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Subafilms Revisited: The Case for Imposing Liability on Domestic Authorizers of Extraterritorial Copyright Infringements

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***SUBAFILMS* REVISITED:**

The Case For Imposing Liability on Domestic Authorizers of Extraterritorial Copyright Infringements

Sean A. Monticello¹

Table of Contents

I. Introduction	102
II. The Subafilms Decision	106
A. Facts.....	106
B. The Reasoning of the Ninth Circuit’s En Banc Decision.....	106
III. Criticism of <i>Subafilms</i>	108
A. Arguments from the Statutory Language of the Copyright Act.....	108
B. Arguments from the Case Law of Third Party Liability	111
C. Arguments from the Presumption Against Extraterritoriality.....	113
IV. Argument: Why Domestic Authorizers of Foreign Infringements Should Be Held Liable	114
A. The Policies of the Copyright Act.....	114
B. The International Copyright Framework.....	116
1. <i>Background</i>	116
2. <i>Policies</i>	120
3. <i>Application</i>	122
C. The Presumption Against Extraterritoriality	124
1. <i>Background</i>	124
2. <i>Policy Goals</i>	125
3. <i>Application</i>	128
D. The Lack of Adequate Alternative Remedies for Copyright Owners	133
V. Conclusion	136

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I. Introduction

In 1994 the U.S. Court of Appeals for the Ninth Circuit decided *Subafilms, Ltd. v. MGM-Pathe Communications Co.*² The case involved the foreign and domestic distribution of videocassette copies of The Beatles's animated film *Yellow Submarine*. The issue facing the court was "whether a claim for infringement can be brought under the Copyright Act . . . when the assertedly [sic] infringing conduct consists solely of the authorization within the territorial boundaries of the United States of acts that occur entirely abroad."³ The court answered in the negative, finding a lack of subject matter jurisdiction.⁴ In doing so, the Ninth Circuit overruled a prior case, *Peter Starr*

² 24 F.3d 1088 (9th Cir.) (en banc), cert. denied, 513 U.S. 1001 (1994).

³ *Id.* at 1089. The act of authorization was MGM-Pathe's licensing the film for foreign and domestic videocassette distribution, and this licensing took place from within the United States. *Id.* at 1090 n.3. The "acts occurring entirely abroad" consisted of the foreign distribution of videocassette copies of the film. The distribution right is one of the exclusive rights that the Copyright Act grants to the copyright owner.

Section 106 of the Copyright Act, 17 U.S.C. § 101 *et seq.* (1994), provides:

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do *and to authorize* any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

(Emphasis added). Section 102(a) provides that the Copyright Act protects "original works of authorship fixed in any tangible medium of expression."

⁴ See *Subafilms*, 24 F.3d at 1089.

Production Co. v. Twin Continental Films, Inc.,⁵ which held that subject matter jurisdiction exists in an action against a defendant who executes in the United States a contract illegally licensing a motion picture for foreign use.⁶ Part II below discusses the facts of *Subafilms* and the court's reasoning.

The response to *Subafilms* in literature was mostly negative, and a number of commentators have presented well-founded criticisms of the court's reasoning.⁷ Part

⁵ 783 F.2d 1440, 1442-43 (9th Cir. 1986) (reasoning that the defendant's authorization of extraterritorial acts was a violation of the "plain language" of the Copyright Act's exclusive right to authorize in § 106).

⁶ *Id.* at 1443.

⁷ See *Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 595-96 (M.D. Tenn. 1995) (rejecting the approach of the *Subafilms* court "because it does not account for the global marketplace."); Paul Goldstein, COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE § 6.3.2, at 6:29 (1989) (questioning the reasoning of *Subafilms* and stating that the court's reasoning "wrongly focuses on the acts occurring abroad rather than on the independently material act of authorization occurring in the United States"); Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT'L L. 587, 600 (1997) (arguing that "where the United States is the 'nerve center' for foreign distributions, the domestic acts of planning and intellectually implementing the offshore acts should suffice to justify the application of U.S. law to the full series of acts"); Phanesh Koneru, Note, *The Right "To Authorize" in U.S. Copyright Law: Questions of Contributory Infringement and Extraterritoriality*, 37 IDEA 87, 90-91 (1996) (arguing that *Subafilms* creates a loophole in the Copyright Act that should be corrected by recognizing that violation of the authorization right is a direct infringement or by extending the Copyright Act to reach extraterritorial acts); John Patrick Kelsh, Note, *Subafilms, Ltd. v. MGM-Pathe Communications Co., The Berne Convention, and the Extraterritorial Application of the Copyright Act*, 90 NW. U. L. REV. 1839, 1843 (1996) (arguing that the *Subafilms* court failed to recognize that violation of the authorization right is a direct infringement, that the court misapplied the extraterritoriality doctrine, and that Congress should amend the Copyright Act to correct *Subafilms*); Jason S. Hartley, Recent Development, *Subafilms, Ltd. v. MGM-Pathe Communications Co.: The Ninth Circuit Allows Direct Copyright Infringers to Escape Liability*, 4 TUL. J. INT'L & COMP. L. 345, 354-55 (1996) (arguing that the *Subafilms* court misapplied precedent and failed to recognize that violation of the authorization right is a direct infringement); Michael T. Crowley, Note, *Raise the Yellow Submarine! Subafilms and Extraterritorial Application of the Copyright Act*, 48 FED. COMM. L.J. 133, 134, 161 (1995) (arguing that the *Subafilms* reasoning was flawed, pointing out a loophole in the authorization right that should be remedied by amending the

III reviews the more frequently stated criticisms. The goal of this Note, however, is not to present further argument against the court's legal reasoning; the existing commentary is more than adequate in that regard. This Note, instead, seeks to fill a gap that the author perceives in the literature. Rather than focusing on how the court could have reached a different result or why the court reached the wrong result, this Note discusses why the court *should* have reached a different result based mainly on an examination of relevant policies.

Though the Ninth Circuit decided *Subafilms* nearly four years ago, it remains an important case for copyright, particularly in light of the prestige of the Ninth Circuit in copyright matters. A number of other cases apply the reasoning of *Subafilms*,⁸ and so far only one case rejects it.⁹ As the global market for U.S. copyrighted works continues to grow¹⁰, the issue will likely continue to arise in the federal courts. As of today, the

Copyright Act to recognize violation of the authorization right as an infringement, regardless of where the authorized activity occurs); Michael W. Ballance, Note, *Third-Party Innocence: Domestic Authorization of Foreign Copyright Infringement and Subafilms, Ltd. v. MGM-Pathé Communications Co.*, 20 N.C. J. INT'L L. & COMM. REG. 435, 447 (1995) (arguing that a "confirmed foreign infringement falling under the rubric of section 106 should be able to form the basis of a domestic authorization action"). For an alternate view that is supportive of *Subafilms*, see Patricia Scahill, Note, *The Yellow Submarine Steers Clear of U.S. Copyright Law: The Ninth Circuit Reexamines the Doctrine of Contributory Infringement*, 18 LOY. L.A. INT'L & COMP. L.J. 371, 373 (1996) (stating that *Subafilms* "marks a return to a traditional application of third party liability" and "rededicates the United States to a stronger worldwide intellectual protection scheme").

⁸ See *Allarcom Pay Television, Ltd. v. General Instrument Corp.*, 69 F.3d 381, 387 (9th Cir. 1995) (holding that the Federal Copyright Act did not preempt a state law claim when there was not an alleged infringement completed in the United States or when there was merely an authorization in the United States of a foreign infringement); *Fun-Damental Too Ltd. v. Gemmy Indus. Corp.*, 41 U.S.P.Q.2d (BNA) 1427, 1432 (S.D.N.Y. 1996) (dismissing plaintiff's claim of copyright infringement against a defendant who allegedly authorized a Chinese factory to manufacture copies of plaintiff's copyrighted toy bank); *Iverson v. Grant*, 946 F. Supp. 1404 (D.S.D. 1996) (finding a lack of subject matter jurisdiction over plaintiffs' claim that a U.S. publisher infringed their copyright in a book by authorizing Canadian reproduction and distribution).

⁹ See *Curb*, 898 F. Supp. at 595 (holding that domestic authorization of an infringing act is an infringement of plaintiff's authorization right under the Copyright Act, regardless of where the ultimate infringing act occurs).

vast majority of circuits have not yet faced this question.

This Note argues for protection of the copyright owner's exclusive right of authorization against domestic authorizers of foreign actions falling within the purview of section 106 of the Copyright Act,¹¹ whether or not the copyright law of the foreign nation considers the authorized actions to be infringements.¹² Specifically, this note argues that federal courts should apply the Copyright Act to afford a remedy to copyright owners against defendants who authorize the use of the copyright owner's work abroad without the copyright owner's permission. In making this argument, this Note will consider the policies of the Copyright Act, the policies of the international copyright framework, and the policies of the extraterritoriality doctrine.¹³ Part IV presents these arguments.

¹⁰ See Linda Lee, *U.S. Theme Can Make a Film a Tough Sell Abroad*, N. Y. TIMES, Apr. 27, 1998, at C8 ("Ninety-five percent of the world's population lives outside the United States, a fact that has not escaped movie distributors, who are eager to market American films like 'Titanic' and the coming 'Godzilla' from Punta Arenas, Chile, to Novosibirsk, Russia.").

¹¹ See *supra* note 2. It should be noted that the language of section 106 is qualified by the defense of fair use in section 107 of the Copyright Act. Section 107 provides in part that "the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by [section 106], for purposes such as criticism, comment, news, reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright." 17 U.S.C. § 107 (1994).

