

jurisdiction to hear Apex's lawsuit against Competitor X? Yes, U.S. courts have the authority to hear U.S. patent and trademark claims.

Things become more complicated, however, when infringing activity spans several countries. Consider the following two examples:

Illustration 6-2. Competitor X infringes Apex's patented and trademarked products in Europe and Japan. Can Apex sue Competitor X in the U.S. for patent and trademark infringement? In the typical case, no. Apex's U.S. patent and U.S. trademark do not typically have effect outside of the U.S., and, for a number of reasons, U.S. courts traditionally have not entertained foreign patent or trademark claims. However, trademark claims under the Lanham Act may reach extra-territorial conduct if the conduct produces a substantial effect within the United States. *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

Illustration 6-3. Competitor X infringes Apex's patented and trademarked products in the U.S., Europe, and Japan. Can Apex sue Competitor X in the U.S. for patent and trademark infringement? Yes, but typically only for the infringing activity in the U.S. Even though the U.S. court has jurisdiction over the U.S. patent and trademark claims, U.S. courts traditionally have not entertained supplemental jurisdiction over foreign patent or trademark claims.

Illustration 6-3 provides a good example of why enforcing IP rights internationally may be expensive and burdensome. Traditionally, most countries do not hear foreign patent or trademark claims, even where a court has jurisdiction over a domestic patent or trademark claim involving a related course of infringing conduct. Part of the reason for this doctrine, as discussed in *London Films* below, is the perception that a patent or trademark lawsuit might involve a defense challenging the validity of the particular foreign patent or trademark, a matter best left for the foreign country that granted the IP right to decide. Under various doctrines, such as comity, forum non conveniens, and the act of the state doctrine, countries have been reluctant to entertain foreign patent and trademark claims, in order to avoid passing on the (in)validity of patents or trademarks granted by a foreign country.

By contrast, the U.S. and other countries have appeared to be more receptive to allowing their own courts to hear foreign copyright claims. Does the difference in approach between foreign patent/trademark claims versus foreign copyright claims make sense? Consider the following U.S. cases.

**LONDON FILM PRODUCTIONS LIMITED v.
INTERCONTINENTAL COMMUNICATIONS,
INC.**

U.S. District Court for the Southern District of New York.
580 F. Supp. 47 (S.D.N.Y. 1984).

CARTER, DISTRICT JUDGE.

This case presents a novel question of law. Plaintiff, London Film Productions, Ltd. ("London"), a British corporation, has sued Interconti-

mental Communications, Inc. ("ICI"), a New York corporation based in New York City, for infringements of plaintiff's British copyright. The alleged infringements occurred in Chile and other South American countries. In bringing the case before this Court, plaintiff has invoked the Court's diversity jurisdiction. 28 U.S.C. § 1332(a)(2). Defendant has moved to dismiss plaintiff's complaint, arguing that the Court should abstain from exercising jurisdiction over this action.

Background

London produces feature motion pictures in Great Britain, which it then distributes throughout the world. ICI specializes in the licensing of motion pictures, produced by others, that it believes are in the public domain. London's copyright infringement claim is based mainly on license agreements between ICI and Dilatsa S.A., a buying agent for Chilean television stations. The agreements apparently granted the latter the right to distribute and exhibit certain of plaintiff's motion pictures on television in Chile. London also alleges that ICI has marketed several of its motion pictures in Venezuela, Peru, Ecuador, Costa Rica and Panama, as well as in Chile. Plaintiff alleges that the films that are the subjects of the arrangements between Dilatsa S.A. and defendant are protected by copyright in Great Britain as well as in Chile and most other countries (but not in the United States) by virtue of the terms and provisions of the Berne Convention.

Determination

There seems to be no dispute that plaintiff has stated a valid cause of action under the copyright laws of a foreign country. Also clear is the fact that this Court has personal jurisdiction over defendant; in fact, there is no showing that defendant may be subject to personal jurisdiction in another forum. Under these circumstances, one authority on copyright law has presented an argument pursuant to which this Court has jurisdiction to hear the matter before it. *M. Nimmer, 3 Nimmer on Copyright*, (1982). It is based on the theory that copyright infringement constitutes a transitory cause of action, and hence may be adjudicated in the courts of a sovereign other than the one in which the cause of action arose. That theory appears sound in the absence of convincing objections by defendant to the contrary.

