

**CONFLICT-OF-LAWS AND CHOICE-OF-LAW ISSUES IN
INTERNATIONAL COPYRIGHT**

Itar-Tass Russian News Agency v. Russian Kurier, 153 F.3d 82 (2d Cir. 1998)

JON O. NEWMAN, Circuit Judge:

This appeal primarily presents issues concerning the choice of law in international copyright cases and the substantive meaning of Russian copyright law as to the respective rights of newspaper reporters and newspaper publishers. The conflicts issue is which country's law applies to issues of copyright ownership and to issues of infringement. The primary substantive issue under Russian copyright law is whether a newspaper publishing company has an interest sufficient to give it standing to sue for copying the text of individual articles appearing in its newspapers, or whether complaint about such copying may be made only by the reporters who authored the articles. Defendants-appellants Russian Kurier, Inc. ("Kurier") and Oleg Pogrebnoy (collectively "the Kurier defendants") appeal from the March 25, 1997, judgment of the District Court for the Southern District of New York (John G. Koeltl, Judge) enjoining them from copying articles that have appeared or will appear in publications of the plaintiffs-appellees, mainly Russian newspapers and a Russian news agency, and awarding the appellees substantial damages for copyright infringement.

On the conflicts issue, we conclude that, with respect to the Russian plaintiffs, Russian law determines the ownership and essential nature of the copyrights alleged to have been infringed and that United States law determines whether those copyrights have been infringed in the United States and, if so, what remedies are available. We also conclude that Russian law, which explicitly excludes newspapers from a work-for-hire doctrine, vests exclusive ownership interests in newspaper articles in the journalists who wrote the articles, not in the newspaper employers who compile their writings. We further conclude that to the extent that Russian law accords newspaper publishers an interest distinct from the copyright of the newspaper reporters, the publishers' interest, like the usual ownership interest in a compilation, extends to the publishers' original selection and arrangement of the articles, and does not entitle the publishers to damages for copying the texts of articles contained in a newspaper compilation. We therefore reverse the judgment to the extent that it granted the newspapers relief for copying the texts of the articles. However, because one non-newspaper plaintiff-appellee is entitled to some injunctive relief and damages and other plaintiffs-appellees may be entitled to some, perhaps considerable, relief, we also remand for further consideration of this lawsuit.

Background

The lawsuit concerns Kurier, a Russian language weekly newspaper with a circulation in the New York area of about 20,000. It is published in New York City by defendant Kurier. Defendant Pogrebnoy is president and sole shareholder of Kurier and editor-in-chief of Kurier. The plaintiffs include corporations that publish, daily or weekly, major Russian language newspapers in Russia and Russian language magazines in Russia or Israel; Itar-Tass Russian News Agency ("Itar-Tass"), formerly known as the Telegraph Agency of the Soviet Union (TASS), a wire service and news gathering company centered in Moscow, functioning similarly to the Associated Press; and the Union of Journalists of Russia ("UJR"), the professional writers union of accredited print and broadcast journalists of the Russian Federation.

The Kurier defendants do not dispute that Kurier has copied about 500 articles that first appeared in the plaintiffs' publications or were distributed by Itar-Tass. The copied material, though extensive, was a small percentage of the total number of articles published in Kurier. The Kurier defendants also do not dispute how the copying occurred: articles from the plaintiffs' publications, sometimes containing headlines,

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pictures, bylines, and graphics, in addition to text, were cut out, pasted on layout sheets, and sent to Kurier's printer for photographic reproduction and printing in the pages of Kurier.

Most significantly, the Kurier defendants also do not dispute that, with one exception, they had not obtained permission from any of the plaintiffs to copy the articles that appeared in Kurier. Pogrebnoy claimed at trial to have received permission from the publisher of one newspaper, but his claim was rejected by the District Court at trial. Pogrebnoy also claimed that he had obtained permission from the authors of six of the copied articles. The District Court made no finding as to whether this testimony was credible, since authors' permission was not pertinent to the District Court's view of the legal issues.

Preliminary injunction ruling. After a hearing in May 1995, the District Court issued a preliminary injunction, prohibiting the Kurier defendants from copying the "works" of four plaintiff news organizations. Since the Court's analysis framed the key issue that would be considered at trial and is raised on appeal, the Court's opinion and the Russian statutory provisions relied on need to be explained.

Preliminarily, the Court ruled that the request for a preliminary injunction concerned articles published after March 13, 1995, the date that Russia acceded to the Berne Convention. The Court then ruled that the copied works were "Berne Convention works," and that the plaintiffs' rights were to be determined according to Russian copyright law.

The Court noted that under Russian copyright law authors of newspaper articles retain the copyright in their articles unless there has been a contractual assignment to their employer or some specific provision of law provides that the author's rights vest in the employer. Since the defendants alleged no claim of a contractual assignment, the Court next considered the provision of the 1993 Russian Federation Law on Copyright and Neighboring Rights ("Russian Copyright Law") (World Intellectual Property Organization (WIPO) translation) concerning what the United States Copyrights Act calls "works made for hire". That provision gives employers the exclusive right to "exploit" the "service-related work" produced by employees in the scope of their employment, absent some contractual arrangement. However, the Court noted, Article 14(4) specifies that subsection 2 does not apply to various categories of works, including newspapers. Accepting the view of plaintiffs' expert, Professor Vratislav Pechota, Judge Koeltl therefore ruled that the Russian version of the work-for-hire doctrine in Article 14(2), though exempting newspapers, applies to press agencies, like Itar-Tass.

Turning to the rights of the newspapers, Judge Koeltl relied on Article 11, captioned "Copyright of Compiler of Collections and Other Works." This Article contains two sub-sections. Article 11(1) specifies the rights of compilers generally:

The author of a collection or any other composite work (compiler) shall enjoy copyright in the selection or arrangement of subject matter that he has made insofar as that selection or arrangement is the result of a creative effort of compilation.

The compiler shall enjoy copyright subject to respect for the rights of the authors of each work included in the composite work.

Each of the authors of the works included in the composite work shall have the right to exploit his own work independently of the composite work unless the author's contract provides otherwise.

. . . .

Article 11(2), the interpretation of which is critical to this appeal, specifies the rights of compilers of those works that are excluded from the work-for-hire provision of Article 14(2):

The exclusive right to exploit encyclopedias, encyclopedic dictionaries, collections of scientific works—published in either one or several installments—newspapers, reviews and other periodical publications shall belong to the editor thereof. The editor shall have the right to mention his name or to demand such mention whenever the said publications are exploited.

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The authors of the works included in the said publications shall retain the exclusive rights to exploit their works independently of the publication of the whole work.

In another translation of the Russian Copyright Law, which was in evidence at the trial, the last phrase of Article 11(2) was rendered “independently from the publication as a whole.” Because the parties’ experts focused on the phrase “as a whole” in the Davis translation of Article 11(2), we will rely on the Davis translation for the rendering of this key phrase of Article 11(2), but all other references to the Russian Copyright Law will be to the WIPO translation.

The District Court acknowledged, as the plaintiffs’ expert had stated, that considerable scholarly debate existed in Russia as to the nature of a publisher’s right “in a work as a whole.” Judge Koeltl accepted Professor Pechota’s view that the newspaper could prevent infringing activity “sufficient to interfere with the publisher’s interest in the integrity of the work.” Without endeavoring to determine what extent of copying would “interfere with” the “integrity of the work,” Judge Koeltl concluded that a preliminary injunction was warranted because what *Kurier* had copied was “the creative effort of the newspapers in the compilation of articles including numerous articles for the same issues, together with headlines and photographs.” The Court’s preliminary injunction opinion left it unclear whether at trial the plaintiffs could obtain damages only for copying the newspapers’ creative efforts as a compiler, such as the selection and arrangement of articles, the creation of headlines, and the layout of text and graphics, or also for copying the text of individual articles.

