BEFORE THE
PATENT AND TRADEMARK OFFICE

Preliminary Draft Convention on the Recognition and Enforcement of Foreign Judgments Currently Being Negotiated at The Hague Conference on Private International Law	**Docket No. PTO–P–2016–0046**

COMMENTS OF THE COPYRIGHT ALLIANCE

The Copyright Alliance appreciates the opportunity to respond to the U.S. Patent and Trademark Office's (USPTO) request for comments on a *Preliminary Draft Convention on the Recognition and Enforcement of Foreign Judgments Currently Being Negotiated at the Hague Conference on Private International Law* as set forth in the Federal Register notice dated November 18, 2016.[1]

The Copyright Alliance is a non-profit, non-partisan public interest and educational organization representing the copyright interests of over 1.8 million individual creators and over 13,000 organizations in the United States, across the spectrum of copyright disciplines. The Copyright Alliance is dedicated to advocating policies that promote and preserve the value of copyright, and to protecting the rights of creators and innovators. The individual creators and organizations that we represent rely on copyright law to protect their creativity, efforts, and investments in the creation and distribution of new copyrighted works for the public to enjoy.

What unites these individuals and organizations is their reliance on the copyright law to protect their freedom to pursue a livelihood and career based on creativity and innovation and to protect their investment in the creation and dissemination of copyrighted works for the public to enjoy. The copyright law is critical not only to their success and prosperity, but also the short and long-term success of the U.S. economy.

Copyright is a critical factor in the contributions of U.S. creative industries to the economy and to jobs. According to the most recent *Copyright Industries in the U.S. Economy*

[1] 81 Fed. Reg. 81741 (Nov. 18, 2016).

report,[2] the core copyright industries added $1.2 trillion to the U.S. GDP and employed nearly 5.5 million men and women. From a global perspective, sales of U.S. recorded music, television, video and motion pictures, software, newspapers, books and periodicals in foreign markets amounted to $177 billion, which exceeds exports of major U.S. industries such as chemicals; aerospace; agricultural; electrical and pharmaceuticals.

These statistics establish that a strong copyright system that rewards creativity and discourages piracy—domestically and abroad—is essential to a healthy and vibrant economy. Thus, finding appropriate mechanisms for the protection of copyrighted materials is imperative for the well-being of the country. We believe that enforcement of U.S. judgments pertaining to copyright law in foreign jurisdictions may well assist with that goal. We support the present participation of the U.S. Government, and the USPTO in particular, in the discussions by the Hague Conference.

Before responding to the questions posed by the USPTO in the Federal Register notice, we raise a few threshold points that provide some context to our responses and may distinguish our responses from others the USPTO may receive.

First, in the context of the discussions about a possible treaty addressing the enforcement of judgments across borders, it is important to understand that, while copyright is a creature of national law, it is also shaped significantly by international norms and treaties. One such international norm ensures that copyright does not require registration in foreign countries in order to exist. Thus, unlike many other forms of intellectual property, which do require some type of formality before they can exist, copyright can exist as a result of a creative act, performance, production or broadcast in all territories that recognize these rights without the need for registration. As a result of this distinction, the benefits and risks associated with a possible treaty addressing the enforcement of judgments across borders will likely be different for copyright than for other forms of intellectual property. For this reason, we urge that these comments and other comments you receive from the copyright community be considered distinct from those received from other intellectual property communities and that they not be bundled together.

Second, the issues posed by the USPTO relating to this draft treaty are largely not issues of substantive copyright, but rather whether and when a court in one country will respect and enforce the judgment of a court in another country. Copyright creators—both large and small—find themselves as both plaintiffs and defendants in copyright matters. These are important considerations that we must take into account when responding to these questions and thus, important for the USPTO to understand when reviewing our responses to the questions.

Lastly, while the Copyright Alliance represents many individuals and organization whose interests in a potential treaty go beyond simply copyright issues, the Alliance only has authority to respond on matters relating to copyright. Thus, the scope of these comments only address copyright matters. While there certainly may be other non-copyright issues of concern with a potential treaty, to the extent those concerns exist, they are beyond the scope of these comments.