¹² For the sake of brevity, the rest of this Note will refer to this particular fact situation as "domestic authorization of foreign infringement."

¹³ The extraterritoriality doctrine is a judicial presumption that the laws of one jurisdiction are generally not meant to be applied in another jurisdiction. See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir.) (en banc), *cert. denied*, 513 U.S. 1001 (1994).

II. The Subafilms Decision

A. Facts

The film *Yellow Submarine* was the product of a 1966 joint venture between the famous band The Beatles, through Subafilms, Ltd., and the Hearst Corporation.¹⁴ Hearst, as representative of the joint venture, entered into separate financing and distribution agreements with United Artist Corporation ("UA") in May 1967, and UA subsequently released the film in theaters and for television.

Disputes arose in the 1980s between the Subafilms/Hearst joint venture and MGM/UA, the successor company to UA.¹⁵ MGM/UA began to license the film for foreign and domestic videocassette distribution, a market that the parties did not foresee at the time of the 1967 agreements, and the joint venture objected to MGM/UA's exploitation of this market. The joint venture ("Plaintiffs") filed suit against MGM-Pathe Communications ("Defendants") in 1988, alleging breach of contract and copyright infringement. A special master ruled for Plaintiffs on both grounds, awarding them \$2,228,000 and an injunction against further distribution, and the district court adopted the ruling.¹⁶ A panel of the Ninth Circuit affirmed, relying on *Peter Starr Production Co. v. Twin Continental Films, Inc.*¹⁷ Upon rehearing *en banc*, the Ninth Circuit vacated the panel decision and remanded.¹⁸

B. The Reasoning of the Ninth Circuit's En Banc Decision

The Ninth Circuit granted MGM-Pathe's petition for rehearing *en banc* to determine whether the panel's reliance on *Peter Star* was inconsistent with the court's

¹⁴ See *Subafilms*, 24 F.3d at 1089.

¹⁵ *Id.*

¹⁶ *Id.* at 1089-90.

¹⁷ See *id.* at 1090. *Peter Starr*, 783 F.2d 1440, 1442-43 (9th Cir. 1986), recognized that "infringing actions that take place entirely outside the United States are not actionable in United States federal courts," but held that an authorization of the use of a copyrighted work overseas without authority from the copyright holder was itself an act of infringement because it violates the copyright holder's exclusive right of authorization under section 106 of the Copyright Act.

¹⁸ See *Subafilms*, 24 F.3d at 1090.

SUBAFILMS REVISITED

subsequent decision in¹⁹ *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*²⁰ *Lewis Galoob* held that authorizing the use of copyrighted works is not infringement unless the Copyright Act recognizes the authorized activity itself as an infringement.²¹ The court in *Subafilms* accepted the “apparent premise” of *Lewis Galoob*, “that the addition of the words ‘to authorize’ in the Copyright Act was not meant to create a new form of liability for ‘authorization’ that was divorced completely from the legal consequences of authorized conduct, but was intended to invoke the preexisting doctrine of contributory infringement.”²² This was the first premise in the *Subafilms* argument.

The second premise of *Subafilms* relied on the presumption against the extraterritorial application of U.S. law. The court stated, “The Supreme Court recently reminded us that ‘[i]t is a long-standing principle of American law “that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.”’”²³ The court then concluded that there is no such intent apparent in the Copyright Act, and that courts may not apply the Copyright Act to extraterritorial infringements.²⁴

Accepting these two premises B 1) that authorization liability arises only if the authorized act is an infringement, and 2) that the Copyright Act does not extend to extraterritorial acts B the court held that MGM-Pathe was not liable under the Copyright Act.²⁵ Under the court’s second premise, the foreign distribution activities that MGM-Pathe authorized without permission were not violations of the Copyright Act, as those activities occurred abroad. It then follows under the court’s first premise

¹⁹ *See id.* at 1092.

²⁰ 964 F.2d 965 (9th Cir. 1992).

²¹ *Id.* at 970 (citing 3 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT, § 12.04[A][3][a], at 12-80 n.82 (1991)).

²² *Subafilms*, 24 F.3d at 1092 (citing *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 970 (9th Cir. 1992)).

²³ *Id.* at 1095 (citing Equal Employment Opportunity Comm’n v. Arabian American Oil Co. (“*Aramco*”), 499 U.S. 244, 248 (1991) (citation omitted)).

²⁴ *See id.* at 1095-96 (citing NIMMER, *supra* note 20, § 12.04[A][3][b], at 12-86; United Dictionary Co. v. G. & C. Merriam Co., 208 U.S. 260, 264-66 (1908); Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 662 (2d Cir. 1955); Ferris v. Frohman, 223 U.S. 424, 434-35 (1912)).

²⁵ *See Subafilms*, 24 F.3d at 1090. In so holding, the court expressly overruled *Peter Starr*. 783 F.2d 1440. *See id.*

that MGM-Pathe could not be liable for authorizing these non-infringing acts.²⁶

III. Criticism of *Subafilms*

This section presents some of the various arguments advanced by commentators against the court's decision. By pointing out perceived errors in the court's analysis, these arguments show how the court could have decided the *Subafilms* case differently.

Part IV will then discuss why the court should have ruled differently. There are three categories of basic criticisms of *Subafilms*: 1) arguments from the statutory language of the Copyright Act, 2) arguments from the case law on third party liability, and 3) arguments on the presumption against extraterritoriality.

A. Arguments from the Statutory Language of the Copyright Act

Perhaps the most common criticism of the *Subafilms* decision is that the court seemed to ignore the plain language in the Copyright Act, which gives the copyright owner the "exclusive rights to do or to authorize" certain enumerated activities.²⁷ The *Subafilms* court stated that the "[u]se of the phrase 'to authorize' is intended to avoid any questions as to the liability of contributory infringers,"²⁸ and that "'to authorize' [wa]s simply a convenient peg on which Congress chose to hang the antecedent jurisprudence of third party liability."²⁹ Critics point out, however, that this view is at odds with a clear reading of the language in sections 106 and 501(a) of the Copyright Act.³⁰

²⁶ See *id.*

²⁷ 17 U.S.C. § 106 (1994), *supra* note 2.

²⁸ *Subafilms*, 24 F.3d at 1093.

²⁹ *Id.* (quoting 3 NIMMER, *supra* note 20, § 12.04[A][3][a], at 12-84 n. 81).

³⁰ See Phanesh Koneru, Note, *The Right "To Authorize" in U.S. Copyright Law: Questions of Contributory Infringement and Extraterritoriality*, 37 IDEA 87, 94-99 (1996). John Patrick Kelsh, Note, *Subafilms, Ltd. v. MGM-Pathe Communications, Co., The Berne Convention and the Extraterritorial Application of the Copyright Act*, 90 NW. U.L. REV. 1839, 1846-47 (1996) (Subafilms substituted legislative history for unambiguous text); Michael W. Ballance, Note, *Third-Party Innocence: Domestic Authorization of Foreign Copyright Infringement and Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 18 N.C. J. INT'L L. & COM. REG. 435, 444-45 (1995).

SUBAFILMS REVISITED

Section 106 of the Copyright Act provides that the copyright owner has the “exclusive rights to do and to authorize” the enumerated activities.³¹ Section 501(a) facilely defines a copyright infringer as “[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118.”³² Section 501(b) further provides that the copyright owner may “institute an action for any infringement of that particular right.”³³ Read together, these provisions suggest that a direct cause of action lies against an authorizer of actions violating the copyright owner’s section 106 rights. In contrast, the *Subafilms* court, as discussed above, held that only a cause of action based on third party liability exists.³⁴

Critics argue that if Congress merely wanted to codify the prior doctrine of third party liability, it would have expressed this desire.³⁵ Instead, the only Congressional indication of intent is that the “[u]se of the phrase ‘to authorize’ [in § 106] is intended to avoid any questions as to the liability of contributory infringers.”³⁶ One commentator writes the following about the *Subafilms* court’s view of the matter:

[It] fails to explain how insertion of the phrase “to authorize” in the statute “avoids any questions as to the liability of contributory infringers”. . . If, as required under the [*Subafilms*] theory, the liability

³¹ 17 U.S.C. § 106 (1994). *See supra* note 2.

³² *Id.* at §501(a) (1994).

³³ *Id.* at §501(b) (1994).

³⁴ Principles of third party liability provide that “one may be liable for copyright infringement even though he has not himself” used the copyrighted work. *See also* *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1161 (2d Cir. 1971). There are two categories of third party liability under the Copyright Act. One may be held liable as a vicarious infringer if he promotes or induces the infringing acts or “if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities,” and one may be held liable as a contributory infringer if he “with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.” *Id.* at 1162.

³⁵ *See* *Koneru*, *supra* note 29, at 94-95 (arguing that Congress would have stated this desire in the legislative history or discussed the doctrine in the statute’s “relevant terminology”); *Kelsh*, *supra* note 29, at 1846 (arguing that Congress would have expressed this desire explicitly).

³⁶ H.R. REP. No. 1476 94th Cong., 2d Sess. 61 (1976) (reprinted in 1976 U.S.C.C.A.N. 5659, 5674).

of authorizers is still predicated upon occurrence of the authorized act, then mere codification [of the principles of third party liability] has not “avoided” in a meaningful way the questions that arise in the context of third party infringement liability theories. Before liability can attach, the one essential question that still remains is whether the authorized infringement has taken place. However, Congress, by stating that an illegal authorizer is an infringer, makes it irrelevant to inquire whether the authorizer is a third party infringer. As a result, the question of whether the authorized infringement has taken place is avoided.³⁷

In sum, critics of the statutory language find the *Subafilms* court’s view on codification of third party liability to be erroneous, because, the court assumed that congressional intent to avoid questions of contributory infringement by the use of the phrase “to authorize” is tantamount to congressional intent to codify contributory liability principles.³⁸ The correct view is to recognize the direct liability of authorizers of actions inconsistent with the copyright owner’s section 106 rights. Part IV.C.2. will show why, in the authorization context, the presumption against extraterritoriality should not constrain the copyright owner’s section 106 rights. This approach allows courts to impose liability on all persons who illegitimately authorize others to commit infringing acts, regardless of where the authorized actions take place.