Expert testimony at trial. At trial, this unresolved issue was the focus of conflicting expert testimony. The plaintiffs’ expert witness at trial was Michael Newcity, coordinator for the Center for Slavic, Eurasian and East European Studies at Duke University and an adjunct member of the faculty at the Duke University Law School. He opined that Article 11(2) gave the newspapers rights to redress copying not only of the publication “as a whole,” but also of individual articles. He acknowledged that the reporters retained copyrights in the articles that they authored, but stated that Article 11(2) created a regime of parallel exclusive rights in both the newspaper publisher and the reporter. He rejected the contention that exclusive rights could not exist in two parties, pointing out that co-authors shared exclusive rights to their joint work.

Newcity offered two considerations in support of his position. First, he cited the predecessor of Article 11(2), Article 485 of the Russian Civil Code of 1964. That provision was similar to Article 11(2), with one change that became the subject of major disagreement among the expert witnesses. Article 485 had given compilers, including newspaper publishers, the right to exploit their works “as a whole.” The 1993 revision deleted “as a whole” from the first paragraph of the predecessor of Article 11(2), where it had modified the scope of the compiler’s right, and moved the phrase to the second paragraph of revised Article 11(2), where it modifies the reserved right of the authors of articles within a compilation to exploit their works “independently of the publication as a whole.”

Though Newcity opined that even under Article 485, reprinting of “one or two or three, at most,” articles from a newspaper would have constituted infringement of the copyright “as a whole,” he rested his reading of Article 11(2) significantly on the fact that the 1993 revision dropped the phrase “as a whole” from the paragraph that specified the publisher’s right. This deletion, he contended, eliminated whatever ambiguity might have existed in the first paragraph of Article 485.

Second, Newcity referred to an opinion of the Judicial Chamber for Informational Disputes of the President of the Russian Federation (“Informational Disputes Chamber”), issued on June 8, 1995. That opinion had been sought by the editor-in-chief of one of the plaintiffs in this litigation, *Moskovskie Novosti* (Moscow News), who specifically called the tribunal’s attention to the pending litigation between Russian media organizations and the publisher of *Kurier*. The Informational Disputes Chamber stated, in response to one of the questions put to it, “In the event of a violation of its rights, including the improper printing of one or two articles, the publisher [of a newspaper] has the right to petition a court for defense of its rights.”

Defendants’ experts presented a very different view of the rights of newspapers. Professor Peter B. Maggs of the University of Illinois, Urbana-Champaign, College of Law, testifying by deposition, pointed out that Article 11(2) gives authors the exclusive rights to their articles and accords newspaper publishers

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only the “exclusive rights to the publication as a whole, because that’s the only thing not reserved to the authors.” He opined that a newspaper’s right to use of the compiled work “as a whole” would be infringed by the copying of an entire issue of a newspaper and probably by copying a substantial part of one issue, but not by the copying of a few articles, since the copyright in the articles belongs to the reporters. He also disagreed with Newcity’s contention that exclusive rights to individual articles belonged simultaneously to both the newspaper and the reporter. Exclusive rights, he maintained, cannot be held by two people, except in the case of co-authors, who have jointly held rights against the world.

The defendants’ first expert witness at trial was Michael Solton, who has worked in Moscow and Washington as an associate of the Steptoe & Johnson law firm. Under Article 11, he testified, authors retain exclusive rights to their articles in compilations, the compiler acquires a copyright in the selection and creative arrangement of materials in the compilation, and a newspaper publisher typically acquires the limited rights of the compiler by assignment from the compiler. The publisher, he said, does not acquire any rights to the individual articles. Solton declined to attach any significance to the decision issued by the Informational Disputes Chamber because, he explained, the bylaws of that body accord it authority only over limited matters concerning the mass media and explicitly preclude it from adjudicating matters that Russian law refers to courts of the Russian Federation, such as copyright law.

The defendants’ second expert trial witness was Svetlana Rozina, a partner of the Lex International law firm, who has consulted for the Russian government. She wrote the first draft of what became the 1993 revision of the Russian Copyright Law. She also testified that authors of works in compilations retain the exclusive right to their works, and that publishers of compilations do not have any rights to individual articles. Turning to the change in the placement of the phrase “as a whole” from Article 11(1) to Article 11(2), she explained that no substantive change was intended; the shift was made “for the purpose of Russian grammar.” She also agreed with Solton that the Informational Disputes Chamber renders advice on matters concerning freedom of mass information and lacks the competence to adjudicate issues of copyright law.

Trial ruling. The District Court resolved the dispute among the experts by accepting Newcity’s interpretation of Russian copyright law. As he had previously ruled in granting the preliminary injunction, Judge Koeltl recognized that newspapers acquire no rights to individual articles by virtue of Article 14 since the Russian version of the work-for-hire doctrine is inapplicable to newspapers. Nevertheless, Judge Koeltl accepted Newcity’s view of Article 11, relying on both the movement of the phrase “as a whole” from the first paragraph of Article 11(2) to the second paragraph of Article 11(2), and the opinion of the Informational Disputes Chamber. He also reasoned that publishers have “the real economic incentive to prevent wholesale unauthorized copying,” and that, in the absence of assignments of rights to individual articles, widespread copying would occur if publishers could not prevent Kurier’s infringements.

The District Court estimated Kurier’s profits during the relevant years at \$2 million and found that 25 percent of these profits were attributable to the copied articles. The Court therefore awarded the plaintiffs \$500,000 in actual damages against Kurier and Pogrebnoy. The Court also ruled that the plaintiffs were entitled to statutory damages with respect to 28 articles for which the plaintiffs had obtained United States copyright registrations. The Court found that the registered articles had originally appeared in 15 different publications and concluded that the plaintiffs were entitled to 15 awards of statutory damages. The Court found the violations willful, and set each statutory award at \$2,700. However, to avoid duplicative recovery, the Court ruled that the actual and statutory damages could not be aggregated and afforded the plaintiffs their choice of whether to receive statutory damages (offsetting the statutory award from the actual damages award) or actual damages. The Court awarded \$3,934 in total damages against defendant Linco Printing, which prints Kurier; this sum comprised actual damages of \$1,017, reduced to \$934 to avoid partial duplication with statutory damages, plus \$3,000 in statutory damages.

Discussion

I. Choice of Law

The threshold issue concerns the choice of law for resolution of this dispute. That issue was not initially considered by the parties, all of whom turned directly to Russian law for resolution of the case. Believing that the conflicts issue merited consideration, we requested supplemental briefs from the parties and appointed Professor William F. Patry as Amicus Curiae. Prof. Patry has submitted an extremely helpful brief on the choice of law issue.