Although plaintiff has not alleged the violation of any laws of this country by defendant, this Court is not bereft of interest in this case. The Court has an obvious interest in securing compliance with this nation's laws by citizens of foreign nations who have dealings within this jurisdiction. A concern with the conduct of American citizens in foreign countries is merely the reciprocal of that interest. An unwillingness by this Court to hear a complaint against its own citizens with regard to a violation of foreign law will engender, it would seem, a similar unwillingness on the

part of a foreign jurisdiction when the question arises concerning a violation of our laws by one of its citizens who has since left our jurisdiction. This Court's interest in adjudicating the controversy in this case may be indirect, but its importance is not thereby diminished.

The facts in this case confirm the logic of Nimmer's observation. The British films at issue here received copyright protection in Great Britain simply by virtue of publication there. Chile's adherence to the Berne Convention in 1970 automatically conferred copyright protection on these films in Chile. Therefore, no "act of state" is called into question here. Moreover, there is no danger that foreign courts will be forced to accept the inexpert determination of this Court, nor that this Court will create "an unseemly conflict with the judgment of another country." See *Packard Instrument Co. v. Beckman Instruments, Inc.*, 346 F. Supp. 408, 410 (N.D. Ill. 1972). The litigation will determine only whether an American corporation has acted in violation of a foreign copyright, not whether such copyright exists, nor whether such copyright is valid.

With respect to defendant's *forum non conveniens* argument, it is true that this case will likely involve the construction of at least one, if not several foreign laws.⁶ However, the need to apply foreign law is not in itself reason to dismiss or transfer the case. Moreover, there is no foreign forum in which defendant is the subject of personal jurisdiction, and an available forum is necessary to validate dismissal of an action on the ground of *forum non conveniens*, for if there is no alternative forum "the plaintiff might find himself with a valid claim but nowhere to assert it." *Farmanfarmaian v. Gulf Oil Corp.*, 437 F. Supp. 910, 915 (S.D.N.Y. 1977) (Carter, J.), *aff'd*, 588 F.2d 880 (2d Cir. 1978).

For all of the above reasons, the Court finds it has jurisdiction over the instant case and defendant's motion to dismiss is denied.

VODA v. CORDIS CORP.

U.S. Court of Appeals for the Federal Circuit.
476 F.3d 887 (Fed. Cir. 2007).

GAJARSA, CIRCUIT JUDGE.

I. BACKGROUND

The plaintiff-appellee Voda is a resident of Oklahoma City, Oklahoma. The defendant-appellant Cordis is a U.S.-based entity incorporated in Florida. None of the several foreign Cordis affiliates is a party to the present action, and we note that they appear to be separate legal entities. [All of the Cordis companies, both U.S. and foreign, are members of the Johnson & Johnson family of companies.] These foreign affiliates have not been joined to this action. To prevent confusion, we refer to the defendant-appellant as "Cordis U.S."

⁶ Plaintiff has alleged infringements in Chile, Venezuela, Peru, Ecuador, Costa Rica and Panama. Since, under the Berne Convention, the applicable law is the copyright law of the state in which the infringement occurred, defendant seems correct in its assumption that the laws of several countries will be involved in the case.

policy in the State in which ~~recognition~~ is sought." The following case provides a good illustration of the U.S. approach.

**SARL LOUIS FERAUD INTERNATIONAL
v. VIEWFINDER, INC.**

U.S. Court of Appeals for the Second Circuit.
489 F.3d 474 (2007).

POOLER, CIRCUIT JUDGE.