³⁷ Koneru, *supra* note 29, at 98; *see also* PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE § 6.3.2, at 6:29 (1989) (stating that *Subafilms* “wrongly focuses on the acts occurring abroad rather than on the independently material act of authorization occurring in the United States”).

³⁸ *See* Koneru, *supra* note 29, at 97-98 (noting this as the major flaw in the *Subafilms* court’s reasoning on this issue).

B. Arguments from the Case Law of Third Party Liability

Critics of *Subafilms* argue that there is case support for their reading of the authorization right in *Sony Corp. of America v. Universal City Studios*.³⁹ The issue presented in *Sony* is whether Sony's sale of videocassette recorders to the public violates any of the exclusive rights of copyright holders by enabling consumers to record television broadcasts.⁴⁰ The Court wrote in dicta that "an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner."⁴¹ Critics argue that this statement is inconsistent with the *Subafilms* court's view that violation of the authorization right is contributory infringement rather than direct infringement.⁴² The *Sony* Court also stated, in dicta, that "[t]he Copyright Act does not expressly render anyone liable for infringement committed by another."⁴³ This statement seems inconsistent with the Ninth Circuit's interpretation of the words "to authorize" in section 106 of the Copyright Act, which was that "to authorize" simply codified preexisting principles of contributory infringement.⁴⁴

³⁹ 464 U.S. 417 (1984).

⁴⁰ *Id.* at 419-20. The Court ultimately held that manufacturers of videocassette recorders could not be held liable because such products are "capable of substantial noninfringing uses." *Id.* at 442.

⁴¹ *Id.* at 435 n.17. Though this statement is dicta, it arises in the context of the court's discussion of the issue at contributory infringement, an issue that was key to the *Sony* case. *See id.* at 456 (holding that Sony's sale of the videocassette recorders is not contributory infringement).

⁴² *See Kelsh, supra* note 27, at 1849 (arguing that the Court's "statement strongly implies that an illegitimate authorization, in and of itself is a copyright infringement," and that "it is irrelevant whether the authorization is for actions that take place overseas or whether the authorization is ever acted on at all"); Ballance, *supra* note 27, at 444-45 (arguing that "although the authorization claim must by definition be based on a primary infringement, the claim is a direct action against the authorizer in his capacity as an 'infringer' irrespective of the liability of the primary infringer").

⁴³ 464 U.S. at 434. This statement also arises in the context of the court's discussion of contributory infringement.

⁴⁴ *See Kelsh, supra* note 27, at 1849 (noting that the *Subafilms* view is incompatible with dicta by the *Sony* Court, because if "to authorize" simply incorporated principles of contributory infringement, then the Copyright Act would have in fact "expressly render[ed] one person liable for the infringement committed by

One post-*Subafilms* decision accepts these arguments critical of *Subafilms*.⁴⁵ The court in *Curb v. MCA Records, Inc.*⁴⁶ called the *Subafilms* decision “a peculiar interpretation of the scope and nature of the authorization right in 17 U.S.C. § 106.”⁴⁷

The *Curb* court stated the following:

[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 [if the act were committed in the United States].⁴⁸

another”).

⁴⁵ Aside from *Peter Starr*, 783 F.2d 1440 (9th Cir. 1986), overruled by *Subafilms*, 24 F.3d 1088 (9th Cir.) (en banc), three other courts prior to *Subafilms* faced the issue of domestic authorization of foreign infringements. See *Thomas v. Pansy Ellen Products, Inc.*, 672 F. Supp. 237, 241-42 (W.D.N.C. 1987) (relying on *Peter Starr* and holding that a letter sent by the defendant’s agent from the United States to a Taiwanese manufacturer authorizing the manufacturer to reproduce the plaintiff’s copyrighted design constituted commencement of infringement); *ITSI T.V. Productions, Inc. v. California Authority of Racing Fairs*, 785 F. Supp. 854, 862 (E.D. Cal. 1992) (relying on *Peter Starr* and stating that “[t]he court has subject matter jurisdiction over plaintiff’s claims for copyright infringement when the defendant is alleged to have ‘authorized’ another to commit an infringing act, so long as the act of authorization occurs in the United States”); *Danjaq, S.A. v. MGM/UA Communications Co.*, 773 F. Supp. 194, 200-02 (C.D. Cal. 1991) (distinguishing *Peter Starr* and finding no infringement when the authorized infringing use did not occur).

⁴⁶ 898 F. Supp 586 (M.D. Tenn. 1995).

⁴⁷ *Id.* at 593. In *Curb*, the defendant-licensee was authorized to distribute copyrighted sound recordings in the United States, Canada, and the United Kingdom. See *id.* at 588. The defendant-licensee went beyond this authority and authorized distribution in other territories. The *Curb* Court, unlike the *Subafilms* Court, held this domestic authorization of extraterritorial acts to violate the plaintiff-licensor’s exclusive authorization right. See *id.* at 595-96.

⁴⁸ *Id.* at 595-96. The *Curb* court also asks a question that is difficult to answer under the *Subafilms* view: “Why would any copyright holder authorize reproduction for the domestic market when such a transfer could lead to unsanctionable reproduction for wholesale distribution in foreign markets?” *Id.* at 595. Under the *Subafilms* view, the party authorized to reproduce in the United States would commit no infringing

C. Arguments from the Presumption Against Extraterritoriality

The main criticisms of the *Subafilms* decision center on the arguments set out in sub-Parts III. A. and B. above. Some commentators, however, also have made arguments against the court's use of the presumption against extraterritoriality.⁴⁹ These commentators argue that the court was too strict in its application of the presumption. One argument is that *Subafilms* is too strict in applying the clear Congressional intent rule of *Equal Employment Opportunity Comm'n v. Arabian American Oil Co.* ("*Aramco*").⁵⁰ Another commentator concedes that the Copyright Act fails the *Aramco* standard, but argues that that fact "was not dispositive on the question of whether the Copyright Act could be applied to this fact pattern."⁵¹ A third argument is that the *Subafilms* court should have followed the three part standard for extraterritorial application of the Patent Act in *Steele v. Bulova Watch Co., Inc.*⁵² This point is articulated in such cases as *Vanity Fair Mills, Inc. v. T. Eaton Co.*:⁵³ "(a) that the defendant be a U.S. citizen; (b) that there be a substantial effect on United States

action in the United States in this situation.

⁴⁹ The presumption against extraterritoriality is a judicial presumption that the laws of one jurisdiction are not to be applied outside of that jurisdiction. See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir.) (en banc), cert. denied, 513 U.S. 1001 (1984).

⁵⁰ 499 U.S. 244 (1991). See Koneru, *supra* note 29, at 115-16 (arguing that the *Subafilms* court was too uncritical in following the *Aramco* rule in light of the "swift congressional overruling of *Aramco*" and in light of flaws in the *Aramco* opinion).

⁵¹ Kelsh, *supra* note 29, at 1852 (arguing that the approach in *Environmental Defense Fund, Inc. v. Massey*, 986 F.2d 528 (D.C. Cir. 1993), "is a far more accurate description of how courts, including the Supreme Court, have treated the presumption"). *Massey* recognizes three exceptions to the presumption against extraterritoriality: 1) when there is clear Congressional intent that the applicable statute is to be applied extraterritorially, 2) when adverse effects will result in the United States from not applying U.S. law extraterritorially, and 3) when the conduct regulated occurs within the United States. *Massey*, 986 F.2d at 531.

⁵² 344 U.S. 280 (1952).

⁵³ 234 F.2d 633 (2d Cir. 1956).

commerce; and (c) that there be no conflict between the relevant U.S. law and the foreign law.”⁵⁴

IV. Argument: Why Domestic Authorizers of Foreign Infringements Should Be Held Liable

By holding domestic authorizers liable under the Copyright Act, courts will best serve the policies of the Copyright Act and the international copyright framework without offending the presumption against the extraterritorial application of U.S. laws. Additionally, courts would be providing copyright owners a remedy when a remedy otherwise would be impracticable to attain or when no other remedy would exist.

A. The Policies of the Copyright Act

The principle goal of the Copyright Act “is to encourage the widest possible production and dissemination of literary, musical, and artistic works.”⁵⁵ The more immediate policy to reward authors⁵⁶ for their efforts and to provide them with an incentive to create serves this ultimate goal.⁵⁷ The creative incentive derives from the limited monopoly that the copyright owner has in certain uses of her work, which

⁵⁴ Koneru, *supra* note 29, at 120 (citing *Vanity Fair Mills*, 234 F.2d at 745-46).

⁵⁵ Goldstein, *supra* note 36, § 1.14, at 1:40.

⁵⁶ The use of the word “author” under the Copyright Act has a broader connotation than the usual meaning of the word. It encompasses creators of all kinds of copyrightable “works of authorship.” “Works of authorship” include: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works. 17 U.S.C. § 102(a) (1994).