[2] Stephen Siwek, Int'l Intellectual Property Ass'n, Copyright Industries in the U.S. Economy: The 2016 Report (2016).

Responses to Questions

Experiences with the recognition and enforcement of foreign copyright judgments by US courts and US copyright judgments by foreign courts? (Questions 1, 3 and 11)

The judgments of foreign courts do not receive the benefit of the Full Faith and Credit Clause in Article IV of the U.S. Constitution or the corresponding federal statute.[3] Nor is there any general federal statute or treaty on foreign judgments recognition.[4] However, there are various state laws that provide for judgments to be enforced in the United States by U.S. courts. In some states these laws are found in statutes, but in others they be a matter of common law.

Most state laws relating to recognition of foreign judgments are generally uniform as they tend to follow some version of the 1895 U.S. Supreme Court decision in *Hilton v. Guyot*.[5] Many states, including California, have adopted the 1962 Uniform Foreign Money-Judgments Recognition Act and the 1964 Revised Uniform Enforcement of Foreign Judgments Act, both promulgated by the National Conference of Commissioners on Uniform State Laws, now known as the Uniform Law Commission.

Many Copyright Alliance members—especially the thousands of individual creators and smaller members we represent—have little or no experiences enforcing judgments across borders. The cost of litigation and other obstacles make it a challenge for these members to bring a lawsuit in the United States to enforce their rights under the copyright law. The fact that they might not only have to bring a successful litigation here in the United States but then also take on the added burden of trying to enforce that judgment in another country is too big a hurdle for virtually all of the Copyright Alliance individual creators and smaller businesses.

Some Copyright Alliance members, such as Performing Rights Organizations (PROs), have agreements with their foreign counterparts in other countries that authorize them to bring lawsuits on their behalf. The existence of these agreements largely means that the recognition and enforcement of copyright judgments across borders is usually a non-issue for those organizations and their members, as it relates to issues within their mandate.

Of those Copyright Alliance members that that do have experiences in this area, their experience has been that U.S. courts are fairly liberal in recognizing and enforcing foreign judgments. Once the party seeking recognition of a foreign judgment in a U.S. Court has established the judgment's existence, the burden usually is on the party opposing recognition to establish that the judgment should not be recognized and enforced. Unfortunately, our members'

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[3] *See* 28 U.S.C. § 1738 *and* Ronald A. Brand, Federal Judicial Center International Litigation Guide, Recognition and Enforcement of Foreign Judgments, 74 U. Pitt. L. Rev. 491 (2012).

[4] *Id.*

[5] *Id. at* 497, *quoting* 159 U.S. 113, 202-03 (1895) (comity requires "where there has been opportunity for a full and fair trial abroad before a court of competent jurisdiction, conducting the trial upon regular proceedings, after due citation or voluntary appearance of the defendant, and under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other countries, and there is nothing to show either prejudice in the court, or in the system of laws under which it was sitting, or fraud in procuring the judgment, or any other special reason why the comity of this nation should not allow it full effect, the merits of the case should not, in an action brought in this country upon the judgment, be tried afresh.").

experiences have also been that there has not been much reciprocity and that foreign courts generally do not recognize or enforce the copyright judgments of U.S. courts.

The benefits and risks of increasing the recognition and enforcement of foreign copyright judgments by U.S. courts through joining a multilateral treaty (Questions 2, 4 and 5)

There may be several benefits to U.S. copyright owners of increasing the recognition and enforcement of foreign copyright judgments by U.S. courts through joining a multilateral treaty. Most significantly, because U.S. courts have been more receptive to recognizing and enforcing foreign judgments but the inverse has not been true, U.S. rights holders might stand to benefit from increased reciprocity as envisioned by the draft Convention.

As noted above, while smaller creators usually lack ability and resources to take the steps necessary to enforce a U.S. judgment abroad, having a treaty that reduces barriers to enforcing U.S. judgments abroad could help reduce that burden and make foreign enforcement more feasible for these small creators than is presently the case.