[Plaintiff-appellants were two French companies Sarl Louis Feraud International (Feraud) and S.A. Pierre Balmain (Balmain) in the business of designing high fashion clothing for women. Feraud and Balmain claimed that Viewfinder, a Delaware corporation, had posted photographs of their fashion shows on a website owned by Viewfinder. Feraud and Balmain filed suit against Viewfinder in France for breach of their intellectual property rights and unfair competition and recovered a default judgment when Viewfinder failed to appear. Feraud and Balmain then attempted to enforce the French court judgment in federal district court in New York. The district court refused to enforce the judgment on the grounds that enforcement would violate the public policy of New York because it would violate Viewfinder's First Amendment rights. Feraud and Balmain appealed to the Second Circuit, which rendered the opinion below. *Ed.*]

DISCUSSION

The question presented by this appeal is whether the district court properly found that the French Judgments were unenforceable under New York law. In order to address this question, we begin with the language of the relevant state statute: "A foreign country judgment need not be recognized if . . . the *cause of action* on which the judgment is based is repugnant to the public policy of this state." N.Y. C.P.L.R. § 5304(b)(4) (emphasis added). As the plain language of the statute makes clear, the first step in analyzing whether a judgment is unenforceable under Section 5304(b)(4) is to identify the "cause of action on which the judgment is based." The district court never identified the French statutes that underlie the judgments at issue in this case. Nor does Viewfinder do so in its submission. The default judgments issued by the French court explicitly state that Viewfinder's actions violated "articles L 716-1 and L 122-4 of the Intellectual Property Code." Article L 122-4 is in Book I, Title II, Chapter II of the French Intellectual Property Code, which are entitled "Copyright," "Authors' Rights," and "Patrimonial Rights," respectively. See Code de la propriété intellectuelle art. L 122-4(Fr.), available at <http://www.legifrance.gouv.fr>. Article L 122-4 provides: "Any complete or partial performance or reproduction made without the consent of the author or of his successors in title or assigns shall be unlawful." *Id.* This is analogous to the United States Copyright Act, which defines a copyright infringer as one "who violates any of the exclusive rights of the copyright owner," 17 U.S.C. § 501, including the rights of reproduction, perform-

ance, and public display. 17 U.S.C. § 106. Under French copyright law, the “creations of the seasonal industries of dress and articles of fashion” are entitled to copyright protection. Code de la propriete intellectuelle art. L 112-2(Fr.), available at <http://www.legifrance.gouv.fr>.^{*} The French court found that Viewfinder’s publication of numerous photographs depicting plaintiffs’ design collections violated plaintiffs’ copyrights. Furthermore, the French Judgments concluded that Viewfinder’s reproduction and publication of plaintiffs’ designs were “without the necessary authorization.” Thus, it is apparent that the French Judgments were based in part on a finding of copyright infringement.

We cannot second-guess the French court’s finding that Viewfinder’s actions were “without the necessary authorization.” Viewfinder had the opportunity to dispute the factual basis of plaintiffs’ claims in the French court, but it chose not to respond to the complaint. Thus, for the purposes of this action, we must accept that Viewfinder’s conduct constitutes an unauthorized reproduction or performance of plaintiffs’ copyrighted work infringing on plaintiffs’ intellectual property rights, and the only question to consider is whether a law that sanctions such conduct is repugnant to the public policy of New York.

The “public policy inquiry rarely results in refusal to enforce a judgment unless it is inherently vicious, wicked or immoral, and shocking to the prevailing moral sense.” *Sung Hwan Co. v. Rite Aid Corp.*, 7 N.Y.3d 78, 82 (N.Y. 2006). Furthermore, “it is well established that mere divergence from American procedure does not render a foreign judgment unenforceable.” *Pariante v. Scott Meredith Literary Agency, Inc.*, 771 F. Supp. 609, 616 (S.D.N.Y. 1991). “Under New York law[,] . . . foreign decrees and proceedings will be given respect . . . even if the result under the foreign proceeding would be different than under American law.” *Id.*; see also *Ackermann*, 788 F.2d at 842 (“We are not so provincial as to say that every solution of a problem is wrong because we deal with it otherwise at home.”) Thus, “[o]nly in clear-cut cases ought [the public policy exception] to avail defendant.” *Ackermann*, 788 F.2d at 841.