⁵⁷ See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 431-32 (1983) (“The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by providing this incentive, is to stimulate artistic creativity for the general public good.”) (citing *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

enables her exclusively to exploit the work in the marketplace or to authorize others to do so.⁵⁸

It would seem that the inability of copyright owners to collect lost foreign profits from illegal domestic authorizers undermines the incentives for some authors to create.⁵⁹ This argument assumes that the domestic market does not provide enough of an incentive for authors to create, an assumption that may not be true in many circumstances. The real power of this argument, however, is related to the “overarching object” of copyright law, as set out in *Fox Films*, to benefit the public. The public surely benefits from a wide dissemination of works. The public also benefits from varying styles, tastes, and points of view that authors express in the various types of copyrightable works of authorship. While the domestic market may provide enough of an incentive to create in most situations, the domestic market may not provide a sufficient reward for works at the margins of American tastes.

Some authors will need to exploit foreign markets as well as the domestic markets to recoup investment in their works simply because their works are not as popular in domestic markets as in foreign markets. Such exploitation of foreign markets by American authors likely will take place by licensing others abroad to exploit the work. If, however, someone else can improperly authorize foreign exploitation and reap the rewards with impunity, this may severely hinder the copyright owner’s ability to recoup his investment, and the incentive to create will suffer.⁶⁰ The end result would be the diminished availability of works at the margins of American tastes.

The court in *Curb v. MCA Records, Inc.*⁶¹ recognized the harm to creative incentives that could result from holdings like that of *Subafilms*:

⁵⁸ See *id.* at 429 (stating that the limited monopoly grant of the Copyright Act “is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”)

⁵⁹ See Kelsh, *supra* note 29, at 1849 (“The *Subafilms* decision. . . seriously jeopardizes the ability of film makers to collect overseas revenues for their films. Now that this important revenue stream is no longer secure, they may be less willing to invest.”).

⁶⁰ While it is possible that a copyright owner could obtain relief by suing in the foreign country or by suing in this country with the court applying foreign copyright law to the extraterritorial action, sub-Part IV.C. *infra* argues that these remedies, if in fact they do exist, may be unsatisfactory and impracticable for many copyright holders.

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

[P]iracy 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.⁶²

Thus copyright policy provides a strong reason why courts should hold illegal authorizers of infringements liable, regardless of where the authorized infringing acts occur.

B. The International Copyright Framework

1. Background

Historically, the law has viewed intellectual property as territorial, meaning that any protections a country grants to its intellectual property holders ended at that country's border.⁶³ In order for a country to ensure that its intellectual property owners' interests would be protected abroad, bilateral or multilateral treaties with other countries were necessary. Early treaties typically accomplished the goal of international intellectual property protection by mandating that each signatory provide the same level of protection for foreign intellectual property owners as it provides its

⁶² *Id.* at 595.

⁶³ See Doris Estelle Long, *The Territorial Nature of Intellectual Property Rights*, in INTERNATIONAL INTELLECTUAL PROPERTY ANTHOLOGY, 319 (Anthony D'Amato & Doris Estelle Long eds., 1996)[hereinafter INTERNATIONAL INTELLECTUAL PROPERTY ANTHOLOGY].

domestic owners.⁶⁴ Such reciprocity is called “national treatment,” and it remains a prominent feature of intellectual property treaties.⁶⁵

The principle substantive multilateral international copyright treaties currently in force are the Berne Convention for the Protection of Literary and Artistic Works (“The Berne Convention” or “Berne”) and the Universal Copyright Convention (“UCC”).⁶⁶ The United States currently is a signatory to both.⁶⁷ The Berne Convention of 1886 included ten countries as the original signatories.⁶⁸ This original group of nations consisted of “most of the Western European nations, as well as one African country, and some Caribbean and Latin-American nations.”⁶⁹ Conspicuously absent from this group was the United States. The United States was for nearly 200 years “essentially isolationist” in its approach to international copyright relations;⁷⁰ it was a pirating nation.⁷¹ For reasons related to the incompatibility of the Copyright Act with the Berne

⁶⁴ See Doris Estelle Long & Anthony D’Amato, *Overview*, in INTERNATIONAL INTELLECTUAL PROPERTY ANTHOLOGY, *supra* note 62, at 9.

⁶⁵ *Id.*; see also The Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886 art. 5(1), 828 U.N.T.S. 221 (1972) (amended 1988) [hereinafter Berne Convention]; The Universal Copyright Convention, Sept. 6, 1952, art. II(1), 6 U.S.T. 1731 (revised 1971).

⁶⁶ “Since the US and the former Soviet Union acceded to Berne, Berne has taken the primary role in formulating international copyright policy.” Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. & TRADEMARK OFF. SOC’Y. 121, 124 (1994).

⁶⁷ See ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT FOR THE NINETIES 877 (1993).

⁶⁸ See NIMMER, *supra* note 20, § 17.01(B)(1), at 17-5.

⁶⁹ GORMAN & GINSBURG, *supra* note 66, at 873. As of 1993 Berne had 95 members. *Id.* at 877.

⁷⁰ Hamish Sandison, *The Berne Convention and the Universal Copyright Convention: The American Experience*, 11 COLUM.-VLA J.L. & ARTS 89, 90-95 (1986).

⁷¹ See Orrin G. Hatch, *Better Late than Never: Implementation of the 1886 Berne Convention*, 22 CORNELL INT’L L.J. 171, 173 (1989) (“For most of our first century of nationhood, we were takers. We stole what others created. Nobody could match us in our disdain for the rights of foreign authors such as Dickens, Thackeray, or Gilbert and Sullivan. But we soon learned that our behavior came at a cost as other nations denied our own authors the rights we had denied theirs.”)(quoting The Berne Convention: Hearings Before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. on the Judiciary, 100th Cong., 2d Sess., at 72-73 (1988))

Convention, the United States did not join Berne until 1988.⁷²

The original Berne Convention had five major objectives:

[F]irst, the promulgation of copyright laws throughout the countries of the world; second, the elimination of artificial timing barriers to international copyright enforcement; third, the abolition of intellectual property protectionism or unnecessary preferences for domestic artists over foreign artists; fourth, the eradication of superfluous and burdensome formalities or procedural barriers to enforcement of legitimate copyrights; and fifth, the promotion of uniform international copyright protection.⁷³

Berne aimed to achieve these goals through two key principles still characteristic of the international copyright regime--national treatment and minimum standards. National treatment, as mentioned above, means that each signatory nation pledges to extend the same copyright protections to nationals of other signatory countries as it does to its own nationals.⁷⁴ Minimum standards, on the other hand, provide a base level of copyright protections that signatory countries must extend.⁷⁵

(statement of Secretary of Commerce C. William Verity)).

⁷² See Patricia Scahill, Note, *U.S. Copyright Law and Its Extraterritorial Application: Subafilms, Ltd. v. MGM-Pathe Communications*, 19 MD. J. INT'L L. & TRADE 293, 310-11. One such incompatibility was that U.S. law required compliance with formalities such as registration of copyrighted works and posting of notice of copyright on copies of works. Berne prohibited any such formalities as a prerequisite to copyright protection. *Id.* at 310. Various factors led the U.S. Congress to modify the Copyright Act in 1988 by passage of the Berne Convention Implementation Act of 1988, Pub. L. No. 100-658, 102 Stat. 2853, which brought U.S. law into accord with Berne. *Id.* at 311. Some of these factors were increased demand for U.S. copyrighted works, new types of works created by technological advances, and losses suffered abroad by U.S. copyright holders. *Id.* at 310.

⁷³ Hatch, *supra* note 70, at 174.

⁷⁴ See Long & D'Amato, *Overview*, *supra* note 63, at 9; Berne Convention, *supra* note 64, art. 5(1).

⁷⁵ See *id.*; Berne Convention, *supra* note 64, arts. 6 *bis* to 9, 11 to 14 *ter*.

SUBAFILMS REVISITED

The UCC is the second major international copyright treaty.⁷⁶ It was signed in 1952 and became effective in the United States in 1954.⁷⁷ The reason for the establishment of the UCC was that many nations, such as the United States, did not want to join Berne because their own copyright laws were incompatible with the higher protective standards of Berne.⁷⁸ As Senator Orrin Hatch writes, "The new Universal Copyright Convention (UCC) was intended to be a bridge leading to ultimate adherence to Berne. The UCC established minimum standards that could be a new common denominator among States, both members of the Berne Union and members of the new UCC."⁷⁹

The UCC, like the Berne Convention, is also characterized by minimum standards and national treatment. With regard to minimum standards, both provide for the "categories of works to be protected, minimum periods of protection, limitations on impositions of formalities," and certain exclusive rights to various forms of exploitation of works.⁸⁰ In addition, United Nations organizations administer both treaties. The World Intellectual Property Organization ("WIPO") administers Berne, and the United Nations Educational, Scientific, and Cultural Organization ("UNESCO") administers the UCC.⁸¹ The major difference between the two is that the UCC does not strictly prohibit requiring formalities as a precondition to copyright protection.⁸²

⁷⁶ As of 1993, 89 nations belonged to the UCC. See GORMAN & GINSBURG, *supra* note 66, at 877 (stating also that the memberships of Berne and the UCC partially overlap, with 27 nations belonging only to Berne and 21 belonging only to the UCC).

⁷⁷ See Hatch, *supra* note 70, at 176.

⁷⁸ See STEPHEN M. STEWART assisted by Hamish Sandison, *INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS*, 2d ed., 146 (1989).

⁷⁹ Hatch, *supra* note 70, at 177 (quoting Commissioner Donald Quigg of the U.S. Patent and Trademark Office in a statement before the U.S. Senate Subcommittee on Patents, Trademarks and Copyrights, in U.S. Adherence to the Berne Convention: Hearings Before the Subcomm. on the Judiciary, 99th Congress., 1st & 2d Sess. (1985-86)).

