international enforcement system that remains inconsistent and unpredictable. These limitations not only increase the possibility of forum shopping on both a domestic and international basis, but also place increasing pressures on domestic courts to extend their laws to reach acts occurring abroad, particularly where local copyright owners’ interests are perceived as being injured. The stress on the system has resulted in inconsistencies in protection that remain the present hallmark of the US approach to the problem.

THE EXTRATERRITORIAL SHUFFLE

The extent to which US courts will reach out to allow recovery for acts of alleged infringement occurring abroad remains problematic at best. The genesis of these problems remains the inconsistent treatment regarding the extent to which acts abroad may be considered as part of a “chain of infringement” actionable so long as one “link” is rooted in US activity. While other areas are fraught with inconsistencies, the fundamental requirement that some type of “predicate act” occur within the United States appears uniformly applied. Equally uniform is the obligation that this predicate act rise to the level of an infringing act under US law. Inconsistencies arise, however, largely from the treatment of “authorization” as a predicate act and from the desegregation of public performance and transmission activities.

In its seminal decision, *Subafilms Ltd. v. MGM-Pathe Communications, Co.*,¹² the Ninth Circuit was faced with a copyright claim based on distribution abroad of videocassettes of the Beatles film “Yellow Submarine.” The only claimed predicate act of infringement which occurred in the United States was the “authorization” to the UK parties to engage in the infringing acts of reproduction and distribution abroad. Stressing the absence of any ability to enforce US copyright law extraterritorially, the Ninth Circuit rejected any effort to expand US copyright law to apply to acts wholly occurring abroad on the theory that their “authorization” alone was sufficient to justify such expansion. “[W]e conclude that there can be no liability under the United States copyright laws for authorizing an act that itself could not constitute infringement of rights secured by those laws and that wholly extraterritorial acts of infringement are not cognizable under the Copyright Act. ... We over rule [prior precedent] insofar as it held that allegations of an authorization within the United States of infringing acts that take place

¹¹ Emphasis added.

¹² 24 F.3d 1088 (9th Cir.), *cert. denied*, 115 S.Ct. 512 (1994).

entirely abroad state a claim for infringement under the Act.”¹³ The court cited its concern with the adverse impact of any such decision on international comity, stating: “Extraterritorial application of American law would be contrary to the spirit of the Berne Convention and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern. Consequently, an extension of extraterritoriality might undermine Congress’ objective of achieving ‘effective and harmonious’ copyright laws among all nations.”¹⁴

Similarly, in *Allarcom Pay Television Ltd. v. General Instrument Corp.*,¹⁵ the Ninth Circuit found that the use of decoders in Canada to permit receipt of signals from US cable TV did not result in copyright infringement in the United States.¹⁶ The plaintiff was the sole authorized provider of “Showtime” copyrighted programs to Western Canada. The defendant General Instrument provided a decoder for receipt of Showtime’s scrambled cable programming which could be altered to allow end users to receive unauthorized programs. Showtime allegedly enabled such unauthorized transmissions because its own transmissions for US viewers extended into Canada. Relying on *Subafilms* the court rejected any attempt to premise copyright infringement on any US based “authorization.” The court stated: “[I]n order for U.S. copyright law to apply, at least one alleged infringement must be completed entirely within the United States, ... mere authorization of extraterritorial infringement was not a completed act of infringement ...”¹⁷

The Second Circuit in *Update Art Inc. v. Modiin Publishing Ltd.*,¹⁸ has similarly declined to extend US copyright laws to acts occurring wholly outside the United States. Update created and distributed graphic art designs in the United States, including a “Ronbo” poster combining the features of Ronald Reagan with those of a movie character played by Sylvester Stallone called “Rambo.” Defendants had reproduced the poster in a Hebrew newspaper printed and distributed in Israel. The court ultimately upheld plaintiff’s claim for copyright infringement, but solely on the basis that the original reproduction of the poster (by photographing the poster) had occurred in the United States: “As the applicability of American copyright laws over the Israeli newspapers depends on the occurrence of a predicate act in the United States, the geographic location of the illegal reproduction is crucial. If the illegal reproduction of the poster occurred in the United States and then was exported to Israel, the magistrate properly could include damages accruing from the Israeli newspapers. If, as appellants assert, this predicate act occurred in Israel, American copyright laws would have no application to the Israeli newspapers.”