The questions posed by the USPTO also ask about risks of increasing the recognition and enforcement of foreign copyright judgments by U.S. courts through joining a multilateral treaty. In the context of enforcement of copyright judgments, U.S. courts often recognize and enforce foreign copyright judgments, so our members are already subject to that eventuality. We therefore suggest that the question should be focused on what *additional* risks copyright owners face, if the proposed instrument alters the existing landscape.

One of these risks could be that U.S. right holders may be subjected to the enforcement of foreign copyright judgments from countries which apply a different standard of protection, which is out of step with international norms. To the extent that such additional risks may exist we should be able to reduce them to some extent by imposing certain conditions. Copyright laws are the subject of broad harmonization efforts, and the rationale for recognition of foreign judgments makes more sense where the Contracting Parties are part of broader efforts to harmonize copyright laws across borders. Certain international instruments, such as the Agreement on the Trade-Related Aspects of Intellectual Property (TRIPS), the Berne Convention for the Protection of Literary and Artistic Works, the WIPO Copyright Treaty (WCT), and WIPO Performances and Phonograms Treaty (WPPT), embody broad consensus on what copyright laws should protect (and, in some cases, not protect).[6] If a treaty were to ensure that a copyright judgment of any Contracting State shall only be recognized if that Contracting State is a member of certain international agreements that provide for internationally agreed levels of protection, such as those listed above, certain additional risks associated with the United States joining a multilateral treaty regarding the recognition and enforcement of foreign copyright judgments by U.S. courts would likely be minimized.

While the benefits for U.S. right holders may be limited, in sum, at this stage of the discussions by the Hague Conference we think that the potential benefits are significant enough that we do not want to see copyright law excluded from a potential agreement. We reserve the

[6] This list is meant to be illustrative only.

right to reevaluate and alter that view as the draft treaty language rounds into form over the coming months and years.

The impact of procedural and substantive law differences on enforcing copyright judgments across borders? (Questions 7, 8 and 10)

As noted in our answer to the previous question, the impact of substantive law differences can be reduced to some extent by ensuring that the judgment of any Contracting State only is recognized if that Contracting State is a member of certain established international instruments that reflect a broad consensus of the protections that should be afforded to copyright owners.

To reduce the potential impact due to differences in procedural law between Member States, a certain minimum standard of due process must be provided for in the treaty (on par with those contained in U.S. law). These minimum standards should ensure that parties are afforded an opportunity to be heard, given proper notice and provided other aspects i due process, as well as prevent a judge from acting capriciously or other abuses of process.

Our concerns are illustrated well by a comparison of the laws of the United States and Brazil. In the U.S., preliminary injunctive relief is "an extraordinary remedy."[7] Similarly, a permanent injunction must satisfy the Court's exacting test in *eBay v. MercExchange*.[8] Notice and an opportunity to be heard are key aspects of procedural fairness that must be satisfied in this process. In contrast, injunctive relief has historically been much easier to obtain in Brazil, where courts have been less concerned with notice and the opportunity to be heard. Trial courts have granted preliminary injunctions prior to service, and the burden has fallen on the defendant to have the injunction lifted.[9] Further, in a Supreme Court case in Brazil, each side plus *amici* are entitled to *ex parte* meetings with each of the eleven justices (similar opportunities are present in many other countries). This is not just foreign to U.S. concepts of due process, it creates opportunities for bribery and corruption that would be dangerous to import into U.S. law.

Declaratory judgments also present a particular concern that needs to be addressed in a treaty such as this. To the extent the treaty applies to declaratory judgments, it should ensure that they are not able to be used as a mechanism for applying substantive law extraterritorially. If this is not the case, a potential defendant could "forum shop" for a Contracting State with a weak copyright law to seek a declaratory judgment against a copyright owner, and then enforce that judgment in a U.S. Court to preclude an infringement action in the United States by the U.S. copyright owner. Given the territorial nature of copyright, the enforcement of a foreign judgment should not be a back door to prevent effective enforcement of U.S. rights holders interests.