⁸⁰ GORMAN & GINSBURG, *supra* note 66, at 878.

⁸¹ See Michael T. Crowley, Note, *Raise the Yellow Submarine! Subafilms and Extraterritorial Application of the Copyright Act*, 48 FED. COMM. L.J. 133, 137 (1995) (citing H.R. REP. No. 609, 100th Cong., 2d Sess. 1-66 (1988), reprinted in GOLDSTEIN, *supra* note 36, app. 506-07 (Supp. 1994)).

⁸² See The Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731 (revised 1971), art. III, §1 (providing that any signatory nation requiring compliance with formalities as a precondition to protection must extend protection to a work that

2. Policies

The Berne Convention illustrates its policies early in the document. The preamble states that the member nations are “animated by the desire to protect, in as effective and uniform a manner possible, the rights of authors in their literary and artistic works.”⁸³

Article one states, “The countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.”⁸⁴ Article two, section six states that the protections given by the Convention “shall operate for the benefit of the author and his successors in title.”⁸⁵ These statements help to show that the focus of Berne is based on the “continental European, *droit d’auteur* [author’s right] approach” to copyright.⁸⁶

The *droit d’auteur* concept of copyright is fundamentally different from the public benefit rationale of copyright in the United States. “Under this approach, the focus of copyright is on the author as an individual.”⁸⁷ *Droit d’auteur* has its basis in a theory of natural right, stemming from the French Revolution, which posits that the act of the author’s creation vests in him a natural right in his work.⁸⁸ In other words, *droit d’auteur* protects the author’s work simply because it belongs to the author, and the author is entitled by natural right to exploit his creation. In the Anglo-American system discussed in Part IV.A., however, copyright law protects the author to give him an incentive to create works, which in turn serves the ultimate goal of benefiting society.

bears the proper notice provided for in that section and that is first published outside its territory by a foreign author); art. III, §3 (providing that signatory nations may impose procedural formalities, such as depositing a copy of the relevant work with the proper court or administrative office, as a precondition to suit).

⁸³ Berne Convention, *supra* note 64, preamble.

⁸⁴ *Id.* at 225.

⁸⁵ *Id.* at 229.

⁸⁶ Peter Burger, *The Berne Convention: Its History and Its Key Role in the Future*, 3 J.L. & TECH. 1, 58-59 (1988) (citation omitted).

⁸⁷ *Id.* at 59.

⁸⁸ See Russell J. DaSilva, *Droit Moral and the Amoral Copyright: A Comparison of Artists Rights in France and the United States*, 28 BULL. COPYRIGHT SOC’Y 1, 3 (1980), quoted in INTERNATIONAL INTELLECTUAL PROPERTY ANTHOLOGY, *supra* note 62, at 124.

Developing out of *droit d'auteur* was the judicial concept of *droit moral*, or moral rights.⁸⁹ The basic moral rights are those of paternity (“the right to be acknowledged as the author of a particular work”⁹⁰) and integrity (“the right of authors to object to modifications which prejudice their honor or reputation”⁹¹). The Berne Convention again shows the influence of the author’s rights conception of copyright by mandating recognition of these moral rights of authors.⁹² Article six *bis* of Berne provides that the moral rights of paternity and integrity shall inhere in the author and shall not be waived by transfer of the author’s economic rights.⁹³

The policies of the UCC are not identical to those of the Berne Convention. The preamble to the UCC states the signatories are “[c]onvinced that a system of copyright protection appropriate to all nations of the world and expressed in a universal convention, additional to, and without impairing international systems already in force, will ensure respect for the rights of the individual and encourage the development of literature, the sciences and the arts.”⁹⁴ The last clause shows the influence of the

⁸⁹ See *supra* note 66, at 124. (“*Droit moral*. . . emerged. . . from judicially created doctrines, which developed slowly in the nineteenth century, and more rapidly in the twentieth,” arising from “the spirit of [*droit d'auteur*], and from the philosophy of individualism which accompanied the French Revolution.”).

⁹⁰ Hatch, *supra* note 70, at 184.

⁹¹ *Id.*

⁹² This requirement was another reason for the delay in accession to the treaty by the United States. In 1990 Congress passed the Visual Artists Rights Act (“VARA”) (P.L. 101-650, Title VI, 104 Stat. 5089 (1990)), which grants moral rights protection to certain works of visual art, to help bring U.S. law in conformity with the Berne Convention moral rights requirements. Though the U.S. Copyright Act does not explicitly grant moral rights, the U.S. maintains that the VARA and various Lanham Act and common law principles (such as contract, unfair competition, defamation, and privacy) taken together bring the U.S. into compliance with Berne’s moral rights requirement. See Laura A. Pitta, *Economic and Moral Rights under US Copyright Law: Protecting Authors and Producers in the Motion Picture Industry*, 12 ENT. & SPORTS LAWYER 3, 4-5 (1995) (discussing how these principles may protect moral rights).

⁹³ Berne Convention, *supra* note 68, art. 6 *bis*. (“Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.”).

⁹⁴ The Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731 (revised 1971).

Anglo-American conception of the public benefit to be achieved through copyright protection. The absence of moral rights from the requirements of the UCC also shows the Anglo-American conception of copyright. Nevertheless, the UCC shows a strong commitment, albeit not as strong as that of Berne, to the rights of authors. The preamble quoted above illustrates this commitment, as does Article one, which provides, "Each Contracting State undertakes to provide for the adequate and effective protection of the rights of authors and other copyright proprietors in literary, scientific and artistic works."⁹⁵

3. Application

In light of the policies of the international copyright framework, U.S. courts should hold liable for copyright infringement anyone who, without permission from the copyright owner, authorizes foreign infringing acts. Berne requires that we view an author's security in her international copyright protection as a personal, natural right. This policy is best fulfilled when nations protect authors against acts taking place within their own borders, which harm the interests of the copyright holder.⁹⁶

When someone, without the copyright owner's authority, gives permission to another party overseas to exploit the copyright owner's work, he harms the copyright owner. The copyright owner loses both the economic rights to profit from the exploitation of his work abroad, and the moral right to control the use to which his work is put. Berne protects both of these rights, and the UCC protects the former. In terms of the UCC policy of encouraging creation of works, Part IV.A. above already has discussed how improper authorizations of foreign acts can create disincentives to create works at the margins of domestic tastes.

Thus under the policies of the Copyright Act and the international copyright framework, holding improper authorizers of foreign infringements liable under the

⁹⁵ *Id.*

⁹⁶ Additionally, when nations protect authors against acts taking place within their own borders, they further the principle of national treatment. *See Kelsh, supra* note 29, at 1861 ("The goal of the Berne Convention is to increase international copyright protection. The members of the Convention chose to accomplish this goal not by establishing a codified international law of copyright, but by requiring each signatory country to guarantee certain rights and then insisting that member countries enforce those rights. . . This system will work, however, only if signatory countries take responsibility for punishing those actors that contribute to international copyright infringement from within their borders.") (citations omitted).

SUBAFILMS REVISITED

Copyright Act best serves the interests of the copyright owner and of the public. Of course, in applying the Copyright Act in this way, American courts should be careful not to abridge the sovereignty of other nations. The *Subafilms* court recognized this responsibility and decided that holding the authorizer liable would have a deleterious effect on international copyright relations.⁹⁷ The court feared that holding the domestic authorizer liable would violate the principle of national treatment.⁹⁸ This conclusion was based on the court's reasoning earlier in the case that holding the domestic authorizer liable necessarily would involve extraterritorial application of the Copyright Act to the authorized foreign actions because of third party liability principles.⁹⁹ Part IV.C. argues that the court's extraterritoriality analysis is flawed because the court focused too much on the location of the foreign authorized act, rather than the location of the authorization itself. By the facts of the case, the extraterritoriality issue should not have been a factor.

⁹⁷ See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1098 (9th Cir.) (en banc), *cert. denied*, 513 U.S. 1001 (1994) (stating that "an extension of the extraterritorial reach of the Copyright Act by the courts would in all likelihood disrupt the international regime for protecting intellectual property that Congress so recently described as essential to furthering the goal of protecting the works of American authors abroad").

⁹⁸ See *id.* at 1097 (worrying about "offend[ing] other [Berne] member nations by effectively displacing their law in circumstances in which previously it was assumed to govern").

⁹⁹ See discussion *infra* Part II.B.