Choice of law issues in international copyright cases have been largely ignored in the reported decisions and dealt with rather cursorily by most commentators. Examples pertinent to the pending appeal are those decisions involving a work created by the employee of a foreign corporation. Several courts have applied the United States work-for-hire doctrine without explicit consideration of the conflicts issue. Other courts have applied foreign law. In none of these cases, however, was the issue of choice of law explicitly adjudicated. The conflicts issue was identified but ruled not necessary to be resolved in *Greenwich Film Productions S.A. v. D.R.G. Records, Inc.*

The Nimmer treatise briefly (and perhaps optimistically) suggests that conflicts issues “have rarely proved troublesome in the law of copyright.” Relying on the “national treatment” principle of the Berne Convention and the Universal Copyright Convention (“U.C.C.”), Nimmer asserts, correctly in our view, that “an author who is a national of one of the member states of either Berne or the U.C.C., or one who first publishes his work in any such member state, is entitled to the same copyright protection in each other member state as such other state accords to its own nationals.” Nimmer then somewhat overstates the national treatment principle: “The applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national, or in which the work is first published.” The difficulty with this broad statement is that it subsumes under the phrase “applicable law” the law concerning two distinct issues—ownership and substantive rights, i.e., scope of protection. Another commentator has also broadly stated the principle of national treatment, but described its application in a way that does not necessarily cover issues of ownership. “The principle of national treatment also means that both the question of whether the right exists and the question of the scope of the right are to be answered in accordance with the law of the country where the protection is claimed.” We agree with the view of the Amicus that the Convention’s principle of national treatment simply assures that if the law of the country of infringement applies to the scope of substantive copyright protection, that law will be applied uniformly to foreign and domestic authors.

Source of conflicts rules. Our analysis of the conflicts issue begins with consideration of the source of law for selecting a conflicts rule. Though Nimmer turns directly to the Berne Convention and the U.C.C., we think that step moves too quickly past the Berne Convention Implementation Act of 1988. Section 4(a)(3) of the Act amends Title 17 to provide: “No right or interest in a work eligible for protection under this title may be claimed by virtue of . . . the provisions of the Berne Convention Any rights in a work eligible for protection under this title that derive from this title . . . shall not be expanded or reduced by virtue of . . . the provisions of the Berne Convention.”

We start our analysis with the Copyrights Act itself, which contains no provision relevant to the pending case concerning conflicts issues. We therefore fill the interstices of the Act by developing federal common law on the conflicts issue. In doing so, we are entitled to consider and apply principles of private international law, which are “part of our law.”

The choice of law applicable to the pending case is not necessarily the same for all issues. We consider first the law applicable to the issue of copyright ownership.

Conflicts rule for issues of ownership. Copyright is a form of property, and the usual rule is that the interests of the parties in property are determined by the law of the state with “the most significant relationship” to the property and the parties. The Restatement recognizes the applicability of this principle to

intangibles such as “a literary idea.” Since the works at issue were created by Russian nationals and first published in Russia, Russian law is the appropriate source of law to determine issues of ownership of rights. That is the well-reasoned conclusion of the Amicus Curiae, Prof. Patry, and the parties in their supplemental briefs are in agreement on this point. In terms of the United States Copyrights Act and its reference to the Berne Convention, Russia is the “country of origin” of these works, although “country of origin” might not always be the appropriate country for purposes of choice of law concerning ownership.

To whatever extent we look to the Berne Convention itself as guidance in the development of federal common law on the conflicts issue, we find nothing to alter our conclusion. The Convention does not purport to settle issues of ownership, with one exception not relevant to this case.

Selection of Russian law to determine copyright ownership is, however, subject to one procedural qualification. Under United States law, an owner (including one determined according to foreign law) may sue for infringement in a United States court only if it meets the standing test of *17 U.S.C. § 501(b)*, which accords standing only to the legal or beneficial owner of an “exclusive right.”

Conflicts rule for infringement issues. On infringement issues, the governing conflicts principle is usually *lex loci delicti*, the doctrine generally applicable to torts. We have implicitly adopted that approach to infringement claims, applying United States copyright law to a work that was unprotected in its country of origin. In the pending case, the place of the tort is plainly the United States. To whatever extent *lex loci delicti* is to be considered only one part of a broader “interest” approach, United States law would still apply to infringement issues, since not only is this country the place of the tort, but also the defendant is a United States corporation.

The division of issues, for conflicts purposes, between ownership and infringement issues will not always be as easily made as the above discussion implies. If the issue is the relatively straightforward one of which of two contending parties owns a copyright, the issue is unquestionably an ownership issue, and the law of the country with the closest relationship to the work will apply to settle the ownership dispute. But in some cases, including the pending one, the issue is not simply who owns the copyright but also what is the nature of the ownership interest. Yet as a court considers the nature of an ownership interest, there is some risk that it will too readily shift the inquiry over to the issue of whether an alleged copy has infringed the asserted copyright. Whether a copy infringes depends in part on the scope of the interest of the copyright owner. Nevertheless, though the issues are related, the nature of a copyright interest is an issue distinct from the issue of whether the copyright has been infringed. The pending case is one that requires consideration not simply of who owns an interest, but, as to the newspapers, the nature of the interest that is owned.

II. Determination of Ownership Rights Under Russian Law

Since United States law permits suit only by owners of “an exclusive right under a copyright,” we must first determine whether any of the plaintiffs own an exclusive right. That issue of ownership, as we have indicated, is to be determined by Russian law.

Determination of a foreign country’s law is an issue of law. Even though the District Court heard live testimony from experts from both sides, that Court’s opportunity to assess the witness’s demeanor provides no basis for a reviewing court to defer to the trier’s ruling on the content of foreign law. In cases of this sort, it is not the credibility of the experts that is at issue, it is the persuasive force of the opinions they expressed.

Under Article 14 of the Russian Copyright Law, Itar-Tass is the owner of the copyright interests in the articles written by its employees. However, Article 14(4) excludes newspapers from the Russian version of the work-for-hire doctrine. The newspaper plaintiffs, therefore, must locate their ownership rights, if any, in some other source of law. They rely on Article 11. The District Court upheld their position, apparently recognizing in the newspaper publishers “exclusive” rights to the articles, even though, by virtue of Article 11(2), the reporters also retained “exclusive” rights to these articles.

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Having considered all of the views presented by the expert witnesses, we conclude that the defendants' experts are far more persuasive as to the meaning of Article 11. In the first place, once Article 14 of the Russian Copyright Law explicitly denies newspapers the benefit of a work-for-hire doctrine, which, if available, would accord them rights to individual articles written by their employees, it is highly unlikely that Article 11 would confer on newspapers the very right that Article 14 has denied them. Moreover, Article 11 has an entirely reasonable scope if confined, as its caption suggests, to defining the "Copyright of Compilers of Collections and Other Works." That article accords compilers copyright "in the selection and arrangement of subject matter that he has made insofar as that selection or arrangement is the result of a creative effort of compilation." Article 11(2) accords publishers of compilations the right to exploit such works, including the right to insist on having its name mentioned, while expressly reserving to "authors of the works included" in compilations the "exclusive rights to exploit their works independently of the publication of the whole work." As the defendants' experts testified, Article 11 lets authors of newspaper articles sue for infringement of their rights in the text of their articles, and lets newspaper publishers sue for wholesale copying of all of the newspaper or for copying any portions of the newspaper that embody their selection, arrangement, and presentation of articles (including headlines)—copying that infringes their ownership interest in the compilation.