[7] Winter v. Natural Resources Defense Council, 555 U.S. 7, 24 (2008).
[8] 547 U.S. 388 (2006).
[9] Brazil has tacitly acknowledged these deficiencies and has recently amended its code of civil procedure in an attempt to improve fairness. However, even under the new rules, injunctive relief will be more readily available in Brazil than the U.S.

Special digital/online considerations? (Question 14)

Digital goods and distribution models should not be distinguished in a treaty from other areas of business or excluded from a treaty. As new digital distribution technologies make it easier to infringe copyright across multiple borders, the ability to enforce U.S. judgments in foreign courts becomes more important.

The recent case of *Spanski Enters. Telewizja Polska S.A.*[10] brought under the U.S. Copyright Act before the D.C. District Court demonstrates this point. In this case, the plaintiff was a Canadian company that had an exclusive license to distribute 51 Polish television show episodes in North and South America. The defendant illegally stored the episodes on a server in Poland from which users of defendant's website could stream the programs. This relatively simple case shows just how easy it to have parties in multiple countries engaging in infringing acts across multiple borders while the copyright owner resides in a wholly different country. In instances like this, its important that courts of one country recognize the judgments of one another.

Article 2(2): Whether copyright judgments should be excluded where copyright issues are the object of the proceeding but one of the matters excluded in paragraph 2(1) of the convention arose as a preliminary matter (Question 16)

At this time we have no definitive answer to this question and will need to continue to reflect on this question as the other provisions of the convention start taking form.

On the one hand, the list of legal matters listed in paragraph 2(1) is recognized as being so divergent amongst countries (or, as in the United States, these dealt with at the individual state level) that these matters must be excluded from the treaty. A decision in one of these matters could have a significant adverse effect on the copyright decision itself. For example, a determination of who owns or inherits a copyright in accordance with the terms of a will (a matter included in the list in paragraph 2(1)) could be very different from one Contracting Party to another. These differing ownership determinations in turn could lead to differing copyright judgments from one Contracting Party to another.

On the other hand, as noted in our response to prior questions, foreign judgments are often already being recognized and enforced by U.S. courts so excluding them harms U.S. interests since there would be no reciprocity in these instances.

Given these countervailing concerns, the best solution may be to limit recognition of a copyright judgment to the extent its outcome was dependent on the adjudication of the excluded matter.

[10] Civ. Action No. 12-cv-957 (TSC), 2016 U.S. Dist. Lexis 166506 (D. D.C. Dec 2, 2016).

The scope of Article 5(1)(l) (Questions 23- 25)

It is not possible to answer these questions without more information. First, we would need to know how the term "copyright" is defined in the draft treaty. Different countries define "copyright" differently. Does the term, as used here, include neighboring rights? Moral rights? Vessel hull and integrated circuit protection? Resale royalties? We also need more clarity to better understand how the terms "subsistence" and "validity" are defined in the Convention and to what extent there may be overlap between these two terms. Once we understand how these terms are being defined in the context of this treaty we will be a better position to respond to the questions posed by the USPTO.

Further, U.S. courts tend to apply the law of the place of creation to questions of copyrightability, but the law of the place where the infringement occurred to questions of infringement.[11] The draft treaty seems to focus exclusively on the place of creation. This may not be an accurate reflection of the nature of copyright, as it pertains to inclusion in the treaty. More clarity is needed in these areas for us to be able to respond to the questions and to better understand the scope ad applicability of the draft treaty.

Lastly, we note that Article 5(1) enumerates numerous bases for recognition and enforcement of judgments and paragraph (l) represents only one such basis. Determining how each of the other bases might be applied in practice in a given copyright case is exceedingly difficult. We would therefore suggest that serious consideration be given to making paragraph (l) the exclusive basis for granting jurisdiction in copyright cases.

Remedies: Statutory damages, Court Costs and Attorneys Fees and Injunctive Relief (Questions 32 -36)

It is essential that parties are able to enforce U.S. judgments in cases where statutory damages were awarded. Statutory damages are a positive feature of copyright law, enabling meaningful remedies for creators and affording courts flexibility in a variety of situations. Particularly in copyright infringement cases, actual damages can be very difficult to prove. Moreover, even when actual damages can be proven, they are often less than the cost of detecting and investigating infringements.