C. The Presumption Against Extraterritoriality¹⁰⁰

1. Background

Before this section argues that the *Subafilms* court should not have raised the presumption against extraterritoriality, it is necessary to present a brief background to the presumption and its policies. In other words, it is a concept concerned with a nation extending its laws outside its sovereign territory. Though Congress has the authority to legislate extraterritorially, the Supreme Court has stated that courts should assume that legislation is not meant to apply extraterritorially absent clear Congressional indication otherwise.¹⁰¹ For example, U.S. courts should presume that Congress did not intend the copyright act to apply to acts taking place wholly outside of the United

¹⁰⁰ A broad critical analysis of the presumption against extraterritoriality is beyond the scope of this Note. For readers interested in a broader view of the subject, scholars have written numerous in-depth treatments of the extraterritoriality issue. See, e.g., A.D. NEALE & M.L. STEPHENS, *INTERNATIONAL BUSINESS AND NATIONAL JURISDICTION* (1988); THE *EXTRATERRITORIAL APPLICATION OF NATIONAL LAWS* (Dieter Lange & Gary Born eds., 1987); Garry B. Born, *A Reappraisal of the Extraterritorial Reach of U.S. Law*, 24 *LAW & POL'Y INT'L BUS.* 1, 1 (1992) (arguing that "the rationale for the territoriality presumption has become obsolete and that the presumption should be abandoned"); Curtis Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 *VA. J. INT'L L.* 505, 509 (1997) (discussing the presumption in the context of intellectual property law and arguing that "none of the federal intellectual property statutes [should apply] to conduct that takes place in other countries"); Larry Kramer, *Vestiges of Beale: Extraterritorial Applications of American Law*, 1991 *SUP. CT. REV.* 179, 184 (arguing that the presumption no longer makes sense and that the Court's opinion in *Aramco* is an "anachronism"); Jonathan Turley, *When in Rome: Multinational Misconduct and the Presumption Against Extraterritoriality*, 84 *NW. U. L. REV.* 598, 601 (1990) ("[C]ourts appear to be using outcome-determinative tests to consistently grant or deny extraterritorial claims according to the type of statute involved in the dispute. They consistently grant extraterritorial relief under 'market statutes,' like the antitrust and securities laws. . . In contrast, 'nonmarket statutes' providing employment or environmental protections are consistently denied extraterritorial applications.").

¹⁰¹ See *Equal Employment Opportunity Comm'n v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991) ("*Aramco*") (noting this idea as a "longstanding principle of American law") (citing *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 284-85 (1949); *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147 (1957)).

States.¹⁰² The primary policy of this presumption is to preserve international comity by protecting “against unintended clashes between our laws and those of other nations which could result in international discord.”¹⁰³

U.S. courts applied the presumption against extraterritoriality in the early nineteenth century, and “[i]t was invoked routinely for the next hundred years, reaching its zenith. . . in 1909.”¹⁰⁴ In 1909 the Supreme Court applied the extraterritoriality doctrine in the leading case of *American Banana Co. v. United Fruit Co.*¹⁰⁵ In that case the Court held that the Sherman Act¹⁰⁶ does not reach the allegedly anti-competitive conduct of a U.S. company in Panama and Costa Rica.¹⁰⁷ In reaching the decision, Justice Holmes wrote that “in case of doubt,” courts should construe a federal statute “to be confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power.”¹⁰⁸ Thus, under *American Banana*, courts should apply federal laws only to acts occurring within the territorial jurisdiction of the United States.

2. Policy Goals

In the years after *American Banana*, the Court refined the approach of that case to focus on the intent of Congress.¹⁰⁹ The Supreme Court reaffirmed this

¹⁰² See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095-96 (9th Cir.) (en banc), cert. denied, 513 U.S. 1001 (1994).

¹⁰³ *Aramco*, 499 U.S. at 248 (citing *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 20-22 (1963)); see also *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909) (stating that one nation’s extension of its laws to actions in another nation “not only would be unjust, but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent”).

¹⁰⁴ See Born, *supra* note 99, at 8-9.

¹⁰⁵ 213 U.S. 347 (1909).

¹⁰⁶ 15 U.S.C. §§ 1-7 (1976).

¹⁰⁷ See *American Banana*, 213 U.S. at 357.

¹⁰⁸ *Id.*

¹⁰⁹ See *Blackmer v. United States*, 284 U.S. 421, 437 (1932) (holding that courts may apply the Walsh Act, 28 U.S.C. §§ 1783-84 (1988), extraterritorially since the Act expressly provided for service of process of American citizens abroad, thus

Congressional intent standard in 1991 in *Aramco*, as discussed above.¹¹⁰ In the decades between *American Banana* and *Aramco*, however, courts began recognizing an exception to the presumption in particular instances “where the failure to extend the scope of the statute to a foreign setting will have adverse effects within the United States”¹¹¹ and where the application would not offend international comity concerns. Federal courts have applied this exception, known as the “effects doctrine,”¹¹² in cases arising under federal antitrust law, the Lanham Trademark Act,¹¹³ federal securities legislation,¹¹⁴ and federal criminal legislation.¹¹⁵

Cases raising the extraterritoriality issue cite a number of policies that the presumption serves. One commentator writes, “A review of the Supreme Court’s

showing Congress’s intent for the Act to apply extraterritorially); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949) (holding that the Eight Hour Law, 40 U.S.C. §§ 324-25 (1940), may not be applied extraterritorially because Congress did not express intent to do so in the language of the act).

¹¹⁰ See *Born supra* note 99.

¹¹¹ *Environmental Defense Fund, Inc. v. Massey*, 986 F.2d 528, 531 (D.C. Cir. 1993). The Restatement (Third) of Foreign Relations Law section 402 (1)(c) (1987) recognizes this exception. Section 402 provides:

Subject to Section 403, a state has jurisdiction to prescribe law with respect to: (1) (a) conduct that wholly, or in substantial part takes place within its territory; (b) the status of persons, or interests in things, present within its territory; (c) conduct outside its territory that has or is intended to have substantial effect within its territory; (2) the activities, interests, status or relations of its nationals outside as well as within its territory; and (3) certain conduct outside its territory by persons not its nationals that is directed against the security of the state or against a limited class of other state interests.

Section 403 requires that the exercise of jurisdiction not be unreasonable.

¹¹² See *Born, supra* note 99, at 29-39 (discussing extraterritorial application of federal antitrust law).

¹¹³ See *id.* at 39-40 (discussing extraterritorial application of the federal trademark statute).

¹¹⁴ See *id.* at 45-48 (discussing extraterritorial application of federal securities law).

¹¹⁵ See *id.* at 51-54 (discussing extraterritorial application of federal criminal law).

extraterritoriality decisions . . . reveals . . . at least five justifications for the presumption: international law, international comity, choice-of-law principles, likely congressional intent, and separation-of-powers considerations.”¹¹⁶ The international law justification for the presumption refers to the “longstanding canon of construction that federal statutes are to be construed, where fairly possible, so as not to violate international law.”¹¹⁷ The second justification, international comity, is the policy cited by the *Aramco* Court.¹¹⁸ The third justification, choice-of-law, refers to “the general and almost universal rule . . . that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”¹¹⁹ The fourth justification assumes the general proposition that “Congress generally legislates with domestic conditions in mind,”¹²⁰ and the presumption, therefore, helps the federal courts to carry out Congressional intent.¹²¹ The final justification, separation of powers, refers to the fact that “the Constitution assigns policymaking authority, as well as principal authority over foreign affairs, to the legislative and executive branches rather than to the judicial branch.”¹²² It would thus be beyond “both the institutional competence and constitutional prerogatives of the judiciary”¹²³ to determine “whether and how to apply federal legislation to conduct abroad.”¹²⁴

In addition to viewing the policies of the presumption in terms of what they seek to achieve, some commentators have expressed the policies in terms of the harmful

¹¹⁶ See Bradley, *supra* note 99, at 513-14. The following textual explanations are also taken from Bradley at 514-515.

¹¹⁷ *Id.* at 514-15. The chief international law concern here is the violation of the sovereignty of another nation. See Born, *supra* note 99, at 14 (“[T]he laws of no nation can justly extend beyond its own territories, except so far as regards its own citizens. They can have no force to control the sovereignty or rights of any other nation, within its own jurisdiction.”) (quoting *The Appolon*, 22 U.S. (9 Wheat.) 362, 370 (1824)).

¹¹⁸ See *supra* text accompanying note 100.

¹¹⁹ *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909).

¹²⁰ *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993).

¹²¹ See Bradley, *supra* note 99, at 516 (stating “the presumption arguably promotes the interpretation of federal statutes in a manner consistent with the scope of Congress’ [sic] regulatory intent”).

¹²² *Id.* at 516.

¹²³ *Id.* (citation omitted).

¹²⁴ *Id.*

effects that would result if courts did not observe the presumption.¹²⁵ The main concerns are that the extraterritorial application of laws can lead to commercial uncertainty, inconsistent legal requirements, increased costs for international businesses, and the concomitant discouragement of international business activity.¹²⁶

For example, if nations extend their laws extraterritorially, Y Corporation in Nation Z may not know if it also must conduct its operations in compliance with the laws of nations A, B, and C. In fact, the legal requirements imposed by these nations could pull the business in opposite directions because of inconsistencies among the national laws. As a result of the potential liability and necessary compliance efforts, Y Corporation will face sharply augmented legal and administrative expenses. Such a predicament could lead to the discouragement of international investment.

3. Application

Having discussed the policies that the presumption against extraterritoriality seeks to achieve, this Note now argues that holding domestic authorizers of foreign infringements liable under the Copyright Act does not implicate those policies. If holding such authorizers liable does not implicate the policies of the presumption against extraterritoriality, then the presumption should not be a factor in cases involving domestic authorization of foreign infringements. If the underlying policies of the presumption are not offended, this provides another reason to protect the copyright owner's right of authorization; the copyright owner's rights should not be subject to phantom fears of international discord.¹²⁷ Courts should be careful to consider the

¹²⁵ See, e.g., THE EXTRATERRITORIAL APPLICATION OF NATIONAL LAWS 3 (Dieter Lange & Gary Born eds., 1987); Pamela E. Kraver & Robert Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 115, 117 (1995) (noting the potential harms of extraterritorial application as being commercial uncertainty, discouragement of international investment, distorted trade patterns, "enactment of contrary foreign laws. . . to 'block' US efforts to apply US law extraterritorially," and political conflicts).