Newcity's contrary interpretation, according publishers (and reporters) exclusive rights to the text of articles, draws entirely unwarranted significance from the shift of the phrase "as a whole" from the first to the second paragraph of Article 11(2). One would not expect drafters of the revised Article 11(2) to accomplish a major broadening of the rights of newspaper publishers simply by shifting the placement of this phrase. Moreover, the drafter of the revision testified that the shift was a matter of grammar, and not of any substance. Furthermore, Newcity's interpretation rests on the untenable premise that both the publisher of a newspaper and the author of an article have exclusive rights to the same article. Under his interpretation, as he acknowledged, the publisher could grant a license to a third party to publish an article, the "exclusive" rights to which are held by the author. That unlikely result cannot be accepted in the absence of clear statutory language authorizing it.

The opinion of the Informational Disputes Chamber is not a sufficient basis for upholding the plaintiffs' interpretation. As the defendants' experts pointed out, the bylaws of that body confine its authority to matters affecting free press issues, and explicitly preclude it from adjudicating issues arising under copyright law. Moreover, the opinion that the Chamber rendered does not necessarily support the plaintiffs' position. In asserting that a newspaper may petition for redress "in defense of its rights," the Chamber might have meant only that a newspaper can protect its limited compilation rights in the selection and arrangement of articles even when only a small number of articles are copied. The opinion of the Chamber does not state that the newspaper has a protectable copyright interest in the text of each article.

Nor can the District Court's conclusion be supported by its observation that extensive copying of newspapers will ensue unless newspapers are permitted to secure redress for the copying of individual articles. In the first place, copying of articles may always be prevented at the behest of the authors of the articles or their assignees. Second, the newspapers may well be entitled to prevent copying of the protectable elements of their compilations. Lastly, even if authors lack sufficient economic incentive to bring individual suits, as the District Court apprehended, Russian copyright law authorizes the creation of organizations "for the collective administration of the economic rights of authors . . . in cases where the individual exercise thereof is hampered by difficulties of a practical nature." Indeed, UJR, the reporters' organization, may well be able in this litigation to protect the rights of the reporters whose articles were copied by *Kurier*.

Relief. Our disagreement with the District Court's interpretation of Article 11 does not mean, however, that the defendants may continue copying with impunity. In the first place, *Itar-Tass*, as a press agency, is within the scope of Article 14, and, unlike the excluded newspapers, enjoys the benefit of the Russian version of the work-for-hire doctrine. *Itar-Tass* is therefore entitled to injunctive relief to prevent unauthorized copying of its articles and to damages for such copying, and the judgment is affirmed as to this plaintiff.

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Furthermore, the newspaper plaintiffs, though not entitled to relief for the copying of the text of the articles they published, may well be entitled to injunctive relief and damages if they can show that Kurier infringed the publishers' ownership interests in the newspaper compilations. Because the District Court upheld the newspapers' right to relief for copying the text of the articles, it had no occasion to consider what relief the newspapers might be entitled to by reason of Kurier's copying of the newspapers' creative efforts in the selection, arrangement, or display of the articles. Since Kurier's photocopying reproduced not only the text of articles but also headlines and graphic materials as they originally appeared in the plaintiffs' publication, it is likely that on remand the newspaper plaintiffs will be able to obtain some form of injunctive relief and some damages. On these infringement issues, as we have indicated, United States law will apply.

Moreover, though the parties do not raise the issue, we may assume that the authors of the articles, by submitting them to their newspaper publishers, gave the publishers an implied license to use the articles in the newspaper compilations. That non-exclusive license, of course, does not entitle the publishers to sue in the United States for infringement of the articles as such.

Finally, there remains for consideration what relief, if any, might be awarded to UJR, acting on behalf of any of its members whose articles have been copied. In its opinion granting the newspapers a preliminary injunction, the District Court noted that the plaintiffs had not "established the union's organizational standing to sue to enforce the rights of its members," an issue the Court expected would be considered later in the lawsuit. In its ruling on the merits, the District Court ruled that the UJR had standing to sue on behalf of its members. However, the Court noted that UJR sought only injunctive relief and then ruled that since UJR declined to furnish a list of its members, the Court was unable to frame an injunction that would be narrowly tailored and sufficient to give the defendants notice of its scope.

In view of our conclusion that the newspaper plaintiffs may not secure relief for the copying of the text of any articles as such, it will now become appropriate for the District Court on remand to revisit the issue of whether relief might be fashioned in favor of UJR on behalf of the authors. Despite UJR's unwillingness to disclose its entire membership list, it might be possible to frame some form of injunctive relief that affords protection for those author-members that UJR is willing to identify. And UJR should now be given an opportunity to amend its prayer for relief to state whatever claim it might have to collect damages for the benefit of its member-authors whose rights have been infringed. Finally, the District Court should consider the appropriateness and feasibility of giving some form of notice (perhaps at the defendants' expense) that is calculated to alert the authors of the infringed articles to their right to intervene in this lawsuit. Such notice might, for example, be addressed generally to the group of reporters currently employed at each of the plaintiff newspapers.

In view of the reckless conduct of the defendants in the flagrant copying that infringed the rights of Itar-Tass, the rights of the authors, and very likely some aspects of the limited protectable rights of the newspapers, we will leave the injunction in force until such time as the District Court has had an opportunity, on remand, to modify the injunction consistent with this opinion and with such further rulings as the District Court may make in light of this opinion.

Conclusion

Accordingly, we affirm the judgment to the extent that it granted relief to Itar-Tass, we reverse to the extent that the judgment granted relief to the other plaintiffs, and we remand for further proceedings. No costs.

Bridgeman Art Library Ltd. v. Corel Corp., 25 F. Supp. 2d 421 (S.D.N.Y. 1998)

LEWIS A. KAPLAN, *District Judge*.

Plaintiff The Bridgeman Art Library, Ltd. ("Bridgeman") claims to have exclusive rights in photographic transparencies of a substantial number of well known works of art located in museums around the world and to have transformed those transparencies into digital images in which it also claims exclusive

rights. It contends that defendant Corel Corporation (“Corel”) is marketing in the United States and abroad compact disks containing digital images of a significant number of the same works of art which, Bridgeman claims, must have been copied from its transparencies and that Corel thus is infringing its copyrights in the United States, the United Kingdom and Canada. It claims as well that Corel’s actions violated Sections 32(1) and 43(a) of the Lanham Act and are actionable at common law. The matter now is before the Court on Corel’s motion for summary judgment dismissing the complaint and Bridgeman’s cross-motion for partial summary judgment.

Facts

Bridgeman

Bridgeman is an English company which has an office in New York. It is in the business of acquiring rights to market reproductions of public domain works of art owned by museums and other collections which it obtains either from the owners of the underlying works of art or freelance photographers it hires. Bridgeman maintains a library of those reproductions in the form of large format color transparencies and digital files. Additionally, Bridgeman attaches a color correction strip to each transparency to ensure that the image is a genuine reflection of the original work as it existed in the circumstances in which it was photographed.

Bridgeman distributes its images as transparencies and as digital files on CD-ROM. The high resolution transparencies are made available to clients through licensing arrangements, while the low resolution CD-ROM images generally are provided to Bridgeman’s clients without charge as a digital catalog of available transparencies.

Corel

Corel is a Canadian corporation engaged chiefly in the creation and marketing of computer software products. Among Corel’s products is a set of seven CD-ROMs known as “Corel Professional Photos CD-ROM Masters I-VII” (“Masters CD-ROM”). This product contains seven hundred digital reproductions of well known paintings by European masters. Corel maintains that it obtained the images for its Masters CD-ROM from 35 millimeter slides owned by OWI. Corel claims that it was told that the slides were created from lithograph images owned by OWI’s president, Richard Friedman.

