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Battling Motion Picture Pirates in Turbid International Waters

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Battling Motion Picture Pirates in Turbid International Waters

Come, friends, who plow the sea,
Truce to navigation,
Take another station;
Let's vary piracee
With a little burglaree.¹

I. INTRODUCTION

Each year the U.S. film industry loses in excess of \$1 billion due to the unauthorized reproduction of its works.² Not only is motion picture piracy a prevalent domestic problem, but it also represents a significant portion of lost revenue internationally.³ For this reason, the United States maintains a number of bilateral and multilateral copyright treaties with foreign nations.⁴ Yet international film piracy continues to plague artists, producers and distributors of creative works.⁵ The problem is compounded by worldwide advancements in electronics technology

¹ W. GILBERT & A. SULLIVAN, *PIRATES OF PENZANCE*, Act II (1879).

² A recent survey of the Motion Picture Association of America (the MPAA) estimates that the U.S. motion picture industry loses more than \$1 billion each year in potential revenues from worldwide film, signal and videocassette piracy which amounts to approximately one-fifth of annual box-office profits from all U.S. theaters. J. Valenti, *Statement of the MPAA 5* (1989) [hereinafter *MPAA Statement*]. See also *Piracy Costly for Hollywood*, N.Y. Times, Mar. 27, 1989, at D2, col. 4; J. Maatta & D. Brennan, *Comments on International Video Piracy*, 10 HASTINGS COMM. ENT. L.J. 1081 (1988). (Both John Maatta, Vice President, Business Affairs of N.I.W.S. Productions, Inc., a subsidiary of Lorimar Telepictures, and Lorin Brennan, Vice President, Business Affairs at Carolco Pictures and Secretary of the American Film Marketing Association, attribute a substantial portion of the industry's lost revenue specifically to video piracy); Bollier, *At War With the Pirates*, 1987 CHANNELS 29, 30.

³ The International Trade Commission reported a loss of \$23 billion in 1980 due to "inadequate intellectual property protection." United States Trade Representative Carla Hills has estimated that the United States has lost between \$43-61 billion in 1986 due to "inadequate and ineffective intellectual property protection." *Trade Related Aspects of Intellectual Property Rights*, 89 Dept. State Bull. 55 (Nov. 1989) [hereinafter *Trade Related Aspects*].

⁴ The two preeminent multilateral copyright treaties are the Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 168 Parry's T.S. 185, as revised at Paris on July 24, 1971 and amended on Oct. 2, 1979, entered into force for the United States on Mar. 1, 1989, — U.S.T. —, K.A.V. No. 2245, and the Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731, T.I.A.S. No. 3324, 216 U.N.T.S. 132, as revised at Paris on July 24, 1971. For a complete discussion of the history of these two conventions, see 3 M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT* § 17.01[B] (1989). See also NORDEMANN, *infra* note 20.

⁵ See Bollier, *supra* note 2, at 31.

which continually require the United States to change its enforcement tactics.

Given the jurisdictional constraints of U.S. courts abroad,⁶ the limited resources of U.S. enforcement agencies, and the complexity of foreign legislative provisions, the question of alleviating the costly problem of international piracy has captured the attention of industry and government officials.⁷ This note will analyze current legislative, enforcement, and judicial provisions that were enacted to combat international piracy. While focusing on trade sanctions, this note will also propose solutions to protect U.S. copyrights in the film industry.⁸

II. TREATIES, TRADE AND INTERNATIONAL COPYRIGHT PROTECTION

A. *Historical Development*

International copyright protection has its roots in the national protection of artistic and creative works from exclusive publishing and printing privileges of the late fifteenth century.⁹ These privileges, however, were slow to develop in the international arena.¹⁰ Beginning in the sixteenth century, French and English works were especially at risk since their authors were prolific, and those who pirated their materials shared their language.¹¹ Thus, both France and the United Kingdom were im-

⁶ See *infra* note 126.

⁷ *Trade Related Aspects*, *supra* note 3, at 55. See also telephone interview with William Nix, Senior Vice President, Worldwide Director, Anti-Piracy Operations, Motion Picture Association of America (Nov. 1, 1989) [hereinafter Nix interview].

⁸ The problem also afflicts the recording, publishing, and computer industries. ANNENBERG WASHINGTON PROGRAM, COMMUNICATIONS POLICY STUDIES, NORTHWESTERN UNIVERSITY, CURBING INTERNATIONAL PIRACY OF INTELLECTUAL PROPERTY 8-9 (1989)(prepared by G. Hoffman) [hereinafter ANNENBERG REPORT]. A study by the U.S. International Trade Commission reported that the U.S. publishing and printing industries lost approximately \$280 million in revenue as a result of piracy in 1986. Simon, *Pursuing the Pirates*, PUBLISHERS WEEKLY, Sept. 15, 1989, at 88. This amount reflects close to twenty percent of the U.S. printing and publishing industry's potential foreign sales. *Id.*

⁹ S. RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886-1986* 3 (1987) (Ricketson suggests that the first recorded grant of an exclusive printing right may have been made by the Venetian Senate to Gio as early as 1469). See also S. STEWART, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS* (2d ed. 1989)(chapter 2 discusses the history of international copyright law).

¹⁰ RICKETSON, *supra* note 9, at 18-19.

¹¹ *Id.* As Ricketson suggests:

English authors suffered from the activities of Irish pirates until the Act of Union with Ireland in 1800, and from those of United States publishing houses throughout the nineteenth century. . . French authors, in turn, suffered from the depredations of pirates in Switzerland, Germany, Holland and Belgium. . . Piracy was also rampant in the German-speaking states. . . [and] in the Italian states until their unification.

Id.

portant players in the development of early bilateral agreements for the protection of creative works.¹²

The numerous bilateral arrangements that were adopted in Europe well into the late nineteenth century were problematic because the protection afforded varied significantly, and authors were not necessarily guaranteed "comprehensive or systematic" copyright protection outside their own country.¹³ The first truly international copyright protection developed through the implementation of several multilateral international copyright treaties, including the Berne Convention¹⁴ and the Universal Copyright Convention.¹⁵

B. *The Berne Convention*

Also known as the Convention Concerning the Creation of an International Union for the Protection of Literary and Artistic Works, the Berne Convention, adopted in 1886, afforded ten countries¹⁶ copyright protection beyond their physical boundaries.¹⁷ Several prominent European nations, the Russian empire, as well as the countries in Africa, Asia and the Middle East remained outside the Convention.¹⁸ The United States and several Portuguese republics were not original signatories to Berne.¹⁹

Historically, the United States enforced registration, term, and notice requirements²⁰ as part of its copyright laws.²¹ As originally drafted,

¹² *Id.* at 27.

¹³ *Id.* at 39.

¹⁴ Berne Convention, *supra* note 4.

¹⁵ Universal Copyright Convention, *supra* note 4. The Rome Convention for the Protection of Performances, Producers of Phonograms and Broadcasting Organizations (Rome Convention) and the Convention for the Protection of Phonograms Against Unauthorized Duplication of their Phonograms developed from the Berne Convention. RICKETSON, *supra* note 9, at 836.

¹⁶ The initial signatories to the Berne Convention were Belgium, France, Germany, Haiti, Italy, Liberia, Switzerland, Tunisia, and the United Kingdom (Liberia later failed to ratify the Convention). 3 M. NIMMER, *supra* note 4, § 17.01[B].

¹⁷ Article 1 of the Berne Convention states that the countries to which this Convention applies constitute a "Union for the protection of the rights of authors over their literary and artistic works." Berne Convention, *supra* note 4, art. 1. See 3 M. NIMMER, *supra* note 4, § 17.01[B][1]; Strauss, *Don't Be Burned by Berne: A Guide to the Changes in the Copyright Laws as a Result of the Berne Convention Implementation Act of 1988*, J. PAT. OFF. SOC'Y 374 (May 1989).

¹⁸ RICKETSON, *supra* note 9, at 80.