The high water mark for recognizing “authorization” as a sufficient predicate act for

¹³ 24F.3d 1090.

¹⁴ *Id.* at 1097.

¹⁵ 69 F. 3d 381 (9th Cir. 1995).

¹⁶ *See also Kolbe v. Trundel*, 945 F. Supp. 1265 C.D. Ariz.) (unauthorized translation into French and distribution in Canada of the translated work not actionable because all acts occurred outside the U.S.).

¹⁷ The court went on to hold that no such completed act of infringement occurred in the US since the transmission in question was received only in Canada.

¹⁸ 843 F.2d 67 (2d Cir. 1988).

subject matter jurisdiction may well have occurred in *Curb v. MCA*,¹⁹ where the court found that the unlicensed authorization from the US to make and distribute country music phonorecords outside the US would be fully actionable under US law. The court relied upon the fact that Section 106 grants separate powers to authorize and do and held that authorization alone would qualify as an infringing act occurring within the US. It rejected the Ninth Circuit's analysis in *Subafilms* that limited "authorization" solely to acts of contributory infringement. The court stated:

Subafilms holds that § 106's authorization right is implicated only in cases of contributory infringement. When no primary infringer is reachable by U.S. copyright law, either because the conduct falls short of infringement or because infringing conduct occurs outside the United States, the Ninth Circuit will not find the person who authorized the conduct liable. ... *Subafilms* thus, reads the authorization right out of the Act in cases of foreign infringement. But piracy has changed since the Barbary days. Today, the raider need not grab the bounty with his own hands; he need only transmit his go-ahead by wire or telefax to start the presses in a distant land. *Subafilms* ignores this economic reality, and the economic incentives underpinning the Copyright Clause designed to encourage creation of new works, and transforms infringement of the authorization right into a requirement of domestic presence by a primary infringer. Under this view, a phone call to Nebraska results in liability; the same phone call to France results in riches. In a global marketplace, it is literally a distinction without a difference. A better view, one supported by the text, the precedents, and, ironically enough, the legislative history to which the *Subafilms* court cited, would be to hold that domestic violation of the authorization right is an infringement, sanctionable under the Copyright Act, whenever the authorizee has committed an act that would violate the copyright owner's § 106 rights.

While *Curb* has been rejected by some courts who have considered the issue,²⁰ scholars and other courts have supported *Curb* as a precedent "more closely adapted to our modern age of telefaxes, Internet communication and electronic mail systems."²¹

¹⁹ 898 F. Supp. 586 (M.D. Tenn. 1995).

²⁰ See, e.g., *Armstrong v. Virgin Records, Ltd.* 91 F.Supp.2d 628 (S.D.N.Y. 2000) (describing *Curb*'s position on authorization as "substantially repudiated"); *Seals v. Compendia Media Group*, 2003 WL 731369, *4+ (N.D.Ill. Feb 28, 2003) ("domestic authorization of infringement in the Philippines does not, in and of itself, state a claim for either direct or contributory infringement under the Copyright Act"); *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 1996 WL 724734, *7, 41 U.S.P.Q.2d 1427, 1427 (S.D.N.Y 1996).