¹²⁶ See *id.*

¹²⁷ See *Subafilms*, 24 F.3d at 1098-99. See also Jason S. Hartley, Recent Development, *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, *The Ninth Circuit Allows Direct Copyright Infringers to Escape Liability*, 4 TUL. J. INT'L & COMP. L. 345, 356-57 (1996) ("The court's fear of an unfavorable international opinion is unfounded because enforcement of the *Peter Starr* rule would have permitted the court to allow an action against an individual within U.S. boundaries.").

policies of the extraterritoriality doctrine and not simply apply it mechanically “because it involves foreign acts or parties.”¹²⁸

Though discussed in general, the harms, which the author of this Note recognizes, that could result by the extraterritorial application of the Copyright Act, the court, nonetheless, failed to show specifically how holding the defendant liable for domestic authorization of foreign infringement would violate the policies of the extraterritoriality doctrine. The court expressed concern about interference with the international copyright regime, but it “never explain[ed] just how this will occur.”¹²⁹

The reason why holding a domestic authorizer of a foreign infringement liable does not violate the policies of the extraterritoriality doctrine is fairly simple. In such a case, a federal court would be holding liable under U.S. law a defendant who committed an infringing act¹³⁰ within the territorial jurisdiction of the United States. The court would not be ruling on the liability of the authorizee for his actions committed on foreign soil; the court would leave that determination to a foreign court.¹³¹

¹²⁸ Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT’L L. 587, 588 (1997).

¹²⁹ Crowley, *supra* note 80, at 156.

¹³⁰ See discussion *infra* Part III.A-B. In this author’s opinion, even if a court does not accept the argument that a domestic authorization of a foreign infringement constitutes a direct infringement of itself and instead applies third party liability principles, as in *Subafilms*, the analysis that follows in the text above can still apply. A court could impose liability on the authorizer if it determines that the authorized act is an infringement, regardless of where the authorized act occurs. See also GOLDSTEIN, *supra* note 36, §6.3.2, at 6:29 (“In determining whether an act of authorization occurring in the United States constitutes an act of infringement, a court *could* consider whether the foreign act . . . would have constituted a direct infringement had it occurred within the United States. . .”). It makes no sense in light of the policies of the extraterritoriality doctrine to deny relief to the copyright owner based on the fact that the authorizee acted extraterritorially. As discussed in the text above, the presumption against extraterritoriality is not offended because the court is not adjudicating the liability of the foreign authorizee.

¹³¹ One might argue that the approach of this Note is inconsistent because it recognizes that authorization of a fair use would not be infringing because the authorized act would not be an infringement sanctionable under the Copyright Act, see *supra* note 10, yet it argues that authorization of certain foreign actions constitutes infringement, even though foreign actions are not sanctionable under the Copyright Act. The response to this is that the fair use defense in section 107 is an explicit

Considering the policies discussed in Part IV.C.1. above, such an exercise of jurisdiction over a defendant acting within the United States does not offend the sovereignty of other nations, nor does it jeopardize international comity. In fact, it would be a challenge to U.S. sovereignty for another country to question a federal court's application of U.S. law to someone committing an act within U.S. borders. Second, this application of the Copyright Act does not offend the choice-of-law rule that courts should determine the lawfulness or unlawfulness of an action by the law of the jurisdiction in which the defendant acts, since the act of authorization occurs in the United States. Third, this application of law carries out Congressional intent because the law is applied to domestic actions, and as the Supreme Court stated, "Congress generally legislates with domestic conditions in mind."¹³² Fourth, this application of the Copyright Act does not violate separation of powers principles. Federal courts would not be interfering with foreign relations by making judgments concerning foreign law or concerning actions occurring on foreign soil. Rather, federal courts would be applying federal statutes in cases in which federal personal and subject matter jurisdiction exist, and such an exercise of jurisdiction is well within the province of the federal courts.

In addition, holding liable domestic authorizers of foreign infringements would not subject foreign actors to commercial uncertainty because only parties within the territorial jurisdiction of the United States would be liable for violation of the authorization right. Such parties surely are aware that their presence within the territorial boundaries of the United States subjects them to U.S. law. Furthermore, since by the extraterritoriality doctrine, foreign law generally cannot be extended into the United States, domestic actors would not be subject to inconsistent legal requirements. Only the requirements of U.S. law would apply. As a result, the costs of doing business for either foreign or domestic parties would not increase, as additional legal compliance efforts would not be necessary. Those costs of compliance already exist, so there would be no increase in them.

qualification of the rights provided by section 106. The language of section 106, however, is not qualified explicitly by the extraterritoriality doctrine. The extraterritoriality doctrine simply precludes subject matter jurisdiction over defendants committing foreign actions. But what is important is that the defendant has authorized acts encompassed by the language of section 106; it is not important that the extraterritoriality doctrine would preclude subject matter jurisdiction in a hypothetical suit against the authorizee. There is no reason to constrain the copyright owner's rights by reference to the liability of the authorizee under U.S. law. The U.S. court should simply ask if the authorized act is inconsistent with the copyright owner's section 106 rights, regardless of where the authorized act occurs.

¹³² *Smith v. United States*, 507 U.S. 197, 204 n.5 (1993).

Having considered the application of the various extraterritoriality doctrine policies, this Note now returns to the international comity policy. Since the *Aramco* Court stressed the policy of preservation of international comity, or protecting “against unintended clashes between our laws and those of other nations which could result in international discord,”¹³³ further exploration of that policy is worthwhile. The comity concern forces consideration of the ramifications of “holding liable a person who authorizes an activity abroad that is perfectly legal abroad.”¹³⁴ This is the type of clash of laws that concerned the *Aramco* Court. In practice, however, there are two other situations that raise similar issues, but which the Copyright Act permits.

The first issue is the importation right.¹³⁵ As Professor Ginsburg writes, “[T]his right proclaims, ‘I don’t care how lawfully made that copy was wherever you obtained it, nor do I address what happens to that copy so long as it stays outside the United States; but, once you bring it *here*, it’s *our* law that applies.’”¹³⁶ If holding liable the U.S. importer of goods *lawfully* made in another country is acceptable in light of comity concerns, then it would seem that holding a U.S. authorizer liable for authorizing an act that is legal in another country also would be acceptable.¹³⁷ Both situations concern

¹³³ Equal Employment Opportunity Comm’n v. Arabian American Oil Company, 499 U.S. 244, 248 (1991) (“*Aramco*”).

¹³⁴ NIMMER, *supra* note 20, § 12.04[A][3][b], at 12-87 (arguing that it would be “perverse to construe Congress’ intention as holding liable a person who authorizes an activity abroad that is perfectly legal abroad”). Arguments presented above in Part III are contrary to the views of Professor Nimmer. *See id.* at 12.04[A][3][a]-[A][3][b], at 12-85 to 19-95 (presenting reasoning which was followed by the *Subafilms* court). Previous works have criticized the reasoning of Professor Nimmer. *See* Crowley, *supra* note 80, at 154 (arguing that Nimmer’s view on Congressional intent is “overly simplistic”); Koneru, *supra* note 29, at 95, 111 (disputing Nimmer’s view that authorization liability depends on liability for primary infringement, and disputing Nimmer’s view that the phrase “within the United States” in 17 U.S.C. § 106 modifies the exclusive rights listed rather than modifying the words “to do and to authorize” in the same section).

¹³⁵ 17 U.S.C. § 602(a) (1994) provides: “Importation into the United States, without authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.”

¹³⁶ Ginsburg, *supra* note 127, at 590; *see also* 17 U.S.C. § 602(a).

¹³⁷ *See also* Crowley, *supra* note 80, at 154 (arguing that the importation right illustrates Congressional concern for the potential domestic impact of acts performed

application of the Copyright Act to conduct occurring within the United States, without any adjudication of the liability of parties acting abroad. In addition, both situations have a deleterious effect on particular exclusive rights of the copyright owner, namely those of distribution and authorization.

The second issue that is related to the comity policy is the *Update Art* doctrine.¹³⁸ The *Update Art* doctrine recognizes an exception to the general presumption that the Copyright Act does not have extraterritorial effect. Liability for extraterritorial infringements may be found “when the type of [domestic] infringement permits further reproduction abroad--such as the unauthorized manufacture of copyrighted material in the United States.”¹³⁹ For example, under *Update Art*, if the domestic actor makes a copy of a film, for example, and authorizes infringing copies to be reproduced and distributed abroad, the domestic actor can be liable for the domestic copying and for all resulting foreign infringements, even if the use of the copyrighted work is legal under the law of the foreign country.¹⁴⁰

Holding the domestic actor liable for extraterritorial infringements after first making one copy in the United States, which *Update Art* does, does not seem any less offensive to comity concerns than holding the domestic actor liable for simply authorizing the extraterritorial infringements, which *Subafilms* refuses to do.¹⁴¹ In both cases, the law would impose liability on the domestic actors for acts abroad that may

legally abroad).

¹³⁸ *Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67 (2d Cir. 1988).

¹³⁹ *Id.* (citing *Peter Starr Production Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440, 1443 (9th Cir. 1986), *overruled on other grounds by Subafilms*, 24 F.3d 1088; *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1100-01 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976)).

¹⁴⁰ *See Ginsburg, supra* note 127, at 594 (“U.S. courts award worldwide damages when the initial infringing reproduction can be traced to the United States. . .”) (citing *Creative Tech., Ltd. v. Aztech Sys. PTE, Ltd.*, 61 F.3d 696, 702 (9th Cir. 1995)).