¹⁹ *Id.*

²⁰ The United States enacted its first copyright law in 1790, closely following the model of an English act known as the "Statute of Anne." Act of May 31, 1790, ch. 15, 1 Stat. 124. Strauss, *supra* note 17, at 375. Both the English and the American copyright laws required registration, term and notice provisions in order to establish copyright protection. *Id.* The reason the United States maintained these notice and registration requirements was that copyrights were treated under similar principles as patents which have historically been subject to such formalities. W. NORDEMANN, INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS LAW 6 (1990). The 1790 Act did not extend copyright protection to works of foreign origin. *Id.*

the Berne Convention specifically rejected these "formality" requirements.²² Although the United States was represented at several of the original Berne conferences,²³ it did not participate in the final design and implementation of Berne in 1886.²⁴ Thus, the United States could only obtain protection under Berne by way of the "back door" method.²⁵ Under the Rome Act, this meant that U.S. nationals could receive Berne Convention protection if their works were first or simultaneously published in a Union country.²⁶ Berne is administered by the World Intel-

²¹ Article 1, section 8, clause 8 of the U.S. Constitution empowers the federal government to enact copyright legislation. In the Act of May 31, 1790, Congress utilized this power to "promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." After several revisions, the Copyright Act of 1909 was promulgated. Title 17, U.S.C. § 1 *et seq.* At the time of its enactment, the 1909 Copyright Act protected books, charts, maps, musical compositions, photographs, paintings, drawings, statuary and fine art. *Id.* Motion pictures and sound recordings were included on the list of protected items in 1912, and 1971 respectively.

Before 1978, the United States operated under a "dual system" of copyright protection, whereby the state (or common law) protection began with the creation of a work and terminated upon its publication. BOORSTYN, *infra* note 31, § 1:1, at 1-2.

²² Article 4 states, in part, that "[t]he enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work." Berne Convention, *supra* note 4, art. 4(2). This language was originally adopted in the Berlin Act, Nov. 13, 1908, 1 L.N.T.S. 217, and has remained unchanged. *See infra* note 24. *See also* Strauss, *supra* note 17, at 375, and Tanenbaum, *infra* note 34, at 260-71.

²³ RICKETSON, *supra* note 9, at 80.

²⁴ Strauss, *supra* note 17, at 375. While its basic principles have remained the same, the Berne Convention has undergone a number of revisionary conferences:

- (1) Additional Act of Paris of May 4, 1896, 182 Parry's T.S. 441.
- (2) Revised Berne Convention of Berlin, Nov. 13, 1908, 1 L.N.T.S. 217 (establishing freedom from formalities for Union protection and independence of an author's minimum rights regardless of the domestic country of origin).
- (3) Rome Conference of June 2, 1928, 123 L.N.T.S. 233 (abolishing reservations option except in cases of translations, establishing moral rights of an author and providing for broadcasting rights).
- (4) Brussels Conference of June 26, 1948, 331 U.N.T.S. 217 (establishing the minimum term for protection as fifty years after the author's death).
- (5) Stockholm Conference of July 14, 1967, 828 U.N.T.S. 221 (substantive changes not implemented due to an unacceptable Protocol regarding Developing Countries).
- (6) Paris Conference of July 24, 1971, 943 U.N.T.S. 178 (adding appendix to Article 21 concerning a regulation for developing countries).

NORDEMANN, *supra* note 20, at 5-6.

²⁵ RICKETSON, *supra* note 9, at 923-24. *See also* Tannenbaum, *The Principle of "National Treatment" and Works Protected: Articles I and II*, in UNIVERSAL COPYRIGHT CONVENTION ANALYZED 14 (1955)[hereinafter *Principle of "National Treatment"*]. 3 M. NIMMER, *supra* note 4, § 17.04[D][2][a], at 17-29.

²⁶ Rome Act, June 2, 1928, art. 6(1) states that "[a]uthors who are not nationals of one of the countries of the Union, and who first publish their works in one of those countries, shall enjoy in that country the same rights as native authors, and in the other countries of the Union the rights granted by the present Convention." 123 L.N.T.S. at 233. *See also*, RICKETSON, *supra* note 9, at 924 (sug-

lectual Property Organization (WIPO) in Geneva, Switzerland.²⁷ WIPO assumed these duties from the Bureau of the Union after the Stockholm Conference of 1967.²⁸

C. *The Universal Copyright Convention*

The Universal Copyright Convention, adopted at Geneva, Switzerland, on September 6, 1952,²⁹ affords international copyright protection without requiring its signatories to relinquish any "formality" requirements.³⁰ Thus, unlike Berne, the Universal Copyright Convention allowed the United States to enter a multilateral copyright treaty without relinquishing its "notice" requirements.³¹ The Universal Copyright Convention recognizes and protects published and unpublished works, based on national treatment,³² of non-domiciled nationals, or of other member

gesting that the "normal" back door for the United States was Canada); 3 M. NIMMER, *supra* note 4, § 17.01.

²⁷ Berne Convention, *supra* note 4, art. 22. See also, NORDEMANN, *supra* note 20, at 5.

²⁸ NORDEMANN, *supra* note 20, at 5.

²⁹ Universal Copyright Convention, *supra* note 4.

³⁰ 3 M. NIMMER, *supra* note 4, § 17.01[B][2]. Although Berne and the Universal Copyright Convention have separate requirements, they are not in competition with each other. The Universal Copyright Convention gives priority to Berne where there is a relationship between two countries who are members of both conventions. Art. XVII, Universal Copyright Convention, *supra* note 4, at 178.

³¹ See *supra* note 20. See also Kaminstein, *Key to Universal Copyright Protection (Article III: Formalities)*, in UNIVERSAL COPYRIGHT CONVENTION ANALYZED. 23 (1955); N. BOORSTYN, COPYRIGHT LAW 331-33 (1981).

³² National treatment is defined in both the Universal Copyright Convention and the Berne Convention. As discussed in *infra* notes 38-40, the United States has become a party to the Berne Convention. In the Berne Convention Implementation Act of 1988, "national treatment" means that a work is afforded protection as a "Berne Convention work" if:

(1) in the case of an unpublished work, one or more of the authors is a national of a nation adhering to the Berne Convention, or in the case of a published work, one or more of the authors is a national of a nation adhering to the Berne Convention on the date of first publication;

(2) the work was first published in a nation adhering to the Berne Convention, or was simultaneously first published in a nation adhering to the Berne Convention and in a foreign nation that does not adhere to the Berne Convention;

(3) in the case of an audiovisual work—

(A) if one or more of the authors is a legal entity that author has its headquarters in a nation adhering to the Berne Convention; or

(B) if one or more of the authors is an individual, that author is domiciled, or has his or her habitual residence in, a nation adhering to the Berne Convention. . .

For purposes of paragraph (1), an author who is domiciled in or has his or her habitual residence in, a nation adhering to the Berne Convention is considered to be a national of that nation. For purposes of paragraph (2), a work is considered to have been simultaneously published in two or more nations if its dates of publication are within 30 days of one another.

countries.³³ Currently, various texts of the Universal Copyright Convention are in force in eighty-two countries, including Brazil, Japan, Mexico, and Spain.³⁴ Absent from this list, however, are such developing countries as Singapore, the Philippines, and Taiwan.³⁵ The Universal Copyright Convention is administered by the Copyright Law Division of UNESCO in Paris, France.³⁶

The Universal Copyright Convention and the Berne Convention now exist side by side. The two conventions are not viewed as mutually exclusive; Berne is considered more far reaching in its scope and protection.³⁷ Recently, the United States did accede to Berne while retaining its membership in the Universal Copyright Convention.³⁸ The U.S. accession to Berne produced five major effects:

- (1) As of March 1, 1989, U.S. copyrights will automatically be protected in over seventy-nine of the Berne Union nations;
- (2) Berne Union countries will provide U.S. copyright holders the agreed minimum level of protection;
- (3) Berne members will treat U.S. nationals like their own nationals for copyright purposes;
- (4) More effective combat of piracy of U.S. works abroad; and
- (5) As of March 1, 1989, foreign nationals whose works were first published in another Union country are afforded automatic protection in the United States.³⁹

However, the Berne Act is not retroactive in its coverage. Therefore, works produced prior to March 1, 1989, will be protected, if at all, by either the 1976 Copyright Act or the Copyright Act of 1909.⁴⁰

For the film industry, in particular, the importance of this accession was twofold. First, the Berne Convention subjected twenty-four countries,⁴¹ previously not within the diplomatic reach of the United States,

³³ See Universal Copyright Convention, First Revision, Signed at Conclusion of Diplomatic Conference in Paris (July 5-24, 1971), 943 U.N.T.S. 178. See also UNITED STATES COPYRIGHT LAW DIGEST, MARTINDALE-HUBBELL LAW DIGEST (1990)[hereinafter COPYRIGHT LAW DIGEST].