²¹ See, e.g., *Expeditors International of Washington, Inc. v. Direct Line*, 995 F.Supp. 468 (D.N.J.,1998) (describing the court's decision in *Curb* as "more closely adapted to our modern age of telefaxes, Internet communication, and electronic mail systems. The purpose behind the Copyright Act is to protect a copyright owner's right to be free from infringement in the United States. To allow an entity to curtail this right by merely directing its foreign agent to do its "dirty work" would be to hinder the deterrent effect of the statute and to thwart its underlying purpose. Because it is more closely aligned with the language, legislative history, and purpose of the statute, the Court adopts the *Curb* interpretation of Section 106 and finds that the mere authorization of infringing acts abroad constitutes direct infringement and is actionable under United States Copyright Law.").

Even where the court lacks subject matter jurisdiction over foreign parties for direct copyright infringement, extraterritorial jurisdiction may still lie on a claim for contributory or vicarious liability so long as direct acts of infringement occur within the U.S. Thus, for example, in *Armstrong v. Virgin Records Ltd.*,²² even though the composition, distribution and licensing of the infringing song occurred in Great Britain, sales in the U.S. would permit a claim against the foreign defendants since they qualified as direct acts of infringement to which the defendants contributed.

Similarly, in *GB Marketing USA v. Gerolsteiner Brunnen*,²³ the court found subject matter jurisdiction where allegedly infringing labels were attached to water bottles in Germany with intent to distribute them in the U.S. While the defendants allegedly infringing acts occurred abroad, such acts were considered sufficient to state a cognizable claim for contributory infringement: “[T]he court cannot ignore the fact that Gerolsteiner is alleged to have sold the bottles to Miller [the distributor] with the knowledge and intent that the water would then be exported to the United States and sold here. Gerolsteiner is also alleged to have specifically prepared the bottles for the American market in various ways, such as the manner in which they were packed for shipment. These allegations, if true, would support a claim of contributory infringement arising out of the importation of the water into this country.”

Where authorization alone is insufficient to obtain relief for cross-border activities, and no unauthorized reproduction or distribution of the copyrighted work has occurred in the United States, relief may still be available if the work has been “transmitted” across borders. Courts, however, are split over whether to analyze transmissions under a step by step (disaggregation) basis or on the basis of audience location. In *National Football League v. PrimeTime 24 Joint Venture*,²⁴ the court found that satellite transmissions into Canada infringed U.S. copyright laws because the first capture of the signals occurred in the U.S. The court found such capture a violation of the right of public performance. To reach this conclusion, the court conducted a step-by-step analysis of the transmission activities to find that the uplink transmission by defendant of a televised NFL game for an eventual downlink transmission to Canadian viewers violated plaintiff’s US public performance right. The court held: “We believe the most logical interpretation of the Copyright Act is to hold that a public performance or display includes ‘each step in the process by which a protected work wends its way to its audience.’ Under that analysis, it is clear that PrimeTime’s uplink transmission of signals captured in the United States is a step in the process by which NFL’s protected work wends its way to a public audience. In short, PrimeTime publicly displayed or performed material in which the NFL owns the copyright. Because PrimeTime did not have authorization to make such a public performance, PrimeTime infringed the NFL’s copyright.”²⁵

By contrast, in *Allarcom Pay Television Ltd v. General Instrument Corp.*,²⁶ the court found that transmission alone without reception by a US audience was insufficient to support a

²² 91 F.Supp.2d 628 (S.D.N.Y. 2000).

²³ 782 F. Supp. 763 (WDNY 1991).

²⁴ 211 F3d 10 (2d Cir. 2000).

²⁵ *Id.* at 13 (quoting *David v. Showtime/The Movie Channel, Inc.*, 697 F.Supp. 752, 759 (S.D.N.Y.1988)).

²⁶ 69 F.3d 381 (9th Cir. 1995).

claim for cross-border infringement. As described above, in *Allarcom* the US based predicate act was limited solely to the uplink transmission of a copyrighted broadcast for downlink transmission to a Canadian audience. The absence of any US reception was fatal to plaintiff's public performance claim: "[T]he potential infringement was only completed in Canada once the signal was received and viewed."