Bridgeman’s Claim

Bridgeman here claims that Corel has infringed its rights in approximately 120 of its images. Its theory is that (1) the owners of the underlying works of art, all of which it concedes are in the public domain, strictly limit access to those works, (2) Bridgeman’s transparencies of those works, from which it prepared its digital images and presumably other reproductions, are “the only authorized transparencies of some of these works of art,” and (3) “by inference and logical conclusion, the images in Corel’s CD-ROMs must be copies of Bridgeman’s transparencies because they have not proved legal [sic] source.” The alleged infringements are said to have occurred in the United States, Canada and Great Britain.

Bridgeman contends that it enjoys copyright in the allegedly infringed transparencies on a number of theories. First, in 1997, after the dispute with Corel arose, Bridgeman obtained from the Register of Copyrights a certificate of registration for a derivative work entitled *Old World Masters I*, which consists of digital images and transparencies of all or substantially all of the reproductions allegedly infringed by Corel. Second, it contends that its transparencies enjoy copyright protection under the laws of the United Kingdom and Canada as well as the Convention for the Protection of Literary and Artistic Works, popularly known as the Berne Convention.

Discussion

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To establish copyright infringement under the Copyright Act of 1976, a plaintiff must establish ownership of a valid copyright and copying. Corel contests both elements, alleging that Bridgeman has no valid copyright in its images and, in the alternative, that there is no evidence of copying. The Court therefore addresses each element in turn. A threshold matter, however, is the applicable choice of law for these questions.

1. Choice of Law

Bridgeman argues that its rights are to be determined entirely under British law on the theory that the copying and initial infringement occurred in England. The matter is not quite that simple. In view of the United States' accession to the Berne Convention and the Universal Copyright Convention ("UCC"), a foreign national such as Bridgeman may seek copyright protection under the Copyright Act although the source of its rights lies abroad. The Nimmers suggest that, under the Berne Convention's principle of national treatment, the law of the country of the alleged infringement controls. The Second Circuit disagrees. The Circuit recently held that the principle of national treatment does not express any choice of law rule. It "simply requires that the country in which protection is claimed must treat foreign and domestic authors alike."

The next question, of course, is how to choose the applicable law. *Itar-Tass* says that the Berne Convention itself cannot be the source of law because it is not self-executing. And since the Copyright Act has no choice of law provision, the matter is left to federal common law. In consequence, the applicable law is not necessarily the same for each element of the copyright claim. The Court therefore must determine which law governs copyrightability and the alleged infringements.

As copyright is a form of property, the Court determines the interests of the parties based on "the law of the state with 'the most significant relationship' to the property and the parties." According to *Itar-Tass*, relevant factors include the nationality of the authors, the place of initial publication, and the country of origin as determined under the Berne Convention.

At issue here are nearly 120 photographs produced either by the museums owning the original works of art or by freelance photographers employed by Bridgeman, which is based in the United Kingdom. Many of the underlying works are in Britain. Bridgeman claims to own any literary property in all the photographs although the record arguably supports the view that Bridgeman in some instances is merely an exclusive licensing and sales agent for reproductions owned by the museums that own the original works of art. In any case, however, the photographs first were published in the United Kingdom. In these circumstances, the Court concludes that the United Kingdom has the most significant relationship to the issue of copyrightability.

The applicable law for the second element of the copyright claim is simply that of the infringement situs. Thus, whether an infringement has occurred in the United States is a matter of United States law.

Subafilms, Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088 (9th Cir. 1994) (en banc)

D.W. NELSON, Circuit Judge:

In this case, we consider the "vexing question" of whether a claim for infringement can be brought under the Copyright Act when the assertedly infringing conduct consists solely of the authorization within the territorial boundaries of the United States of acts that occur entirely abroad. We hold that such allegations do not state a claim for relief under the copyright laws of the United States.

Factual and Procedural Background

In 1966, the musical group The Beatles, through Subafilms, Ltd., entered into a joint venture with the Hearst Corporation to produce the animated motion picture entitled "Yellow Submarine" (the "Picture").

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Over the next year, Hearst, acting on behalf of the joint venture (the “Producer”), negotiated an agreement with United Artists Corporation (“UA”) to distribute and finance the film. Separate distribution and financing agreements were entered into in May, 1967. Pursuant to these agreements, UA distributed the Picture in theaters beginning in 1968 and later on television.

In the early 1980s, with the advent of the home video market, UA entered into several licensing agreements to distribute a number of its films on videocassette. Although one company expressed interest in the Picture, UA refused to license “Yellow Submarine” because of uncertainty over whether home video rights had been granted by the 1967 agreements. Subsequently, in 1987, UA’s successor company, MGM/UA Communications Co. (“MGM/UA”), over the Producer’s objections, authorized its subsidiary MGM/UA Home Video, Inc. to distribute the Picture for the domestic home video market, and, pursuant to an earlier licensing agreement, notified Warner Bros., Inc. (“Warner”) that the Picture had been cleared for international videocassette distribution. Warner, through its wholly owned subsidiary, Warner Home Video, Inc., in turn entered into agreements with third parties for distribution of the Picture on videocassette around the world.

In 1988, Subafilms and Hearst (“Appellees”) brought suit against MGM/UA, Warner, and their respective subsidiaries (collectively the “Distributors” or “Appellants”), contending that the videocassette distribution of the Picture, both foreign and domestic, constituted copyright infringement and a breach of the 1967 agreements. The case was tried before a retired California Superior Court Judge acting as a special master. The special master found for Appellees on both claims, and against the Distributors on their counterclaim for fraud and reformation. Except for the award of prejudgment interest, which it reversed, the district court adopted all of the special master’s factual findings and legal conclusions. Appellees were awarded \$2,228,000.00 in compensatory damages, split evenly between the foreign and domestic home video distributions. In addition, Appellees received attorneys’ fees and a permanent injunction that prohibited the Distributors from engaging in, or authorizing, any home video use of the Picture.

A panel of this circuit, in an unpublished disposition, affirmed the district court’s judgment on the ground that both the domestic and foreign distribution of the Picture constituted infringement under the Copyright Act. With respect to the foreign distribution of the Picture, the panel concluded that it was bound by this court’s prior decision in *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, which it held to stand for the proposition that, although “infringing actions that take place entirely outside the United States are not actionable” [under the Copyright Act, an] ‘act of infringement within the United States’ [properly is] alleged where the illegal *authorization* of international exhibitions *takes place in the United States*”. Because the Distributors had admitted that the initial authorization to distribute the Picture internationally occurred within the United States, the panel affirmed the district court’s holding with respect to liability for extraterritorial home video distribution of the Picture.

We granted Appellants’ petition for rehearing en banc to consider whether the panel’s interpretation of *Peter Starr* conflicted with our subsequent decision in *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, which held that there could be no liability for authorizing a party to engage in an infringing act when the authorized “party’s use of the work would not violate the Copyright Act”. Because we 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 overrule *Peter Starr* insofar as it held that allegations of an authorization within the United States of infringing acts that take place entirely abroad state a claim for infringement under the Act. Accordingly, we vacate the panel’s decision in part and return the case to the panel for further proceedings.