³⁴ W. Tanenbaum, *An Analysis and Guide to the Berne Convention Implementation Act: Amendments to the United States Copyright Act*, 13 HAMLINE L. REV. 253-55 (1990). See also COPYRIGHT LAW DIGEST, *supra* note 33, at 25.

³⁵ ANNENBERG REPORT, *supra* note 8, at 30.

³⁶ Universal Copyright Convention, *supra* note 4, art. VIII.

³⁷ RICKETSON, *supra* note 9, at 864-66. See also STEWART, *supra* note 9, at 146.

³⁸ Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, § 2, 102 Stat. 2853 (1988). See, *The United States Joins the Berne Union*, Copyright Office, Library of Congress (Feb. 1989) (reprinted in BOORSTYN, *supra* note 31, at 514 (Supp. Aug. 1990)).

³⁹ *Highlights of U.S. Adherence to the Berne Convention*, Copyright Office, Library of Congress Circular 93 (Aug. 1989).

⁴⁰ 17 U.S.C. §§ 102-18 (1988). See also Tanenbaum, *supra* note 34, at 257.

⁴¹ These countries include, among others, the Central African Republic, Chad, Congo, Egypt, Libya, Niger, South Africa and Thailand. Berne Convention, *supra* note 4.

to potential liability for infringement of U.S. works abroad.⁴² Prior to its ratification of Berne, the United States principally relied on bilateral and subordinate multilateral treaties with these countries.⁴³ As a result, the United States spent significant time and money on individual negotiations and had difficulty achieving compliance due to the large number of treaties which vary greatly in their scope and coverage.⁴⁴ Today, the United States enjoys a greater degree of security from infringement in such potentially damaging countries as Brazil and Korea.⁴⁵

Second, U.S. accession to Berne has enhanced its lobbying efforts with other Berne signatories, ideally creating higher expectations and standards of enforcement worldwide.⁴⁶ Previously, the United States was in an awkward position where it had to negotiate with countries that already offered higher standards of protection under Berne.⁴⁷ By ratifying Berne, the United States has acquired essential leverage with two-dozen countries⁴⁸ for which it has interests in advancing anti-piracy legislation. Although this leverage is more diplomatic than substantive, the United States has experienced an enhanced ability to negotiate with

⁴² Berne Convention, *supra* note 4, arts. 14 & 14 bis.

⁴³ For example, in Latin America, the United States is party to the Buenos Aires Convention on Literary and Artistic Copyrights, Aug. 11, 1910, 38 Stat. 1785, T.S. No. 593, 211 Parry's T.S. 374. This Convention affords protection to a work, once it is published in a member country. *Id.* Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay are the other member countries. *Id.*

⁴⁴ *Id.*

⁴⁵ Berne Convention, *supra* note 4.

⁴⁶ ANNENBERG REPORT, *supra* note 8, at 16; Nix interview, *supra* note 7.

⁴⁷ The limits on such negotiations were generally self-imposed. U.S. negotiators felt it improper to push for protection beyond the mandates of the Universal Copyright Convention. INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE, TRADE LOSSES DUE TO PIRACY AND OTHER MARKET ACCESS BARRIERS AFFECTING THE U.S. COPYRIGHT INDUSTRIES 10 (Apr. 1989) [hereinafter IIPA REPORT]. The IIPA was formed in 1984 and consists of the following trade associations, representing a significant portion of the U.S. copyright industry—The Computer Software and Services Industry Association (ADAPSO), the American Film Marketing Association (AFMA), the Association of American Publishers (AAP), the Computer and Business Equipment Manufacturers Association (CBEMA), the Motion Picture Association of America (MPAA), the National Music Publishers' Association (NMPA), and the Recording Industry Association of America (RIAA).

⁴⁸ Berne Convention, *supra* note 4. The Berne signatories include: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Benin, Brazil, Bulgaria, Burkina Faso, Cameroon, Canada, Central African Republic, Chad, Chile, Colombia, Congo, Costa Rica, Cyprus, Czechoslovakia, Denmark, Egypt, Fiji, Finland, France, Gabon, German Democratic Republic, Federal Republic of Germany, Greece, Guinea, Holy See, Hungary, Iceland, India, Ireland, Israel, Italy, Ivory Coast, Japan, Lebanon, Libyan Arab Jamahiriya, Liechtenstein, Luxembourg, Madagascar, Mali, Malta, Mauritania, Mexico, Monaco, Morocco, Netherlands, New Zealand, Niger, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Romania, Rwanda, Senegal, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, United Kingdom, United States, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zaire, and Zimbabwe. *Id.*

Berne signatories since its ratification.⁴⁹

Both the Berne Convention and the Universal Copyright Convention provide that controversies involving interpretation of the conventions may be referred to the International Court of Justice (ICJ).⁵⁰ However, this forum is only available when the parties are countries, since individuals and organizations do not have standing before the ICJ.⁵¹ Therefore, the ICJ provides little assistance for writers and producers of motion pictures.⁵²

D. *Bilateral Copyright Treaties*

As stated previously, the United States also maintains a number of bilateral treaties.⁵³ For example, since the People's Republic of China (the PRC) does not officially recognize the principles of international copyright and neighboring rights protection, the United States maintains a Friendship, Commerce & Navigation Treaty⁵⁴ (FCN treaty) with it.⁵⁵ The FCN treaty provides national treatment for U.S. citizens.⁵⁶ This means that U.S. copyright owners are not required to register their works in the PRC as a precondition for protection.⁵⁷ The United States maintains this treaty, in part, because the PRC is neither a signatory to Berne nor the Universal Copyright Convention.⁵⁸ Thus, under the FCN treaty

⁴⁹ *Trade Related Aspects*, *supra* note 3, at 56.

⁵⁰ Berne Convention, *supra* note 4, art. 33, para. 1. Universal Copyright Convention, *supra* note 4, art. XV.

⁵¹ Statutes of the International Court of Justice, art. 34, para. 1.

⁵² Indeed, to date, the ICJ has not yet been asked to rule on any substantive area of the conventions. NORDEMANN, *supra* note 20, at 30.

⁵³ See *supra* note 4 and accompanying text.

⁵⁴ Treaty of Friendship, Commerce & Navigation, Nov. 4, 1946, United States-China, art. IX, 63 Stat. 1299, T.I.A.S. No. 1971, as amended, Jan. 1986. [hereinafter FCN treaty]. See STEWART, *supra* note 9, at 882.

⁵⁵ Dept. State, *Treaties in Force*, 297-98 (1990). On January 1, 1979, the United States officially recognized the government of the People's Republic of China as the single legal government of that country. *Id.* at 274. Under this regime, the United States maintains "unofficial relations" with Taiwan including cultural and commercial matters. *Id.*

⁵⁶ *Id.* FCN treaty, *supra* note 54, art. IX, at 108. This article provides, in part, that: The nationals, corporations and associations of either High Contracting Party shall be accorded within the territory of the other. . . effective protection in the enjoyment of rights with respect to literary and artistic works. . . [and shall enjoy] all rights and privileges of whatever nature in regard to copyrights. . . and other literary, artistic and industrial property. . . upon terms no less favorable than are or may be accorded to the nationals, corporations and associations of such other High Contracting Party.