¹⁴¹ *See id.* at 597-98 (arguing that it should not make a difference whether or not a material copy is made in the U.S. and that courts should “recognize that intellectual acts of planning unauthorized acts of copying, public performance, or distribution can be localized here in the United States”). One commentator writes, “Professor Ginsburg thus may be going further even than *Curb* [*see supra* text accompanying note 46] when she suggests that ‘domestic acts of planning and intellectually implementing the offshore acts should suffice to justify the application of U.S. law to the full series of acts.’” Bradley, *supra* note 99, at 525 (quoting Ginsburg, *supra* note 127, at 600).

have been legal abroad; and, in both, cases the effect absent a legal remedy is the same for the copyright owner B “the usurpation of foreign markets.”¹⁴² Permitting reproduction abroad by supplying an unauthorized license cannot be legitimately distinguished from permitting reproduction abroad by supplying an unauthorized copy.

As under the *Update Art* doctrine, the copyright owner should recover from the domestic actor damages resulting from infringement abroad because those damages represent the consequences of the infringing domestic action of authorization.

Therefore, the presumption against extraterritoriality should not hinder the rights of a copyright owner to protect herself against improper domestic authorizations of foreign infringements. The copyright owner’s exclusive rights should include domestic authorization of foreign uses because the policies of the presumption against extraterritoriality are not offended. The next section of this Note provides another reason for recognizing this right of the copyright owner. In absence of a remedy for violation of the exclusive authorization right, the copyright owner may face remedies that are impracticable to attain, or she may face the possibility of having no remedy at all.

D. The Lack of Adequate Alternative Remedies for Copyright Owners

The *Subafilms* court pointed out three other possible avenues of relief for a copyright owner against an authorizer of foreign infringing acts. These are 1) breach of contract remedies, 2) remedies from the application of foreign copyright law in U.S. federal courts, and 3) remedies attained by suing in a foreign court under foreign law.¹⁴³ Each of these alternative remedies is problematic.

The first alternative remedy, breach of contract, will only exist if a contract between the parties exists. A breach of contract plaintiff must show that a contract existed in order to establish his right to a remedy.¹⁴⁴ Thus, the copyright owner would have no breach of contract remedy against a party with whom no contract exists and who falsely holds himself out to be the copyright owner.

The second alternative remedy, one obtained from a U.S. court’s application of foreign copyright law, also is problematic. The problem here is that “U.S. courts to date have been reluctant to adjudicate claims based on foreign intellectual property law.”¹⁴⁵

¹⁴² Ginsburg, *supra* note 127, at 598.

¹⁴³ See *Subafilms*, 24 F.3d at 1095 n.10.

¹⁴⁴ See *Desney v. Wilder*, 299 P.2d 257, 270 (Cal. 1956).

¹⁴⁵ Bradley, *supra* note 99, at 577 (citation omitted).

One court noted that “it could ‘discern no clear authority for exercising such jurisdiction,’”¹⁴⁶ and to date only one federal court has applied foreign copyright law.¹⁴⁷ Even if the U.S. court found that it had subject matter jurisdiction over the case¹⁴⁸ and personal jurisdiction over the defendant, “another potential obstacle is the doctrine of forum non conveniens,”¹⁴⁹ which some federal courts have used to dismiss claims brought under foreign copyright law.¹⁵⁰ Even the *Subafilms* court recognized the limitations of this remedy.¹⁵¹

The third alternative remedy is for the plaintiff to sue in a foreign forum. The plaintiff has the option to sue the authorizer, the authorizee, or both, depending on the

¹⁴⁶ *Id.* (quoting *ITSI T.V. Productions Inc. v. California Authority of Racing Fairs*, 785 F. Supp. 854, 866 (E.D. Cal. 1992) (citing David R. Toraya, Note, *Federal Jurisdiction Over Foreign Copyright Actions--An Unsolicited Reply to Professor Nimmer*, 70 CORNELL L. REV. 1165 (1985)).

¹⁴⁷ See *London Film Productions, Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47, 49-50 (S.D.N.Y. 1984) (applying foreign copyright law in a case in which the defendant was an American and in which the existence of a superior foreign forum was not clear). *C.f.* *Frink America, Inc. v. Champion Road Machinery, Ltd.*, 961 F. Supp. 398, 404-05 (N.D.N.Y. 1997) (denying defendant’s motion to dismiss for forum non conveniens in a case alleging, *inter alia*, violation of Canadian copyright law, and noting that “the need to apply foreign law is not alone sufficient to dismiss under the doctrine of forum non conveniens”) (quoting *Peregrine Myanmar, Ltd. v. Segal*, 89 F.3d 41, 47 (2d Cir. 1996)).

¹⁴⁸ See *Bradley*, *supra* note 99, at 579 (“Claims under foreign intellectual property laws generally will not raise federal questions. As a result, federal courts typically will have to rely on diversity jurisdiction to hear these claims. But this basis for jurisdiction will be satisfied in at least some of the cases raising foreign intellectual property law issues, as diversity jurisdiction extends to cases between a U.S. party and a foreign party.”) (footnotes omitted).

¹⁴⁹ *Id.* Forum non conveniens “is a discretionary doctrine that allows a court with personal and subject matter jurisdiction nevertheless to dismiss a case in order to ‘best serve the convenience of the parties and the ends of justice.’” *Id.* (quoting *Koster v. Lumbermans Mut. Cas. Co.*, 330 U.S. 518, 527 (1947)).

¹⁵⁰ See, e.g., *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 934 F. Supp. 119, 125 (S.D.N.Y. 1996) (dismissing a claim brought under foreign copyright law on grounds of forum non conveniens).

¹⁵¹ See *Subafilms*, 24 F.3d at 1095 n.10 (noting the court’s statement in *ITSI T.V.*, 78 F. Supp. at 49-50, that there is no clear basis for such an exercise of jurisdiction).

plaintiff's own assessment of the likelihood of recovery against the parties, their respective abilities to pay damages, and their location. There are two problems with this solution: (1) the plaintiff may not have a remedy against either party under foreign law; and (2) seeking a remedy in a foreign court is impracticable for many plaintiffs.

Under the *Subafilms* view, if the authorizer is to be held accountable for his actions, he will have to be held liable in a foreign court. As an additional consideration, the authorizer may be the only party from which the plaintiff can satisfy a monetary judgment. But for a plaintiff to have a remedy against the U.S. authorizer in a foreign court, the laws of the foreign nation would have to recognize the defendant's actions of authorization in the United States as an infringement. Even among our Berne Convention allies, this recognition is not certain. For example,

In the United Kingdom, the general rule as to jurisdiction has been stated as follows: "(1) As a general rule, an act done in a foreign country is a tort and actionable as such in England, only if it is both (a) actionable as a tort according to English law, or in other words is an act which, if done in England, would be a tort; and (b) actionable according to the law of the foreign country where it was done."¹⁵²

Thus, an English court could not hold liable under English law an improper U.S. authorizer of infringements in England because, under the *Subafilms* reasoning, domestic authorizations of foreign infringements are not actionable in U.S. courts.¹⁵³

The second problem with obtaining remedies in foreign fora is that it is impracticable for many copyright holders to sue in a distant land.¹⁵⁴ Many copyright owners would not be able to bear the expense of enforcing their rights in this way. In addition, "[i]t is ironic that in such a case a U.S. copyright holder is forced to rely not

¹⁵² David R. Toraya, Note, *Federal Jurisdiction over Foreign Copyright Infringement Actions B An Unsolicited Reply to Professor Nimmer*, 70 CORNELL L. REV. 1165, 1173 n.46 (1985) (quoting A. Dicey & J. Morris, *THE CONFLICT OF LAWS* 938 (9th ed. 1973) (footnote omitted) (emphasis added)).

¹⁵³ *Subafilms*, 24 F.3d at 1090.

¹⁵⁴ See Ginsburg, *supra* note 127, at 596 (noting that requiring plaintiffs to sue in other countries "could prove prohibitive for many plaintiffs"); Crowley, *supra* note 80, at 155-56 (noting that if the authorized infringements took place in several countries, "the plaintiff would have to satisfy the legal standards of copyright infringement of several different nations -- a most onerous burden").

on a U.S. court, but on a foreign tribunal to protect his property rights.”¹⁵⁵

In sum, the alternative remedies for copyright holders suggested by the *Subafilms* court are unsatisfactory. The plaintiff would be left with the possibilities of no remedy or of bearing the prohibitive cost himself in obtaining a remedy. This provides yet another reason to hold domestic authorizers of foreign infringements liable under the U.S. Copyright Act.

V. Conclusion

The *Subafilms* decision places U.S. copyright holders in the lamentable situation in which they have little or no power to prevent other parties from profiting from exploitation of their works overseas. Such a result threatens the incentives for authors to create, thus harming the public’s interest in the spread of literary and artistic expression. This Note argues that *Subafilms* is incorrect, and it urges an application of the Copyright Act that provides stronger protection for copyright owners.

Part III of this Note reviews arguments showing how the *Subafilms* reasoning is flawed in failing to recognize that a violation of the Copyright Act’s authorization right is a direct infringement. Part IV, the central argument of this Note, discusses why U.S. courts should hold liable under the Copyright Act domestic authorizers of foreign acts that are inconsistent with the copyright owner’s exclusive rights. First, such action by courts would further the policies of the Copyright Act by protecting authors’ incentives, thus serving the public benefit. Second, holding domestic authorizers liable supports the goals of the international copyright framework by protecting copyright owners against acts occurring within domestic borders that are inimical to the rights of copyright owners. Third, holding domestic authorizers liable in no way offends the presumption against extraterritoriality because courts would apply U.S. law to actors committing acts within the territorial jurisdiction of the United States. Finally, absent the imposition of liability that this Note urges, copyright owners will not be able to defend adequately their rights to fully exploit their works.

¹⁵⁵ Hartley, *supra* note 126, at 356.