Discussion

I. The Mere Authorization of Extraterritorial Acts of Infringement does not State a Claim under the Copyright Act

As the panel in this case correctly concluded, *Peter Starr* held that the authorization within the United States of entirely extraterritorial acts stated a cause of action under the “plain language” of the Copyright Act. Observing that the Copyright Act grants a copyright owner “the *exclusive rights* to do and to *authorize*” any of the activities listed in 17 U.S.C. § 106(1)-(5), and that a violation of the “authorization” right constitutes infringement under section 501 of the Act, the *Peter Starr* court reasoned that allegations of an authorization within the United States of extraterritorial conduct that corresponded to the activities listed in section 106 “alleged an act of infringement within the United States”. Accordingly, the court determined that the district court erred “in concluding that ‘Plaintiff alleged only infringing acts which took place outside of the United States,’” and reversed the district court’s dismissal for lack of subject matter jurisdiction.

The *Peter Starr* court accepted, as does this court, that the acts *authorized* from within the United States themselves could not have constituted infringement under the Copyright Act because “in general, United States copyright laws do not have extraterritorial effect,” and therefore, “infringing actions that take place entirely outside the United States are not actionable.” The central premise of the *Peter Starr* court, then, was that a party could be held liable as an “infringer” under section 501 of the Act merely for authorizing a third party to engage in acts that, had they been committed *within* the United States, would have violated the exclusive rights granted to a copyright holder by section 106.

Since *Peter Starr*, however, we have recognized that, when a party authorizes an activity *not* proscribed by one of the five section 106 clauses, the authorizing party cannot be held liable as an infringer. In *Lewis Galoob*, we rejected the argument that “a party can unlawfully authorize another party to use a copyrighted work even if that party’s use of the work would not violate the Copyright Act,” and approved of Professor Nimmer’s statement that “‘to the extent that an activity does not violate one of the five enumerated rights [found in 17 U.S.C. § 106], authorizing such activity does not constitute copyright infringement’”. Similarly, in *Columbia Pictures*, we held that no liability attached under the Copyright Act for providing videodisc players to hotel guests when the use of that equipment did not constitute a “public” performance within the meaning of section 106 of the Act.

The apparent premise of *Lewis Galoob* was 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. We agree.

Contributory infringement under the 1909 Act developed as a form of third party liability. Accordingly, there could be no liability for contributory infringement unless the authorized or otherwise encouraged activity itself could amount to infringement. Indeed, the Supreme Court in *Sony Corp. of Am. v. Universal City Studios, Inc.*, although expressly noting that it addressed an extraordinary claim of vicarious or contributory infringement under the 1976 Act for which there was “no precedent in the law of copyright,” inquired whether the machines sold by Sony ultimately were capable of a “substantial *noninfringing* use[]”.

As the Supreme Court noted in *Sony*, and this circuit acknowledged in *Peter Starr*, under the 1909 Act courts differed over the *degree* of involvement required to render a party liable as a contributory infringer. Viewed with this background in mind, the addition of the words “to authorize” in the 1976 Act appears best understood as merely clarifying that the Act contemplates liability for contributory infringement, and that the bare act of “authorization” can suffice. This view is supported by the legislative history of the Act:

The exclusive rights accorded to a copyright owner under section 106 are “to do and to authorize” any of the activities specified in the five numbered clauses. *Use of the phrase “to*

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authorize” is intended to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.

Consequently, we believe that “to authorize” was simply a convenient peg on which Congress chose to hang the antecedent jurisprudence of third party liability.”

Although the *Peter Starr* court recognized that the addition of the authorization right in the 1976 Act “was intended to remove the confusion surrounding contributory . . . infringement,” it did not consider the applicability of an essential attribute of the doctrine identified above: that contributory infringement, even when triggered solely by an “authorization,” is a form of third party liability that requires the authorized acts to constitute infringing ones. We believe that the *Peter Starr* court erred in not applying this principle to the authorization of acts that cannot themselves be infringing because they take place entirely abroad. As Professor Nimmer has observed:

Accepting the proposition that a direct infringement is a prerequisite to third party liability, the further question arises whether the direct infringement on which liability is premised must take place within the United States. Given the undisputed axiom that United States copyright law has no extraterritorial application, it would seem to follow necessarily that a primary activity outside the boundaries of the United States, not constituting an infringement cognizable under the Copyright Act, cannot serve as the basis for holding liable under the Copyright Act one who is merely related to that activity within the United States.

Appellees resist the force of this logic, and argue that liability in this case is appropriate because, unlike in *Lewis Galoob* and *Columbia Pictures*, in which the alleged primary infringement consisted of acts that were entirely outside the purview of 17 U.S.C. § 106(1)-(5) (and presumably lawful), the conduct authorized in this case was precisely that prohibited by section 106, and is only uncognizable because it occurred outside the United States. Moreover, they contend that the conduct authorized in this case would have been prohibited under the copyright laws of virtually every nation.

Even assuming *arguendo* that the acts authorized in this case would have been illegal abroad, we do not believe the distinction offered by Appellees is a relevant one. Because the copyright laws do not apply extraterritorially, each of the rights conferred under the five section 106 categories must be read as extending “no farther than the [United States’] borders.” In light of our above conclusion that the “authorization” right refers to the doctrine of contributory infringement, which requires that the authorized act *itself* could violate one of the exclusive rights listed in section 106(1)-(5), we believe that “it is simply not possible to draw a principled distinction” between an act that does not violate a copyright because it is not the type of conduct proscribed by section 106, and one that does not violate section 106 because the illicit act occurs overseas. In both cases, the authorized conduct could not violate the exclusive rights guaranteed by section 106. In both cases, therefore, there can be no liability for “authorizing” such conduct.

To hold otherwise would produce the untenable anomaly, inconsistent with the general principles of third party liability, that a party could be held liable as an infringer for violating the “authorization” right when the party that it authorized could not be considered an infringer under the Copyright Act. Put otherwise, we do not think Congress intended to hold a party liable for *merely* “authorizing” conduct that, had the *authorizing* party chosen to engage in itself, would have resulted in no liability under the Act.

Appellees rely heavily on the Second Circuit’s doctrine that extraterritorial application of the copyright laws is permissible “when the type of infringement permits further reproduction abroad.” Whatever the merits of the Second Circuit’s rule, and we express no opinion on its validity in this circuit, it is premised on the theory that the copyright holder may recover damages that stem from a direct infringement of its exclusive rights that occurs *within* the United States. In these cases, liability is not based on contributory infringement, but on the theory that the infringing use would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place. These cases, therefore, simply are inapplicable to a theory of liability based merely on the authorization of noninfringing acts.

Accordingly, accepting that wholly extraterritorial acts of infringement cannot support a claim under the Copyright Act, we believe that the *Peter Starr* court, and thus the panel in this case, erred in concluding that the mere authorization of such acts supports a claim for infringement under the Act.

II. The Extraterritoriality of the Copyright Act

Appellees additionally contend that, if liability for “authorizing” acts of infringement depends on finding that the authorized acts themselves are cognizable under the Copyright Act, this court should find that the United States copyright laws *do extend* to extraterritorial acts of infringement when such acts “result in adverse effects within the United States.” Appellees buttress this argument with the contention that failure to apply the copyright laws extraterritorially in this case will have a disastrous effect on the American film industry, and that other remedies, such as suits in foreign jurisdictions or the application of foreign copyright laws by American courts, are not realistic alternatives.

We are not persuaded by Appellees’ parade of horrors. More fundamentally, however, we are unwilling to overturn over eighty years of consistent jurisprudence on the extraterritorial reach of the copyright laws without further guidance from Congress.

The Supreme Court recently reminded us that “it 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.’” “Because courts must ‘assume that Congress legislates against the backdrop of the presumption against extraterritoriality,’ unless ‘there is ‘the affirmative intention of the Congress clearly expressed’” congressional enactments must be presumed to be “‘primarily concerned with domestic conditions.’”