While reaffirming the court's focus on US reception in *Allarcom*, in a much publicized case involving the unauthorized transmission to Europe and Africa of the videotape portraying the attack of a man during a riot in Los Angeles (the "Reginald Denny" video), *Reuters Television Int'l v. Los Angeles News Service*,²⁷ the Ninth Circuit provided a potential "loophole" to the audience reception rule based on a potential US based reproduction as part of the transmission process. In *Reuters*, LANS had licensed the video tape footage to NBC which showed it on the Today Show. This show was subsequently transmitted to Visnews – a Reuters-NBC - BBC joint venture. Visnews made a copy of the show, including the Denny video, and transmitted this copy to New York and to subscribers in Europe and Africa. The court rejected subject matter jurisdiction based on the foreign transmissions. However, it found a sufficient US nexus in the reproduction which Visnews made of the videotape in order to transmit it abroad. Thus, even in audience location fora, jurisdiction may still lie if a reproduction occurred in the US as part of the transmission process.

EXTRATERRITORIAL "DAMAGES"

Even if the necessary predicate act exists in the United States to obtain subject matter jurisdiction over foreign activities (and a finding of infringement on the merits), courts remain conflicted over the extent to which money damages can be awarded to recover the harm suffered from such activities. In the seminal case in this area, *Sheldon v. Metro-Goldwyn Pictures Corp.*,²⁸ the Second Circuit provided that plaintiff could recover profits from the unauthorized exhibition of the film "Letty Lynton" abroad where the original unauthorized negatives were produced in the United States. The court determined that such relief would attach regardless of whether the exhibition in the countries in question qualified as an infringing act under domestic law since the monies earned were subject to a "constructive trust." The court held: "The negatives were 'records' from which the work could be 'reproduced', and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. We need not decide whether the law of those countries where the negatives were exploited, recognized the plaintiffs' equitable interest; we can assume *arguendo* that it did not, for, as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form."

²⁷ 149 F.3d 987 (9th Cir. 1998).

²⁸ 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940).

The court in *Update Art. Inc. v. Modiin Publishing Ltd.*,²⁹ similarly upheld an award of damages for harm caused by the unauthorized distribution of the Ronbo poster in Israel. While failing to describe the “constructive trust” theory (or citing *Sheldon*), the Second Circuit none-the-less held: “If the illegal reproduction of the poster occurred in the United States and then was exported to Israel, the magistrate properly could include damages accruing from the Israeli newspapers. If, as appellants assert, this predicate act occurred in Israel, American copyright laws would have no application to the Israeli newspapers.” Finding no evidence that the situs of the original reproduction was in Israel, the court upheld the grant of money damages which included “damages accruing from the unauthorized distribution in Israel.”

The “equitable trust” that underlies the *Sheldon* constructive trust basis for recovery of damages from foreign acts, however, has been limited to foreign acts involving unauthorized copies of the work first produced in the United States. In *Robert Stigwood Group Ltd. v. O’Reilly*,³⁰ for example, the unauthorized public performances of the play Jesus Christ Superstar by the same group in both Canada and the United States did not support recovery for the Canadian performances. “The steps taken by the defendants preliminary to the Canadian performances were certainly not the ‘manufacture’ of anything, nor were the performances ‘records’ from which the work could be ‘reproduced.’ It is only when the type of infringement permits further reproduction abroad that its exploitation abroad becomes the subject of a constructive trust.”

While the Ninth Circuit has demonstrated a willingness to penalize foreign infringements tied to the initial infringing acts, it has limited such recoveries to “profits.” Relying on *Sheldon v. Metro-Goldwyn Pictures Corp.*,³¹ the court in *Reuters Television Int’l v. Los Angeles News Service*,³² (“the Denny Video Case,” facts discussed above), held the plaintiff “is entitled to recover damages flowing from the exploitation abroad of the domestic acts of infringement committed by defendants.”³³ Thus a single reproduction of the copyrighted footage not only supported the claimed infringement under US law, the court indicated that it would be willing to award “actual damages,” based on the harm caused by the extraterritorial distribution of the Denny tape.