Statutory damages are especially important to individual creators. The availability of statutory damages is often a threshold question for an individual creator deciding whether or not to pursue an infringement claim in federal court, given the extremely high costs involved.

Importantly in the context of the questions posed relating to Article 9 of the draft treaty, statutory damages are intended as a substitute for actual damages, primarily serving a compensatory and deterrent role, rather than punishment on top of ordinary damages.[12] A report by the Register of Copyrights during the revision effort that led to the Copyright Act of 1976 details the principles underlying statutory damages: assuring adequate compensation to a

[11] U.S. Copyright Office, Compendium of U.S. Copyright Office Practices § 102.6 (3d ed. 2014).
[12] *See, e.g.*, Feltner v Columbia Pictures Television, 523 US 340, 352 (1998) ("an award of statutory damages may serve purposes traditionally associated with legal relief, such as compensation and punishment").

copyright owner for her injury and deterring infringement.[13] As the report says, it is difficult to establish the value of a copyright and the loss caused by infringement. Many times the only direct loss that can be proven is the amount of a license. If awards were limited to this amount, it would invite infringement because the risk of loss to the infringer would be negligible. Just as inadequate would be an award solely of an infringer's profits, which may be impossible to compute or not an accurate measure of the copyright owner's injury.[14]

The USPTO can look to existing language in bilateral free trade agreements that the United States is a party to as a model for recognizing statutory damages in the Hague agreement. For example:

- US-Korea Free Trade Agreement, Article 18.10, Sec. 6: "Pre-established damages shall be in an amount sufficient to constitute a deterrent to future infringements and to compensate fully the right holder for the harm caused by an infringement."
- See also US-Panama Trade Promotion Agreement, Article 15.11, Sec. 8 "In civil judicial proceedings, each Party shall, at least with respect to civil judicial proceedings concerning copyright or related rights infringement and trademark counterfeiting, establish or maintain pre-established damages as an alternative to actual damages. Such pre-established damages shall be set out in domestic law and determined by the judicial authorities in an amount sufficient to compensate the right holder for the harm caused by the infringement and constitute a deterrent to future infringements."

As for injunctive relief, we do not have any comments presently, as the text of the draft convention does not make it clear whether and, if so, to what extent injunctive relief is intended to be covered by the draft convention. There does not appear to be any language in the draft that would exclude injunctions. Thus, we would be interesting in knowing the answer to whether it is anticipated that injunctive relief would be within the scope of this convention

With regard to Article 9, we have the following additional comments. In paragraph 9(1), we urge that "may be" be changed to "should be" since U.S. copyright law does not provide for the award of punitive damages, and the present language is too ambiguous. The draft treaty should also make clear that infringer's profits should be treated as "compensating for actual loss or harm." However, in the event that Article 9 is interpreted in a way that would exclude statutory damages and infringer's profit, then the present "may be" language should remain. The treatment of attorneys' fees and court costs under this paragraph is also unclear as presently drafted.

[13] William S. Strauss, U.S. Copyright Office, Studies on Copyright Law Revision Prepared for the Sen. Subcomm. on Patents, Trademarks, and Copyrights: The Damage Provisions of the Copyright Law 1 (1956).
[14] *See, e.g.*, Woolworth Co. v. Contemporary Arts, 344 U.S. 228, 233 (1952) (". . . a rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct. The discretion of the court is wide enough to permit a resort to statutory damages for such purposes. Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy.").

In paragraph 9(2) the phrase "take into account" language is much too vague. It is also not clear how this reference affects any reference to attorneys' fees and court courts in Article 9(1).

Conclusion

We appreciate the opportunity to provide comments to assist the USPTO with its consideration of the Preliminary Draft Convention on the Recognition and Enforcement of Foreign Judgments currently being negotiated at the Hague Conference on Private International Law, and we look forward to continuing to provide input on copyright issues as the text advances. Please let us know if we can provide any additional information regarding our views in this submission.

Respectfully submitted,

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