The “undisputed axiom” that the United States’ copyright laws have no application to extraterritorial infringement predates the 1909 Act, and, as discussed above, the principle of territoriality consistently has been reaffirmed. There is no clear expression of congressional intent in either the 1976 Act or other relevant enactments to alter the preexisting extraterritoriality doctrine. Indeed, the *Peter Starr* court itself recognized the continuing application of the principle that “infringing actions that take place entirely outside the United States are not actionable in United States federal courts.”

Furthermore, we note that Congress chose in 1976 to expand one specific “extraterritorial” application of the Act by declaring that the unauthorized importation of copyrighted works constitutes infringement even when the copies lawfully were made abroad. Had Congress been inclined to overturn the preexisting doctrine that infringing acts that take place wholly outside the United States are not actionable under the Copyright Act, it knew how to do so. Accordingly, the presumption against extraterritoriality, “far from being overcome here, is doubly fortified by the language of [the] statute,” as set against its consistent historical interpretation.

Appellees, however, rely on dicta in a recent decision of the District of Columbia Circuit for the proposition that the presumption against extraterritorial application of U.S. laws may be “overcome” when denying such application would “result in adverse effects within the United States.” However, the *Massey* court did not state that extraterritoriality would be *demanded* in such circumstances, but that “the *presumption* is *generally not applied* where the failure to extend the scope of the statute to a foreign setting will result in adverse [domestic] effects.” In each of the statutory schemes discussed by the *Massey* court, the ultimate touchstone of extraterritoriality consisted of an ascertainment of congressional intent; courts did not rest *solely* on the consequences of a failure to give a statutory scheme extraterritorial application. More importantly, as the *Massey* court conceded, application of the presumption is particularly appropriate when “it serves to protect against unintended clashes between our laws and those of other nations which could result in international discord”.

We believe this latter factor is decisive in the case of the Copyright Act, and fully justifies application of the *Aramco* presumption even assuming *arguendo* that “adverse effects” within the United States “generally” would require a plenary inquiry into congressional intent. At the time that the

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international distribution of the videocassettes in this case took place, the United States was a member of the Universal Copyright Convention (“UCC”), and, in 1988, the United States acceded to the Berne Convention for the Protection of Literary and Artistic Works (“Berne Conv.”). The central thrust of these multilateral treaties is the principle of “national treatment.” A work of an American national first generated in America will receive the same protection in a foreign nation as that country accords to the works of its own nationals. Although the treaties do not expressly discuss choice-of-law rules, it is commonly acknowledged that the national treatment principle implicates a rule of territoriality. Indeed, a recognition of this principle appears implicit in Congress’s statements in acceding to Berne that “the primary mechanism for discouraging discriminatory treatment of foreign copyright claimants is the principle of national treatment,” and that adherence to Berne will require “careful due regard for the[] values” of other member nations.

In light of the *Aramco* Court’s concern with preventing international discord, we think it inappropriate for the courts to act in a manner that might disrupt Congress’s efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent. The application of American copyright law to acts of infringement that occur entirely overseas clearly could have this effect. 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’s objective of achieving “‘effective and harmonious’ copyright laws among all nations.” Indeed, it might well send the signal that the United States does not believe that the protection accorded by the laws of other member nations is adequate, which would undermine two other objectives of Congress in joining the convention: “strengthening the credibility of the U.S. position in trade negotiations with countries where piracy is not uncommon” and “raising the likelihood that other nations will enter the Convention.”

Moreover, although Appellees contend otherwise, we note that their theory might permit the application of American law to the distribution of protected materials in a foreign country conducted exclusively by citizens of that nation. A similar possibility was deemed sufficient in *Aramco* to find a provision that, on its face, appeared to contemplate that Title VII would be applied overseas, insufficient to rebut the presumption against extraterritoriality. Of course, under the Berne Convention, all states must guarantee minimum rights, and it is plausible that the application of American law would yield outcomes roughly equivalent to those called for by the application of foreign law in a number of instances. Nonetheless, extending the reach of American copyright law likely would produce difficult choice-of-law problems, dilemmas that the federal courts’ general adherence to the territoriality principle largely has obviated. Even if courts, as a matter of comity, would assert extraterritorial jurisdiction only when the effects in the United States and the contacts of the offending party with this country are particularly strong, that the assertion of such jurisdiction would engender new and troublesome choice-of-law questions provides a compelling reason for applying the *Aramco* presumption.

Accordingly, because 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, we conclude that the *Aramco* presumption must be applied. Because the presumption has not been overcome, we reaffirm that the United States copyright laws do not reach acts of infringement that take place entirely abroad. It is for Congress, and not the courts, to take the initiative in this field.

....

Conclusion

We hold that the mere authorization of acts of infringement that are not cognizable under the United States copyright laws because they occur entirely outside of the United States does not state a claim for infringement under the Copyright Act. *Peter Starr* is overruled insofar as it held to the contrary.

Accordingly, we vacate Part III of the panel's disposition, in which it concluded that the international distribution of the film constituted a violation of the United States copyright laws. We also vacate that portion of the disposition that affirmed the damage award based on foreign distribution of the film and the panel's affirmance of the award of attorneys' fees. Finally, we vacate the district court's grant of injunctive relief insofar as it was based on the premise that the Distributors had violated the United States copyright laws through authorization of the foreign distribution of the Picture on videocassettes.

The cause is remanded to the panel for further proceedings consistent with the mandate of this court.
Vacated in Part and Remanded.

Boosey & Hawkes Music Pubs. v. The Walt Disney Co. 145 F.3d 481 (2d Cir. 1998)

LEVAL, Circuit Judge:

Boosey & Hawkes Music Publishers Ltd., an English corporation and the assignee of Igor Stravinsky's copyrights for "The Rite of Spring," brought this action alleging that the Walt Disney Company's foreign distribution in video cassette and laser disc format ("video format") of the film "Fantasia," featuring Stravinsky's work, infringed Boosey's rights. In 1939 Stravinsky licensed Disney's distribution of The Rite of Spring in the motion picture. Boosey, which acquired Stravinsky's copyright in 1947, contends that the license does not authorize distribution in video format.

The district court (Duffy, J.) granted partial summary judgment to Boosey, declaring that Disney's video format release was not authorized by the license agreement. Disney appeals from that ruling. The court granted partial summary judgment to Disney, dismissing Boosey's claims for breach of contract and violation of § 43(a) of the Lanham Act; the court also dismissed Boosey's foreign copyright claims under the doctrine of forum non conveniens. Boosey appeals from these rulings.

We hold that summary judgment was properly granted to Disney with respect to Boosey's Lanham Act claims, but that material issues of fact barred the other grants of summary judgment. We also reverse the order dismissing for forum non conveniens.

Accordingly, we remand all but the Lanham Act claim for trial.

I. BACKGROUND

During 1938, Disney sought Stravinsky's authorization to use The Rite of Spring (sometimes referred to as the "work" or the "composition") throughout the world in a motion picture. Because under United States law the work was in the public domain, Disney needed no authorization to record or distribute it in this country, but permission was required for distribution in countries where Stravinsky enjoyed copyright protection. In January 1939 the parties executed an agreement (the "1939 Agreement") giving Disney rights to use the work in a motion picture in consideration of a fee to Stravinsky of \$6000.