Id. art. IX, at 109-10.

⁵⁷ IIPA REPORT, *supra* note 47, at 87.

⁵⁸ Taiwan continues to plague the United States in pirating films and sound recordings. Indicative of this problem is the promulgation of MTV booths within Taiwan. In effect, these booths broadcast pirated copies of motion picture clips, music videos, and television programs to a limited audience. This technology has created a new nemesis for enforcement officials who are finding it

protection of U.S. copyrighted works in the PRC is covered. While penalties for infringement in Taiwan are severe, the FCN treaty does not contain adequate enforcement provisions.⁵⁹ The United States merely has a "statement" of protection without the substance of enforcement, and the PRC continues to resist adequate enforcement of the FCN provisions.⁶⁰ Therefore, while the FCN treaty can be considered a strong diplomatic statement by the PRC, its legal ramifications from the U.S. standpoint are negligible.

The Berne Convention, the Universal Copyright Convention, and the various bilateral treaties regarding intellectual property do advance the diplomatic goal of providing international protection for copyrighted works. However, each falls short of providing adequate enforcement provisions.⁶¹

E. Current Development in Trade Sanctions: GATT and Section 301 Protection for Intellectual Property

Practitioners generally agree that treaties and conventions function appropriately by advancing the policy of protection, and are not necessarily meant to be used as enforcement "tools."⁶² Therefore, the United States has begun to include enforcement provisions for intellectual property in its primary trade agreements in an attempt to effectuate the policies set forth in the copyright conventions. This may include incorporating an intellectual property provision into the General Agreements on Tariffs and Trade (GATT).⁶³ Such a provision could overcome certain shortcomings of the current multilateral treaties by posing the threat of trade sanctions against infringing countries.⁶⁴ In a statement

difficult to locate and seize pirated material in this form. Nix interview, *supra* note 7. Watanabe, *Pulling the Plug on Pirate Videos*, L.A. Times, Jan. 8, 1990, at D3, col. 1 (home ed.).

⁵⁹ FCN treaty, *supra* note 54, art. 51. See STEWART, *supra* note 9, at 882 (stating that the enforcement provisions "deal almost entirely with the procedure for, and requirements of, registration"). The treaty is broadly written and no language in article IX specifically addresses the issue of enforcement. FCN treaty, *supra* note 54, art. IX, at 108-10.

⁶⁰ IIPA REPORT, *supra* note 47, at 87.

⁶¹ ANNENBERG REPORT, *supra* note 8, at 6, 16.

⁶² R. BENKO, PROTECTING INTELLECTUAL PROPERTY RIGHTS 28 (1987). See also Nix interview, *supra* note 7.

⁶³ Oct. 30, 1947, 61 Stat. (5), (6), T.I.A.S. No. 1700, 55 U.N.T.S. 188. Simon, *supra* note 8, at 89. In September 1986, the Ministers of the Contracting Parties to GATT agreed to include intellectual property rights in their multilateral trade negotiations. IIPA REPORT, *supra* note 47, at 10-11.

⁶⁴ Simon sees the current treaties as providing a "framework" for protecting intellectual property rights such as copyrights. However, he suggests that problems with the current international conventions include a lack of effective nation-to-nation dispute settlement provisions, obligations for the signatories to maintain adequate, effective enforcement internally or at their borders of the rights granted under national laws, and merely a suggestion of substantive protection which may be inadequate in certain circumstances. Simon, *supra* note 8.

before the Subcommittee on Courts, Intellectual Property and the Administration of Justice of the House Judiciary Committee, U.S. Trade Representative Carla Hills suggested that "[a] consensus seems to be emerging that the minimum rights and obligations set out in the Berne Convention ought to be recognized as part of a GATT intellectual property standard."⁶⁵ Ambassador Hills further suggests that such a proposal would "reiterate[] those features of Berne that are particularly relevant and spell[] out the obligations where the convention is weak or unclear."⁶⁶

The provision might be modeled after Section 2411(a) of the 1988 Omnibus Trade & Competitiveness Act (1988 Trade Act)⁶⁷ which requires the U.S. Trade Representative (USTR) to take mandatory action by way of threatening trade sanctions against a country which promulgates an "act, policy, or practice [that is] . . . unjustifiable and burdens or restricts United States commerce . . . [including an act] which denies . . . the right of establishment or protection of intellectual property rights."⁶⁸ If a similarly worded initiative were added to GATT, the preeminent multilateral trade agreement, a country would be able to counteract piracy of copyrighted works, including motion pictures, through the power of that country's trade representative.

An intellectual property provision in GATT could also be used to establish minimum standards by which a signatory would be compelled to revise its national laws in order to conform with the GATT agreement, as well as to define border measures and domestic enforcement.⁶⁹ Essentially, an intellectual property provision in GATT might enable the United States to exert its power as a world trade leader as a threat against developing countries with piracy markets.⁷⁰

However, this "threat" is tempered by the difficulties in imposing sanctions. During negotiations on a treaty to protect layout designs of semiconductor mask works, Ambassador Hills noted that "intellectual property-based sanctions may not be an effective means of ensuring that governments meet their international obligations to protect intellectual property rights."⁷¹ Trade sanctions may not necessarily offer the United

⁶⁵ *Trade Related Aspects*, *supra* note 3, at 56.

⁶⁶ *Id.*

⁶⁷ 1988 Omnibus Trade & Competitiveness Act of 1988, 19 U.S.C. §§ 2411-16, 1337(a)-(j) (1982 & Supp. IV 1986).

⁶⁸ 19 U.S.C. § 2411(a)(1)(B).

⁶⁹ *Id.*

⁷⁰ ANNENBERG REPORT, *supra* note 8, at 17.

⁷¹ *Trade Related Aspects*, *supra* note 3, at 56. Hills identifies the current Administration's trade-related intellectual property objectives as the following.

-All countries' economic growth and international competitiveness can be enhanced by strong domestic intellectual property protection.

-When countries do not provide strong protection of intellectual property rights, and when

States a panacea in effectuating adequate intellectual property protection abroad. However, since there is a relationship between trade and the protection of intellectual property rights, GATT may serve as an appropriate forum for discussing an increase in the minimum level of protection member countries offer their trading partners.⁷²

A second development⁷³ in the area of intellectual property trade protection is amended Section 301 of the Omnibus Trade and Competitiveness Act of 1988.⁷⁴ The revision of Section 301, popularly known as "Super 301,"⁷⁵ gives the USTR authority to enact mandatory or discretionary trade sanctions⁷⁶ by way of accelerated investigations in countries which deny the United States "adequate and effective" intellectual property protection.⁷⁷ The amendment creates and enforces reciprocity of foreign market access.⁷⁸

Under Section 301, the USTR is required to identify and designate certain problematic countries as "priority" countries.⁷⁹ This priority designation allows the USTR to focus efforts on countries that pose the

an effective system of international enforcement does not exist, then substantial distortions in international production and trade result.

-The United States has a very substantial stake in a healthy system of international trade and strong protection of intellectual property.

Unfortunately, many countries do not realize that improved protection of intellectual property is in their interest, or knowing it do not pursue it; and trade problems for U.S. producers have inevitably resulted. These policies cause three types of trade-related problems for Americans.

FIRST, U.S. companies lose exports and foreign sales, royalties, and the value of investments in the market where the American intellectual property right is appropriated without compensation.

SECOND, our firms lose sales in third markets when unauthorized products are sold there.

FINALLY, U.S. companies may lose sales in our own country to imports—involving unauthorized use of goods, works, or processes covered by U.S. intellectual property laws.

Id. at 55-56.

⁷² *Id.*

⁷³ Comment, *Section 301 of the Trade and Competitiveness Act of 1988: Its History and Implications in the U.S.-South Korea Trade*, 1989 B.Y.U. L. REV. 549, 551. See also Bentsen to Make Omnibus Trade Bill High Priority in 1987, *Tough Measure Expected*, 3 Int'l Trade Rep. (BNA) 1359 (Nov. 12, 1986).