Despite the significance of the Denny court’s recognition that “damages” might be available for foreign acts of infringement, the Ninth Circuit in a subsequent appeal in the same case limited the recovery of such damages to the foreign defendants “profits.”³⁴ In the absence of any evidence of such profits, the plaintiff’s claim for monetary relief against such foreign infringers was ultimately unsuccessful. This limitation to recovery of profits (as opposed to actual damages, including, potentially, statutory damages) has been harshly criticized.

²⁹ 843 F.2d 67 (2d Cir. 1988).

³⁰ 530 F.3d 1096 (2d Cir. 1976).

³¹ 106 F.2d 45 (2d Cir. 1939).

³² 149 F.3d 987 (9th Cir. 1998).

³³ *Id.* at 991-992.

³⁴ *Los Angeles News Service v. Reuters Television International Ltd.*, 340 F.3d 926 (9th Cir. 2003).

CHOICE OF LAW CONUNDRUMS IN THE EXTRATERRITORIALITY DEBATE

Even where a party is successful in obtaining subject matter jurisdiction over foreign activities, there is no predictable guarantee that US law will be applied. To the contrary, in applying US choice of law principles, relief may be governed by the law of the country with the closest connection to the complained about foreign activities. In some cases, choice of law may result in dismissal under a *forum non conveniens* argument.³⁵ In others, *dépeçage* may result in the application of foreign law to one issue in an infringement case involving foreign works or activities (such as authorship) and the law of the forum to others (such as originality or infringement).

In the seminal US case in this area, *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*,³⁶ plaintiff published news articles in Russia which were then allegedly copied and distributed in the U.S. without authorization. While the unauthorized distribution of the newspapers in the US qualified as the necessary US based infringement to support jurisdiction, the Second Circuit ultimately applied a “federal common law of conflicts” to the case. Under this law the court determined that “Russian law determines the ownership and essential nature of the copyrights alleged to have been infringed.” The court based its decision on the “usual rule” that “the interests of the parties in the property are determined by the law of the state with the ‘most significant relationship’ to the property and parties.” Since the works at issue were created by Russian nationals, Russian law would determine who owned the rights in them and, therefore, had standing to sue. The question of infringement, however, was decided under U.S. law.

In *Bridgeman Art Library Ltd. v. Corel Corp.*³⁷ by contrast, the court reversed an earlier decision that had applied UK law to determine if the plaintiff’s photo transparencies of images of public domain paintings made in the UK of paintings largely located in the UK were copyright protectable. The earlier decision had applied the law of the United Kingdom because the UK “has the most significant relationship to the issue of copyrightability.”³⁸ On reconsideration the District Court analyzed whether the Berne Convention obligated the United States to apply British law to British authored works. Ultimately the court did not answer this critical question, but instead based its determination on the non-self-executing nature of the Berne Convention: “Accordingly, there is no need to decide whether the Berne Convention adopts any rule regarding the law governing copyrightability or whether the treaty power constitutionally might be used to extend copyright protection to foreign works which are not “original” within the meaning of the Copyright Clause. Congress has made it quite clear that the United States’

³⁵ See, e.g., *Creative Technology Ltd v. Aztec System PTE Ltd.*, 61 F.3d 696 (9th Cir. 1995)(court dismissed claim on the grounds of *forum non conveniens* where the parties were Singaporean nationals, the computer sound cards at issue were manufactured in Singapore and the Singaporean Court qualified as an adequate alternative forum for plaintiff’s claim for relief against the unauthorized distribution of the cards at issue in the United States).

³⁶ 153 F. 3d 82 (2d Cir. 1998).

³⁷ 36 F.Supp.2d 191 (S.D.N.Y. 1999).