Laws that are antithetical to the First Amendment will create such a situation. Foreign judgments that impinge on First Amendment rights will be found to be “repugnant” to public policy. See, e.g., *Bachchan v. India Abroad Publ’ns Inc.*, 585 N.Y.S.2d 661, 662 (N.Y. Sup. Ct. 1992) (“[I]f . . . the public policy to which the foreign judgment is repugnant is embodied in the First Amendment to the United States Constitution or the free speech guaranty of the Constitution of this State, the refusal to recognize the judgment should be, and it is deemed to be, ‘constitutionally mandatory.’ ”); *Yahoo!, Inc. v. La Ligue Contre Le Racisme et L’Antisemitisme*, 169 F. Supp. 2d 1181, 1189-90 (N.D. Cal. 2001) (holding unenforceable French judgment rendered under law prohibiting Nazi propaganda because such law would violate the First Amendment), *rev’d on other grounds*, 433 F.3d

^{*} By contrast, fashion designs typically are not copyrightable in the United States because they are designs that are often inseparable from the useful articles in which they are embodied. *Ed.*

1199 (9th Cir. 2006) (in banc). The district court in this case reached the conclusion that the French Judgments were unenforceable because they impinged on Viewfinder's First Amendment rights. In doing so, however, it appears not to have conducted the full analysis for us to affirm its decision.

The district court's decision appears to rest on the assumption that if Viewfinder is a news magazine reporting on a public event, then it has an absolute First Amendment defense to any attempt to sanction such conduct. The First Amendment does not provide such categorical protection. Intellectual property laws co-exist with the First Amendment in this country, and the fact that an entity is a news publication engaging in speech activity does not, standing alone, relieve such entities of their obligation to obey intellectual property laws. While an entity's status as a news publication may be highly probative on certain relevant inquiries, such as whether that entity has a fair use defense to copyright infringement, it does not render that entity immune from liability under intellectual property laws.

Rather, because Section 5304(b) requires courts to examine the cause of action on which the foreign judgment was based, the district court should have analyzed whether the intellectual property regime upon which the French Judgments were based impinged on rights protected by the First Amendment. This is consistent with the two-step analysis courts apply in deciding whether foreign libel judgments are repugnant to public policy: (1) identifying the protections deemed constitutionally mandatory for the defamatory speech at issue, and (2) determining whether the foreign libel laws provide comparable protection. *See, e.g., Bachchan*, 585 N.Y.S.2d at 663-65; *Abdullah v. Sheridan Square Press, Inc.*, No. 93 Civ. 2515, 1994 WL 419847, at *1 (S.D.N.Y. May 4, 1994). For instance, in *Bachchan*, the defamatory speech at issue related to a matter of public concern. Because the First Amendment requires a plaintiff to bear the burden of proving falsity when the speech involves matters of public concern, the New York court refused to enforce a British libel judgment because the British laws failed to provide this protection, placing the burden of proof on the defendant to prove the truth. *Bachchan*, 585 N.Y.S.2d at 664. The same analysis is appropriate here. In deciding whether the French Judgments are repugnant to the public policy of New York, the district court should first determine the level of First Amendment protection required by New York public policy when a news entity engages in the unauthorized use of intellectual property at issue here. Then, it should determine whether the French intellectual property regime provides comparable protections.

With regard to the protections provided by the First Amendment for the unauthorized use of copyrighted material, this court has held that absent extraordinary circumstances, "the fair use doctrine encompasses all claims of first amendment in the copyright field." *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1378 (2d Cir. 1993) (holding that book containing detailed synopses of episodes of television show "Twin