⁷⁴ Pub. L. No. 100-418, 102 Stat. 1107 (codified as amended at 19 U.S.C. § 2411 *et seq.* (Supp. 1988)).

⁷⁵ Comment, *supra* note 73, at 551.

⁷⁶ *Id.*

⁷⁷ ANNENBERG REPORT, *supra* note 8, at 17.

⁷⁸ 19 U.S.C. § 2411 (Supp. 1988).

⁷⁹ In November 1989, the following five countries were designated "priority" by Ambassador Hills: Brazil, China, India, Mexico, and Thailand. Previously, Taiwan, Korea, and Saudi Arabia were included in the "priority" category, however, in November 1989, they were moved to a secondary watch list. *U.S. Works to Make Intellectual Property Protection GATT-Compatible*, DAILY REP. EXEC. 5-31 (Jan. 17, 1990).

greatest threat of infringement on U.S. copyrighted works. Although such a designation is viewed as a useful tool in threatening trade sanctions against certain countries, it is not necessarily a complete remedy.⁸⁰ The effectiveness of Super 301 involves the extent to which a particular country relies on U.S. exports.⁸¹ Thus, Super 301 requires that the priority country at least perceive a threat to its trade balance in order for the provision to accomplish its effect.

In 1988, the Motion Picture Export Association of America (the MPEAA)⁸² filed its first amended Section 301 petition against South Korea.⁸³ From the South Korean viewpoint, this challenge presented itself one year after its new Copyright Act came into force.⁸⁴ South Korea had agreed in November 1985 to allow film companies to establish Korean offices and freely distribute their films to Korean theaters, television stations and home video stores.⁸⁵ However, the South Korean censorship procedure did not allow any single company to maintain more than one film on its waiting list for approval at any one time. The MPEAA argued that its U.S. constituents were under a *de facto* quota since such approval can take up to three months, thereby limiting a company's distribution to between four and six films each year.⁸⁶

Although the petition was voluntarily withdrawn,⁸⁷ the United States did achieve an advantage under this Section 301 petition since the South Korean government gave the United States assured access to an unencumbered South Korean market.⁸⁸

On November 15, 1990, a coalition including the IIPA, the Recording Industry Association of America (the RIAA) and the MPEAA filed a Section 301 complaint against Thailand for its "alleged failure to en-

⁸⁰ ANNENBERG REPORT, *supra* note 8, at 17.

⁸¹ *Id.*

⁸² The MPEAA is the foreign trade arm of the MPAA.

⁸³ U.S., *South Korea Reach Accord on Movie Distribution, Avoiding 301 Case*, 5 Int'l Trade Rep. (BNA) 1444 (Nov. 2, 1988); Comment, *supra* note 73, at 559.

⁸⁴ See text accompanying *infra* note 86. See also Chang In Suk, *Letter from the Republic of Korea*, 3 COPYRIGHT 90 (Mar. 1989).

⁸⁵ *Unfair Trade Practices*, 5 Int'l Trade Rep. (BNA) 1269 (Sept. 21, 1988).

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Id.* As written, the Copyright Act for the Republic of Korea protects foreign works on a bilateral, reciprocal basis:

Protection of foreigners' works

Article 3(1) Foreigners' works shall be protected under treaties which the Republic of Korea has entered into or signed. Provided that they are published prior to the effective date of the treaty concerned, the protection under this Act shall not be granted. . . (3) . . . if the foreign country concerned does not protect works of the nationals of the Republic of Korea, the protection under treaties and this Act may be restricted correspondingly.

Copyright Act No. 3916, Dec. 31, 1986, *reprinted in* 7-8 COPYRIGHT, *Laws and Treaties*, Text 1-01, at 2 (July-Aug. 1988)[hereinafter 1987 Act].

force its copyright law against manufacturers of pirated audio and video-cassettes."⁸⁹ Thailand had been on the U.S. "watch list" and allegedly had not prosecuted Thai violators under its own criminal law.⁹⁰

Section 301 actions, however, may be harmful to the United States if they are used too broadly as a "strong-arm" tactic because they create unnecessary diplomatic tension with potential trade allies.⁹¹ For example, Super 301 would probably not be effective if used against a country such as Japan because the cost in overall trade relations would outweigh the benefit of a concession regarding copyright protection. For these reasons, enforcement through trade sanctions is a viable, but limited solution to curbing infringement worldwide.

III. THE CONTINUING PROBLEM OF ENFORCEMENT

Although current treaties and lobbying efforts for expanding copyright protection of U.S. films in the world market serve as a starting point, lost revenues continue to increase as foreign enforcement fails to defeat the pirates. The United States faces several barriers to effective foreign enforcement, including increasingly sophisticated electronics technology, limited extraterritorial jurisdiction over infringement action occurring abroad, and procedural constraints of foreign courts and tribunals.

A. Technology

United States studios release their films in a "sequential release schedule."⁹² This means the film is generally released in the domestic market at least six months prior to the international home video release.⁹³ If a copy of the film is pirated early in the distribution cycle, all subsequent markets are adversely affected.⁹⁴

In this regard, motion picture pirates utilize six major copying methods, including: (1) illegal duplication of theatrical prints;⁹⁵ (2) back-

⁸⁹ 7 Int'l Trade Rep. (BNA) 1768 (Nov. 21, 1990).

⁹⁰ *Id.* at 1645 (Oct. 31, 1990). The petition estimated that the alleged piracy in Thailand of U.S. videocassettes, audio cassettes, books and software was between \$700-100 million in 1990. *Id.* at 1768.

⁹¹ Comment, *supra* note 73, at 563; *Secretary of State Schultz Warns Nations of Pacific Against Economic Complacency*, 5 Int'l Trade Rep. (BNA) 1283 (Sept. 21, 1988).

⁹² MPAA/MPEAA, *Fact Sheet: Film and Video Piracy 1* (1989) [hereinafter *MPAA Fact Sheet*]. The industry describes the release schedule as the following "chain" of events: "Often [the sequential release schedule] includes a first exhibition in the U.S. theaters, followed by theaters in the international markets, the domestic home video market, pay cable and then network television and finally broadcast TV syndication." *Id.*

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ This method is restricted to large operations possessing sophisticated technology allowing infringement by an actual duplication of a film original to a new print.

to-back video copying;⁹⁶ (3) counterfeit labels and packaging of illegal videotapes;⁹⁷ (4) signal theft;⁹⁸ (5) unauthorized public performances;⁹⁹ (6) and parallel imports.¹⁰⁰ The most prevalent method in the United States is back-to-back copying of videocassettes.¹⁰¹ Here, a retailer obtains one legitimate copy and makes duplicates by connecting one VCR to another.¹⁰² With the advances in dual-deck VCRs, back-to-back copying will significantly increase.¹⁰³

In *Go-Video Inc. v. Akai Elec. Co., Ltd.*,¹⁰⁴ an American developer of dual-deck VCRs filed suit against a number of foreign manufacturers for trade and patent infringement alleging that they conspired to prevent marketing of dual-decks in the United States in violation of the Sherman Act.¹⁰⁵ *Go-Video* represents the potentially lucrative future of back-to-back pirating through the use of dual-decks.¹⁰⁶ Currently, the U.S. motion picture industry loses over \$100 million annually from this method at home, and over \$700 million worldwide.¹⁰⁷

Satellite piracy, a form of signal theft, is an especially acute problem abroad.¹⁰⁸ With satellite piracy, programs, not licensed in a particular

⁹⁶ Back-to-back copying is the fastest-growing area of individual, home piracy. Bollier, *supra* note 2, at 35. See also *infra* notes 101-03 and accompanying text.

⁹⁷ Counterfeit labelling predominates in the small video store arena, whereby a local merchant is able to duplicate and sell or rent a pirated version as an "original."

⁹⁸ Signal theft involves re-transmission of film and video broadcasts via satellite and cable interception.