The 1939 Agreement provided that

In consideration of the sum of Six Thousand (\$6,000.) Dollars, receipt of which is hereby acknowledged, [Stravinsky] does hereby give and grant unto Walt Disney Enterprises, a California corporation . . . the nonexclusive, irrevocable right, license, privilege and authority to record in any manner, medium or form, and to license the performance of, the musical composition hereinbelow set out . . .

Under "type of use" in P 3, the Agreement specified that

The music of said musical composition may be used in one motion picture throughout the length thereof or through such portion or portions thereof as the Purchaser shall desire. The said music may be used in whole or in part and may be adapted, changed, added to or

subtracted from, all as shall appear desirable to the Purchaser in its uncontrolled discretion. . . . The title “Rites of Spring” or “Le Sacre de Printemps”, or any other title, may be used as the title of said motion picture and the name of [Stravinsky] may be announced in or in connection with said motion picture.

The Agreement went on to specify in P 4 that Disney’s license to the work “is limited to the use of the musical composition in synchronism or timed-relation with the motion picture.”

Paragraph Five of the Agreement provided that

The right to record the musical composition as covered by this agreement is conditioned upon the performance of the musical work in theatres having valid licenses from the American Society of Composers, Authors and Publishers, or any other performing rights society having jurisdiction in the territory in which the said musical composition is performed.

We refer to this clause, which is of importance to the litigation, as “the ASCAP Condition.”

Finally, P 7 of the Agreement provided that “the licensor reserves to himself all rights and uses in and to the said musical composition not herein specifically granted” (the “reservation clause”).

Disney released *Fantasia*, starring Mickey Mouse, in 1940. The film contains no dialogue. It matches a pantomime of animated beasts and fantastic creatures to passages of great classical music, creating what critics celebrated as a “partnership between fine music and animated film.” The soundtrack uses compositions of Bach, Beethoven, Dukas, Schubert, Tchaikovsky, and Stravinsky, all performed by the Philadelphia Orchestra under the direction of Leopold Stokowski. As it appears in the film soundtrack, *The Rite of Spring* was shortened from its original 34 minutes to about 22.5; sections of the score were cut, while other sections were reordered. For more than five decades Disney exhibited *The Rite of Spring* in *Fantasia* under the 1939 license. The film has been re-released for theatrical distribution at least seven times since 1940, and although *Fantasia* has never appeared on television in its entirety, excerpts including portions of *The Rite of Spring* have been televised occasionally over the years. Neither Stravinsky nor Boosey has ever previously objected to any of the distributions.

In 1991 Disney first released *Fantasia* in video format. The video has been sold in foreign countries, as well as in the United States. To date, the *Fantasia* video release has generated more than \$360 million in gross revenue for Disney.

Boosey brought this action in February 1993. The complaint sought (1) a declaration that the 1939 Agreement did not include a grant of rights to Disney to use the Stravinsky work in video format; (2) damages for copyright infringement in at least 18 foreign countries; (3) damages under the Lanham Act for false designation of origin and misrepresentation by reason of Disney’s alteration of Stravinsky’s work; (4) damages for breach of contract, alleging that the video format release breached the 1939 Agreement; and (5) damages for unjust enrichment.

On cross-motions for summary judgment the district court made the rulings described above. In determining that the license did not cover the distribution of a video format, the district court found that while the broad language of the license gave Disney “the right to record [the work] on video tape and laser disc,” the ASCAP Condition “prevents Disney from distributing video tapes or laser discs directly to consumers.” The court therefore concluded that Disney’s video format sales exceeded the scope of the license.

However, as noted, the district court invoked *forum non conveniens* to dismiss all of Boosey’s claims of copyright infringement because they involved the application of foreign law. The court dismissed Boosey’s claim for damages under the Lanham Act because of plaintiff’s failure to introduce evidence of actual consumer confusion, and dismissed Boosey’s breach of contract claim, finding that Disney had discharged its only contracted obligation, which was to pay Stravinsky \$6000.

The decision below thus declared Disney an infringer, but granted Boosey no relief, leaving it to sue in the various countries under whose copyright laws it claims infringement. This appeal followed.

II. DISCUSSION

We confront four questions on appeal. Disney challenges the summary judgment which declared that the 1939 Agreement does not authorize video distribution of *The Rite of Spring*. Boosey appeals three other rulings: the dismissal for forum non conveniens, and the grants of summary judgment on the claims for damages for violation of the Lanham Act and breach of contract.

....

b. Foreign Copyright Claims. Invoking the doctrine of forum non conveniens, the district court dismissed Boosey's second cause of action, which sought damages for copyright infringement deriving from Disney's sales of videocassettes of *Fantasia* in at least eighteen foreign countries. The court below concluded that these claims should be tried "in each of the nations whose copyright laws are invoked." Boosey appeals, seeking remand to the district court for trial.

District courts enjoy broad discretion to decide whether to dismiss an action under the doctrine of forum non conveniens. Nevertheless, this discretion is subject to "meaningful appellate review." A dismissal for forum non conveniens will be upset on appeal where a defendant has failed to demonstrate that "an adequate alternative forum exists" and that "the balance of convenience tilts strongly in favor of trial in the foreign forum."

We recently explained that a motion to dismiss under forum non conveniens is decided in two steps. The district court first must determine whether there exists an alternative forum with jurisdiction to hear the case. If so, the court then weighs the factors set out in *Gilbert* to decide which "forum . . . will be most convenient and will best serve the ends of justice."

The district court failed to consider whether there were alternative fora capable of adjudicating Boosey's copyright claims. It made no determination whether Disney was subject to jurisdiction in the various countries where the court anticipated that trial would occur and did not condition dismissal on Disney's consent to jurisdiction in those nations.

Furthermore, consideration of the *Gilbert* factors makes plain that forum non conveniens is inappropriate here. The district court must carefully weigh the private and public interests set forth in *Gilbert* and may grant the forum non conveniens motion only if these considerations strongly support dismissal. Relevant private interests of the litigants include access to proof, availability of witnesses and "all other practical problems that make trial of a case easy, expeditious and inexpensive."

The private interests of the litigants favor conducting the litigation in New York where the plaintiff brought suit. Disney does not allege that a New York forum is inconvenient. The necessary evidence and witnesses are available and ready for presentation. A trial here promises to begin and end sooner than elsewhere, and would allow the parties to sort out their rights and obligations in a single proceeding. This is not a circumstance where the plaintiff's choice of forum is motivated by harassment. Indeed, it seems rather more likely that Disney's motion seeks to split the suit into 18 parts in 18 nations, complicate the suit, delay it, and render it more expensive.

In dismissing the cases, the court relied on the "public interests" identified in *Gilbert*. It reasoned that the trial would require extensive application of foreign copyright and antitrust jurisprudence, bodies of law involving strong national interests best litigated "in their respective countries." The court concluded as well that these necessary inquiries into foreign law would place an undue burden on our judicial system."

While reluctance to apply foreign law is a valid factor favoring dismissal under *Gilbert*, standing alone it does not justify dismissal. District courts must weigh this factor along with the other relevant considerations. Numerous countervailing considerations suggest that New York venue is proper: defendant is a U.S. corporation, the 1939 agreement was substantially negotiated and signed in New York, and the agreement is governed by New York law. The plaintiff has chosen New York and the trial is ready to proceed here. Everything before us suggests that trial would be more "easy, expeditious and inexpensive" in

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the district court than dispersed to 18 foreign nations. We therefore vacate the dismissal of the foreign copyright claims and remand for trial.