³⁸ 25 F. Supp. 2d 421 (S.D.N.Y. 1998).

adherence to the Berne Convention has no such effect in the courts of this country.” Ultimately the court determined that the transparencies lacked originality under US law.³⁹

Perhaps the greatest potentials for conflict in choice of law under copyright resides in the inconsistent treatment of non-human entities as “authors” under work for hire doctrines, and protection of moral rights. Thus, for example, in the French case, *Huston v. La Cinq*,⁴⁰ the writer/director of the black and white film *Asphalt Jungle* sought to prevent its colorization despite a written contract which assigned worldwide rights to the film to the defendant’s predecessor. The Paris Court of Appeal ruled for the defendant holding that authorship and ownership were to be decided by the law of the country of origin of the work – the United States. The Court of Cassation set aside this decision, focusing on the inalienable nature of moral rights under French law. Thus, choice of law was ultimately driven by strong domestic policies favoring the protection of personality rights of the forum nation over the economic transferability policies of the country of origin.

WITHER EXTRATERRITORIALITY: SOME CONCLUDING REFLECTIONS

The inconsistent and unpredictable treatment of the US prohibition against extraterritorial application of US copyright law in cases of alleged cross-border infringement will most likely not be resolved quickly, particularly in instances dealing with the alleged foreign infringement of US held copyrights. Given the unprecedented growth of foreign piracy, fueled by the new digital communications media, and the uneven enforcement of copyright internationally, US courts may continue to feel impelled to provide relief based on the perceived “adverse effect” of foreign acts on US copyright owners. Cases demonstrate a growing, if occasionally inconsistent, trend toward increasing the ability to bring foreign activities within the purview of US law. Unquestionably this trend could have a deleterious effect on international comity. Put quite simply, no one appreciates a foreign court dictating to its resident nationals how to conform their behavior *within the confines of their own country*. On a practical level, such efforts may have little effect beyond US borders as enforcement of foreign judgments remains problematic. However, until the harmonized enforcement standards of TRIPS become a reality, the “place where protection is sought” will continue to be those local courts where copyright law is perceived to be more highly developed or more predictable. This conclusion suggests that the problem of “extraterritorial” application of US law may be reduced over time as adequate copyright enforcement becomes more readily available internationally.

In the meantime, it appears that certain helpful “rules of thumb” can be used to at least anticipate what types of activities may give rise to a cognizable claim in the United States for relief for foreign based acts of infringement:

- If every act of infringement occurs abroad no US subject matter jurisdiction exists. However, in determining the existence of a predicate

³⁹ The court, however, bolstered its decision by also opining that even under British law the works in question would lack originality.

⁴⁰ *Consort Huston et Autres v. Ste. Turner Entertainment*, 149 R.I.D.A. 197 (1991).

act of infringement some courts will find “authorization” of foreign infringing acts sufficient.

- For works that are transmitted or publicly performed (including those broadcast via cable or the internet), some courts will require a completed transmission as the necessary predicate act, placing the site of audience reception at the center of its decision-making. Others will disaggregate such transmissions and performances and allow a sufficient predicate act based solely on uplinking activities.
- In determining the presence of an adequate US nexus for foreign infringements localization of every step in the chain of infringement is critical. Thus, for example, the absence of an actionable performance in the United States may not be fatal if in the course of the US initiated transmission an unauthorized copy of the work was made.
- Money damages for foreign acts in a chain of infringement may be available particularly where the predicate act in the United States resulted in an illegal copy of the work which served as the basis for the resulting foreign infringements.
- Even if you are successful in achieving subject matter jurisdiction, choice of law principles, particularly with regard to authorship and chain of title issues, may still subject your claim to foreign laws.
- A successful claim in the US does not necessarily result in an enforceable judgment abroad.

Given the strong domestic policies reflected in each country’s copyright laws, the search for predictable and harmonized treatment of cross-border infringement remains contentious. The good news is that more courts and commentators are focusing on the critical issue of the balances to be struck between domestic policies and international comity in this arena. The bad news, it will be a while before such activities result in a predictable system of protection.