Peaks" would, absent a fair use defense, infringe copyright on television show); see also *Nihon Keizai Shimbun, Inc. v. Comline Bus. Data, Inc.*, 166 F.3d 65, 74 (2d Cir. 1999) ("We have repeatedly rejected First Amendment challenges to injunctions from copyright infringement on the ground that First Amendment concerns are protected by and coextensive with the fair use doctrine."); *Wainwright Sec., Inc. v. Wall St. Transcript Corp.*, 558 F.2d 91, 95 (2d Cir. 1977) ("Conflicts between interests protected by the first amendment and the copyright laws thus far have been resolved by application of the fair use doctrine."). Because the fair use doctrine balances the competing interests of the copyright laws and the First Amendment, some analysis of that doctrine is generally needed before a court can conclude that a foreign copyright judgment is repugnant to public policy. Factors that must be considered in determining fair use are:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. In this case, the district court dispensed with the issue of fair use in a single sentence: "Similarly, even were plaintiffs' designs copyrightable, the copyright law similarly provides, as a matter of First Amendment necessity, a 'fair use' exception for the publication of newsworthy matters." *Viewfinder*, 406 F. Supp. 2d at 284. To the extent the district court believed that Viewfinder's use was necessarily fair use because it was publishing "newsworthy matters," this was erroneous. See, e.g., *Harper & Row*, 471 U.S. at 557 (finding that The Nation's use of verbatim quotes from upcoming Gerald Ford memoir regarding Watergate scandal was not fair use even though material related to matter of public importance); see also *Roy Exp. Co. Establishment v. Columbia Broad. Sys.*, 672 F.2d 1095, 1099 (2d Cir. 1982) (rejecting argument from CBS that a "generalized First Amendment privilege" regarding "newsworthy events" precluded liability for copyright infringement); *Iowa State Univ. Research Found., Inc. v. Am. Broad. Cos.*, 621 F.2d 57, 61 (2d Cir. 1980) ("The fair use doctrine is not a license for corporate theft, empowering a court to ignore copyright whenever it determines the underlying work contains material of possible public importance."). Whether the material is newsworthy is but one factor in the fair use analysis.

While both parties urge this court to resolve the issue of fair use, the record before us is insufficient to determine fair use as a matter of law. For instance, the record is unclear as to the percentage of plaintiffs' designs that were posted on firstView.com. While the French Judgments do provide some information as to the number of photographs posted by Viewfinder, that information is both incomplete and unclear because it

does not indicate what proportion of plaintiffs' designs were revealed by these photographs. Such factual findings are relevant in determining whether Viewfinder's use would constitute "fair use" under United States law. If the publication of photographs of copyrighted material in the same manner as Viewfinder has done in this case would not be fair use under United States law, then the French intellectual property regime sanctioning the same conduct certainly would not be repugnant to public policy. Similarly, if the sole reason that Viewfinder's conduct would be permitted under United States copyright law is that plaintiffs' dress designs are not copyrightable in the United States, the French Judgment would not appear to be repugnant. However, without further development of the record, we cannot reach any conclusions as to whether Viewfinder's conduct would fall within the protection of the fair use doctrine.

CONCLUSION

For the foregoing reasons, we vacate the judgment of the district court and remand for further proceedings consistent with this opinion. Because we remand for a new analysis by the district court, we do not address the other grounds of alleged error raised by plaintiffs.

NOTES AND QUESTIONS

1. According to the Second Circuit, what was the error committed by the district court when it found that the French court judgment was repugnant to the policy of the United States? Suppose that on remand, the district court finds that French copyright law provides protections comparable to U.S. First Amendment protections for news agencies. Would the judgment be enforceable? Since the fashions in this case would mostly likely not be protected by copyright under U.S. law, is the granting of copyright protection by the French courts repugnant to the public policy of the United States and a basis for denying recognition of the French court judgment?

2. The approach followed by *Feraud* is similar to that followed by many countries in the world. Courts will not recognize foreign court judgments that are inconsistent with some important public policy or interest of the forum. How predictable is the enforcement of foreign judgments under this standard? Should there be any limits placed on the public policy exception, or is this one area in which countries must be afforded wide latitude?

3. What if enforcement of judgments (subject to public policy and other exceptions) became a TRIPS obligation for WTO countries? Do you think the U.S. would favor such an approach? What about other countries?

E. EXHAUSTION OF RIGHTS AND GRAY MARKET GOODS

Let us return now to our hypothetical company Apex. One of its main concerns beyond commercial piracy is with gray market goods. Apex finds that some of its genuine goods that it manufactures abroad for sale at