

## Seeking Damages For Extraterritorial Copyright Infringement

by

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In today's global market, injury for copyright infringement will often transcend national boundaries. As a result, copyright litigators must understand the territorial limits on copyright protection. Although the U.S. Copyright Laws do not have extraterritorial application, the copyright holder may still recover damages for extraterritorial injury when at least one act of infringement is completed within the United States. Two recent decisions address the extraterritorial reach of the Copyright Act and help illustrate these black letter principles.

### L.A. News

Los Angeles News Service v. Reuters Television International Limited, 1998 U.S. App. LEXIS 15767 (9th Cir. 1998), involved infringement of the copyright in videotapes of the Reginald Denny beating in Los Angeles. When the plaintiffs broadcast the video, the defendants made a copy and transmitted it to subscribers in Europe and Africa. The district court granted summary judgement dismissing the claims for damages based on the extraterritorial use of the video, finding that "any damages arising extraterritorially are the result of extraterritorial infringement."

On appeal, the Court recognized that the established rule - that the Copyright Act does not apply extraterritorially - was limited by a key exception - that the Act applies if there is one complete domestic act of infringement. The question becomes this: May the copyright holder recover damages for international distribution when a predicate act of infringement occurred in the United States? The Court found this to be a question of first impression for the Ninth Circuit, and relied on Second Circuit precedent for guidance.

In the classic case of Sheldon v. Metro-Goldwyn Pictures Corp., 106 F.2d 45 (2d Cir. 1939), Learned Hand held that a plaintiff could recover profits from foreign film exhibition if the infringing copy had been made in the United States. Hand's theory was one of constructive trust. Once the infringing copy was made in the United States, Hand felt the plaintiff possessed an equitable interest in the copy and was entitled to all profits made from it, whether earned in the United States or abroad.

In the L.A. News case, the predicate act of infringement in the United States occurred when the defendant made a copy of the video in the United States, enabling exploitation abroad via satellite transmission. When the acts of infringement occur entirely abroad, the extraterritorial limit applies and result in no relief. See Subafilms, Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088 (9th Cir. 1994). But because the L.A. News infringement occurred in the United States, the plaintiff was entitled to recover all consequential damages, whether arising within or without the United States.

#### Quantitative Financial

Within days of the L.A. News decision, the Southern District of New York addressed another angle of the extraterritorial enforcement question. The plaintiff in Quantitative Financial Software, Ltd. v. Infinity Financial Technology, Inc., 1998 U.S. Dist. LEXIS 11575 (S.D.N.Y. 1998), an Israeli corporation, relied on the Berne Convention to assert copyrights in software against a New York corporation for acts of infringement occurring outside the United States.

The Court noted that jurisdiction over extraterritorial acts required some act within the United States that infringed the Copyright Act.

In response, the plaintiff relied on three domestic acts: (1) the infringement involved a contract entered in the United States; (2) only defendant's U.S. personnel had the ability to create the infringement; and (3) the infringing software was used by foreign companies to execute transactions in

the United States.

None of these facts satisfied the plaintiff's obligation to show a predicate act of infringement within the United States. As a result, the Court dismissed the action for lack of subject matter jurisdiction.

The plaintiff apparently also argued that Berne Convention Implementation Act should confer subject matter jurisdiction over actions for copyright infringement outside the United States. The Court rejected this position, noting that the Implementation Act specifically provides that actions may only be brought under the Copyright Act, or other applicable domestic laws, and not directly under the Berne Convention itself. Thus, U.S. implementation of the Berne Convention does not eliminate the requirement under U.S. law for a predicate act of infringement inside the United States.

#### Lesson for Litigators

Several lessons can be learned from these cases. If an act of infringement has occurred in the United States, do not limit your claim for damages to domestic sales. Foreign sales that directly resulted from the domestic infringement may be included in the damage calculation. Plan your pleadings, discovery and proofs accordingly. The failure to identify a complete act of infringement within the U.S. can be grounds for dismissal.