⁹⁹ This form of piracy predominates in Taiwan where MTV booths are constructed to allow a small group of viewers to watch pirated films in relatively private surroundings.

¹⁰⁰ MPAA *Fact Sheet*, *supra* note 92, at 1.

¹⁰¹ Bollier, *supra* note 2, at 31. "In the United States it may be necessary to wait six months after [a movie's] theatrical debut. . . but visit a ramshackle video store in Ankara, Turkey, and chances are that an illicit cassette of a first-run blockbuster is available within weeks of its U.S. release." *Id.*

¹⁰² Bollier, *Video Dragnet*, VIDEO, Mar. 1988, at 49, 105 [hereinafter *Video Dragnet*].

¹⁰³ The availability of dual-deck VCRs will further enhance this piracy option. Hunt, *Home Tech Video: Revolutionary Dual-Deck VCR Headed to Marketplace*, L.A. Times, Jan. 12, 1990, at F28, col. 1 (home ed.).

¹⁰⁴ 885 F.2d 1406 (9th Cir. 1989).

¹⁰⁵ 15 U.S.C. § 1 (1976).

¹⁰⁶ 885 F.2d at 1406. In *Go-Video*, Judge Reinhardt of the Ninth Circuit Court of Appeals recognized that dual-deck technology

raise[s] the possibility of video "pirating" or "bootlegging" and have consequently been the source of some controversy among consumers, potential manufacturers and those who hold copyrights of material distributed on videocassette. Possibly as a result of this controversy, dual deck machines—manufactured under any patent—are not yet generally available in the United States. *Id.* See generally, Fisher, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1661, 1665-66, 1669-72 (1988); Comment, *The Home Use Videotaping Controversy: Fair Use or Fair Game?*, 49 BROOKLYN L. REV. 363, 394-98 (1983).

Id. at 1407 n.1.

¹⁰⁷ MPAA *Fact Sheet*, *supra* note 92, at 1.

¹⁰⁸ *Id.*

country, are intercepted by satellite dishes and re-transmitted via cable TV or network broadcast.¹⁰⁹ It is possible for international television viewers to watch an unreleased film months before it reaches their theaters. This type of piracy costs the United States \$320 million each year.¹¹⁰

Compounding the problem, rapid technological advancements have enabled even the least sophisticated pirate to produce remarkably clear copies at a relatively low cost.¹¹¹ Enforcement officials and pirates are engaged in an escalating technological war. For pirates, however, new technology is a double-edged sword since prevention and investigation techniques are also becoming increasingly refined and efficient.¹¹²

New prevention and enforcement technology include: (1) digital encryption encoding (DEC) of satellite signals which allows television networks to protect their affiliate feeds;¹¹³ (2) a Coded Anti-Piracy system (CAP)¹¹⁴ which identifies and tracks 35 mm theatrical prints;¹¹⁵ and (3) Macrovision,¹¹⁶ which encodes prerecorded videocassettes frustrating current duplication techniques.¹¹⁷ Although none of the above technologies is foolproof, these advancements do raise the threshold difficulty and expense of pirating copies.¹¹⁸ For the modern thief, however, the attraction of receiving free programming and motion picture transmission far outweighs the difficulty of finding or constructing decoding devices. Decoding pirates range from the basement handyman to mass-producers who are marketing such equipment in an increasingly open manner.¹¹⁹ For example, some 100,000 decoders were sold in a French-speaking part of Switzerland, enabling viewers to receive the popular *French Canal Plus* channel.¹²⁰

In addition to incorporating technological deterrents, the nine major

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ See Smith, *Video Piracy—We're the Best!*, E.T.I., Sept. 18, 1989 (Australian trade magazine); ANNENBERG REPORT, *supra* note 8, at 10.

¹¹² *Video Dragnet*, *supra* note 102, at 50.

¹¹³ DEC enables broadcasters to track the signals transmitted via satellite to earth stations worldwide. This technology is mostly utilized by national broadcasters who have an interest in tracing the ultimate destinations of programming fed through satellites.

¹¹⁴ CAP technology allows a film producer to encode a film print, thereby giving it a personalized "fingerprint." This code becomes a permanent record on the print and can not be removed without destroying the film itself.

¹¹⁵ 35 mm is the standard size of films produced by the major U.S. production studios.

¹¹⁶ Bollier, *supra* note 2, at 35. See also *infra* note 193 and accompanying text.

¹¹⁷ ANNENBERG REPORT, *supra* note 8, at 33.

¹¹⁸ Bierbaum, *Video Pirates Out on the Gangplank MPAA-Assisted Raids Gain in '88*, VARIETY Jan. 3, 1989, at 3; Nix interview, *supra* note 7.

¹¹⁹ Chaubeau, *The Unlawful Decoding of Encrypted Television Signals and the Protection of Authors and Producers of Audiovisual Works*, 12 COPYRIGHT 368 (1990).

¹²⁰ *Id.*

U.S. studios¹²¹ belong to a private investigatory force known as the Film Security Office (FSO). The FSO, which operates on a \$15 million budget, monitors piracy operations worldwide.¹²² Although FSO has no official authority, it does conduct preliminary investigations and promote better security practices in the industry through the publication of newsletters reflecting the current trends of technology and enforcement.¹²³ The FSO also reports its findings to the USTR, the Federal Bureau of Investigations (the FBI), and customs officials, thereby facilitating additional apprehension of international pirating operations.

B. Evidentiary and Procedural Obstacles

Domestic enforcement of U.S. film copyright relies on the search and seizure of illegal duplications by the FBI.¹²⁴ Internationally, enforcement is tremendously difficult.¹²⁵ Since U.S. copyright laws do not have an extra-territorial effect,¹²⁶ even in countries that are parties to copyright treaties,¹²⁷ enforcement must be coordinated within a country's own legal system.¹²⁸ Such a constraint presents a myriad of evidentiary and procedural obstacles.¹²⁹

Economically, developing countries would eventually benefit from stricter enforcement of copyright and intellectual property laws.¹³⁰

¹²¹ These studios include: Columbia Pictures Industries, Inc., De Laurentis Entertainment Group, Inc., the Walt Disney Co., MGM/UA Communications Co., Orion Pictures Co., Paramount Pictures Corp., Twentieth Century Fox Film Corp., Universal City Studios, Inc., and Warner Bros., Inc.

¹²² Bollier, *supra* note 2, at 31.

¹²³ *Id.* at 34.

¹²⁴ The MPAA has a U.S. anti-piracy operation which has investigated some 10,000 cases of piracy and assisted in over 1,000 raids. These raids have resulted in a seizure of almost 300,000 illegal videocassettes and 32,000 film prints. In addition, the MPAA estimates that over 520 criminal convictions have been obtained with resulting damage awards totaling well over \$2 million. MPAA *Fact Sheet*, *supra* note 92, at 2.

¹²⁵ Nix interview, *supra* note 7.

¹²⁶ *Ferris v. Frohman*, 223 U.S. 424 (1911); *Peter Starr Prod. Co. v. Twin Continental Films*, 783 F.2d 1440, 1442 (9th Cir. 1986); *Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345 (N.D. Cal. 1987). Before any federal district court will confer jurisdiction over an infringement action, the plaintiff must allege that the subject matter is actionable, at least in part, in the United States. *Peter Starr*, 783 F.2d at 1442. However, when part of the profits derived from the infringement occurred abroad, the plaintiff can recover through a constructive trust. *Fantasy*, 664 F. Supp. at 1351. *See also*, 3 M. NIMMER, *supra* note 4, §§ 14.05 & 17.03.

A federal district court may also assume jurisdiction over a case where the plaintiff asserts a valid cause of action under the copyright laws of the foreign country and the court has personal jurisdiction over the defendant. *London Film Prod., Inc. v. Intercontinental Communications Inc.*, 580 F. Supp. 47 (S.D.N.Y. 1984). *See also* ANNENBERG REPORT, *supra* note 8, at 6.

¹²⁷ *See supra* note 5 and accompanying text.

¹²⁸ ANNENBERG REPORT, *supra* note 8, at 16.

¹²⁹ Nix interview, *supra* note 7.

¹³⁰ That developing countries can benefit from increased intellectual property protection ap-

However, many countries which are in their infancy with regard to manufacturing and technology have little domestic protection for copyright-holding nationals, let alone international protection. Even among developed countries, protection for artistic works varies.

For example, the USTR currently lists Brazil as a priority country under Section 301.¹³¹ The USTR has also instituted Section 301 actions against Brazil for copyright infringement.¹³² The United States maintains a bilateral treaty for copyright protection with Brazil,¹³³ and Brazil does adhere to the major multilateral copyright conventions, including Berne,¹³⁴ the Universal Copyright Convention,¹³⁵ and the Buenos Aires

pears to be an oxymoron. As Richard Rapp and Richard Rozek argue, however, such protection offers both benefits and detriments to a developing country's economy:

1. On the benefit side, there is a causal linkage between economic modernization and the presence of efficient property rights, including intellectual property rights. Efficient property rights equate private and social rates of return, thereby providing incentives for economic actors (individuals and firms) to engage in protection and enforcement against infringement, prevent free-riding on private innovation. Because innovation is the well-spring of economic development, modernizing economies benefit from intellectual property protection. While these benefits may be more difficult to realize in economies that are underdeveloped and static, it is certain that more advanced economies need to encourage technological change—both indigenous and imported—in order to create self-reinforcing cycles of growth in productivity and human welfare.

2. On the cost side, the fear of high prices arising from patent protection is based on a mistaken view of how competition works. The basic fallacy is that patents necessarily convey market power. In fact, although patents allow innovators to capture gains from their innovation, these gains may take the form of foothold access to well-populated, competitive markets which permit sellers to do no more than charge competitive prices and earn competitive returns, including the returns to innovation. There are, to be sure, cases where an innovation represents so drastic a departure from the status quo that an entirely new market is created and prices and profits are high. Such cases are very rare. Far more common is the case of "leapfrog" or dynamic competition wherein technological progress occurs by modest accretions to the store of knowledge and technique in competitive markets: a product or process improvement begets a small competitive advantage. The innovator has a choice; it can price the product at or near the prevailing price of close substitutes and make an easy entry into the market (by dint of its competitive advantage), or it can charge a premium for the patented characteristic and enter in a slower, smaller way (because of the higher price). Either way, consumers benefit from greater choice and more competition.

Rapp & Rozek, *Benefits and Costs of Intellectual Property Protection*, 5 J. WORLD TRADE 75, 101-02 (1990).

¹³¹ See *supra* note 79.

¹³² IIPA REPORT, *supra* note 47, at 12.

¹³³ Agreement Providing for Reciprocal Copyright Protection of Literary, Artistic, and Scientific Works, Apr. 2, 1957, 8 U.S.T. 427, 290 U.N.T.S. 119.

¹³⁴ Berlin Convention, 1908, Decrees No. 4541 of Feb. 9, 1922 and No. 15.530 of June 21, 1922 (*Diario Oficial*, Feb. 8, 1922 and June 29, 1922).

¹³⁵ As adopted in Geneva in 1952: UNESCO, *Copyright Bulletin*, vol. XII, no. 2, at 247 (1959); As revised in Paris on July 24, 1971: UNESCO, *Copyright Bulletin*, vol. IX, no. 4, at 3 (1975).

Convention,¹³⁶ however, Brazil does not adequately enforce its own domestic copyright legislation.¹³⁷

The Brazilian Law on the Rights of Authors and Other Provisions (LRA)¹³⁸ has designated the National Copyright Counsel (the NCC) as the body responsible "for supervision, advice and assistance with respect to copyright and the rights related to it."¹³⁹ The NCC is required, in part, to

decide on, direct, coordinate and supervise the measures necessary for the correct application of the laws and international conventions ratified by Brazil concerning copyrights related to it . . . [and to] supervise the strict and faithful compliance of producers of videophonograms and phonograms, publishers and copyright associations with their obligations towards the owners of authors' and performers' rights and effect, at the latter's request, all the necessary verifications, including audits and inspections of accounts. . . .¹⁴⁰

The LRA vests broad authority in the NCC, and the United States continues to rely on the NCC's enforcement of Brazilian copyright obligations.¹⁴¹

The LRA also provides strict sanctions for Brazilian copyright infringers:¹⁴²

Any person who prints a literary, artistic or scientific work without the authorization of the author shall surrender to the latter such copies as are seized and shall pay him for the remainder of the edition the price at which it was sold or at which it is evaluated . . . If the number of copies constituting the unlawful edition is not known, the guilty party shall pay the value of two thousand copies in addition to the copies seized.¹⁴³

Criminal penalties provide a maximum of four years imprisonment and a fine of over \$120,000.¹⁴⁴ Although the LRA provisions appear to promulgate prevention and enforcement of foreign copyright infringement in

¹³⁶ Pan American Copyright Convention (Buenos Aires), Aug. 11, 1910, 38 Stat. 1785, T.S. No. 593, 155 L.N.T.S. 179. Brazil approved the convention by Decree No. 2881 of Nov. 9, 1914, and promulgated the convention by Decree No. 11.588 of May 19, 1915.

¹³⁷ IIPA REPORT, *supra* note 47, at 12. "[V]ideo and software piracy remains high. . . principally due both to the difficulty in getting Brazilian enforcement authorities to effectively prosecute violators, and to the low level of penalties imposed." *Id.*

¹³⁸ Brazil, C.C., Law No. 5988 of Dec. 14, 1973, *reprinted in* COPYRIGHT L. & T. WORLD (Supp. 1987-88).

¹³⁹ *Id.* art. 116.

¹⁴⁰ *Id.* arts. 117(i)-(ix).

¹⁴¹ IIPA REPORT, *supra* note 47, at 15-16.

¹⁴² Brazil, C.C., Law No. 5988, arts. 122-34.

¹⁴³ *Id.* art. 122.

¹⁴⁴ Penalties for Infringement of Copyright, C.P., Law No. 2.848 of Dec. 7, 1940, as amended by Law No. 6895 of Dec. 17, 1980, arts. 184-86.

Brazil, the United States has experienced reluctance on the part of Brazilian officials to enforce the statutory provisions.¹⁴⁵ As a result, the IIPA recommends that the United States use further Section 301 proceedings to compel Brazil to improve enforcement of its laws.¹⁴⁶ However, as stated above, the dynamics surrounding Section 301, regarding the costs and benefits of threatening trade sanctions to a potential trade ally, might decrease the effectiveness of this tactic. In the meantime, U.S. losses from Brazilian film and video piracy amount to \$17 million each year.¹⁴⁷

While the copyright law in Brazil is drafted to provide for enforcement, the original copyright statute in the Republic of Korea¹⁴⁸ does not, in itself, provide a sufficient enforcement statement.¹⁴⁹ In 1987, the KCS included a broad exclusion for infringement of works already published: "The reproduction of a work already published by means of one of the following methods shall not be deemed to infringe on the copyright: . . . Providing a phonograph record or magnetic tape for use in a public performance or broadcast."¹⁵⁰ Although most countries, including the United States, have provisions for "fair use"¹⁵¹ of copyrighted works, this provision severely restricted protection for foreign, as well as domestic copyright holders in Korea, because it is liberally drafted without exception.¹⁵²

In July 1987, Korea did enact a new copyright law, partly as a result of pressure from the United States under a Section 301 action.¹⁵³ Under the new copyright law, Korea agreed to adhere to the Universal Copyright¹⁵⁴ and Geneva Phonograms Conventions,¹⁵⁵ to intensify its performance law with respect to movies and phonograms,¹⁵⁶ and to expand

¹⁴⁵ IIPA REPORT, *supra* note 47, at 15.

¹⁴⁶ *Id.* at 16.

¹⁴⁷ *Id.* at 12.

¹⁴⁸ Copyright Law, No. 432, ch. 1 (Jan. 28, 1957)[hereinafter KCS].

¹⁴⁹ IIPA REPORT, *supra* note 47, at 36.

¹⁵⁰ KCS, *supra* note 148, arts. 64(1)-(8).

¹⁵¹ The doctrine of "fair use" implies a consent by an author for republication of his works to promote discussion or criticism of the work itself or encourage the advancement of new ideas. In *Tennessee Fabricating Co. v. Moultrie Mfg. Co.*, the Fifth Circuit Court of Appeals stated that fair use depends on a variety of factors including: "(1) The nature and purpose of the respective works; (2) The quantity and importance of the portions taken; (3) The relation of the portions used to the respective works of which they are a part; [and] (4) The impact of the use of these portions upon the demand for the copyrighted publication." 421 F.2d 279, 283-84 (5th Cir. 1970).

¹⁵² KCS, *supra* note 148, arts. 64(1)-(8).

¹⁵³ Copyright Act of 1986, No. 3916, Dec. 31, 1986. IIPA REPORT, *supra* note 47, at 36. See also *supra* notes 83-86 and accompanying text.

¹⁵⁴ As adopted in Geneva in 1952: UNESCO, *Copyright Bulletin*, vol. XXI, no. 2, at 4 (1987). As revised at Paris on July 24, 1971: UNESCO, *Copyright Bulletin*, vol. XXI, no. 4, at 6 (1987).

¹⁵⁵ UNESCO, *Copyright Bulletin*, vol. XXI, no. 3, at 6 (1987).

¹⁵⁶ IIPA REPORT, *supra* note 47, at 36.

coverage to computer programs published between 1982 and 1987.¹⁵⁷ The 1987 enactment, however, contains extensive gaps: (1) no regulation on retransmission rights via cable or satellite television;¹⁵⁸ (2) absence of videocassettes from the category of phonorecords under Article 94 protection;¹⁵⁹ (3) no protection for works produced prior to October 1, 1987;¹⁶⁰ and (4) no provision for making possession of infringing works for the purpose of trade a crime.¹⁶¹ Although not explicitly stated in the new law, these gaps fail to provide countries such as the United States, which produce the majority of imported records and videocassettes into South Korea, any additional protection than previously granted by the old copyright statute.

Besides the drafting and enforcement shortcomings found in Korean copyright law, several countries have enacted copyright legislation riddled with procedural formalities. In 1985, the PRC passed a copyright law offering greater protection of works created after 1975.¹⁶² However, procedural formalities thwart both United States and the PRC citizens' attempts to enforce their rights.¹⁶³ These formalities include: (1) requiring plaintiffs to post a bond to cover court costs; (2) reluctance to enforce U.S. judgments in the PRC; (3) issuing censorship certificates to pirates; and (4) failure to monitor pirates' use of forged documents which impedes claims made by rightful owners.¹⁶⁴ While these formalities arguably might effectively allow the PRC to monitor internal infringement actions, U.S. officials suggest that such formalities are both unnecessary and burdensome.¹⁶⁵

¹⁵⁷ Computer Program Protection Act, No. 3920, Dec. 31, 1986.

¹⁵⁸ 1987 Act, *supra* note 88. See also IIPA REPORT, *supra* note 47, at 42.

¹⁵⁹ *Id.* at 43.

¹⁶⁰ *Id.* at 36.

¹⁶¹ *Id.* at 42.

¹⁶² *Id.* at 87.

¹⁶³ *Id.* at 93.

¹⁶⁴ *Id.* The IIPA recommends that the following four practices in Taiwan be eliminated: (1) the requirement that the plaintiff post a bond of up to four percent of the claim to cover court costs; (2) the lengthy, complex and expensive process for enforcing the U.S. court judgments in Taiwan; (3) the prohibition against plaintiffs proceeding in infringement actions on the basis of a general power of attorney, since the current requirement that a specific defendant be named in each power of attorney prevents quick action against infringers, and is wholly unnecessary; and (4) the requirement that court papers and affidavits be "consularized" by a CCNAA [Coordinating Committee for North American Affairs] office in the United States.

Id.

¹⁶⁵ *Id.*

IV. REDRESS AND DAMAGES

A. Domestic

The United States has national legislation against intellectual property piracy under the Copyright Act of 1976.¹⁶⁶ This Act provides comprehensive protection and redress in the U.S. courts.¹⁶⁷ Under the Act, both civil and criminal actions may be brought against infringers.¹⁶⁸ The Act was amended in 1982, substantially increasing penalties for illegal duplication of copyrighted works.¹⁶⁹ Copyright Act infringement cases are rarely litigated. The FBI investigates the claim, the plaintiff seeks a cease and desist order, and the pirating operation usually pays its fine without objection.¹⁷⁰

If the plaintiff does litigate her claim, she must first obtain an *ex parte* writ of seizure¹⁷¹ from a federal district court.¹⁷² FBI investigators then send a U.S. Marshall to seize the pirated tapes, conduct an on-site search of the premises, and assess the amount of damages.¹⁷³ To prevail in an infringement action, the plaintiff must prove three elements: (1) ownership of the copyright in issue, (2) copying by the defendant, and (3) damages.¹⁷⁴

(1) Ownership

Under section 410(c) of the Copyright Act of 1976, "in any judicial proceeding the certificate of registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of copyright and of the facts stated in the certificate."¹⁷⁵ This means that where the plaintiff is the author of the work, the mere introduction of the registration certificate into evidence will presumptively establish that she is the owner of the copyright and that the copy-

¹⁶⁶ See *supra* note 40.

¹⁶⁷ Copyright Act of 1976, 17 U.S.C. § 106 *et. seq.* (1982 & Supp. IV 1986).

¹⁶⁸ *Id.* The Communications Act of 1984 and its subsequent amendments provide penalties and remedies comparable to the Copyright Act of 1976 against satellite and cable TV pirates.

¹⁶⁹ Piracy and Counterfeiting Amendments Act of 1982, P.L. No. 97-180 (May 24, 1982). The act provides: "(a) whoever. . . knowingly traffics in a counterfeit label affixed or designed to be affixed to a phonorecord, or to a copy of a motion picture, or an audiovisual work, shall be fined not more than \$250,000 or imprisoned for not more than five years, or both." *Id.* § 2318.

¹⁷⁰ Telephone interview with Judy Denenholz, Vice-President, Domestic and International Anti-Piracy, Walt Disney Co. (Feb. 2, 1990) [hereinafter Denenholz interview].

¹⁷¹ An *ex parte* writ of seizure is a court order enabling an officer of the law to unilaterally take into custody real or personal property. BLACK'S LAW DICTIONARY 1359 (6th ed. 1990).

¹⁷² Telephone interview with John Leonard, Chicago counsel for the MPAA (Feb. 2, 1990) [hereinafter Leonard interview].

¹⁷³ *Id.*

¹⁷⁴ BOORSTYN, *supra* note 31, § 10:10, at 288.

¹⁷⁵ 17 U.S.C. § 410(c) (Supp. 1991).

right itself is valid.¹⁷⁶ When the plaintiff is not the author, but rather an exclusive licensee or transferee, as in most motion picture cases, the plaintiff must also establish a valid chain of title, or standing to sue, and produce the license agreement which was properly recorded in the Copyright Office.¹⁷⁷

(2) Copying

Once the plaintiff has proven ownership, she must then establish that the defendant copied her work. Since direct evidence of copying is usually not available,¹⁷⁸ courts have established that if the plaintiff can show the defendant had access to her work and the defendant's work is substantially similar to the plaintiff's work, then copying is presumed.¹⁷⁹

(3) Damages

After the plaintiff has met her burden of proof concerning infringement, she is entitled to damages. Specifically, section 504(a) of the 1976 Copyright Act provides that the plaintiff may elect to receive either "(1) the copyright owner's actual damages and any profits of the infringer. . . or (2) statutory damages."¹⁸⁰ The plaintiff may also be entitled to injunctive relief in the form of preliminary or permanent injunctions, or temporary restraining orders.¹⁸¹

¹⁷⁶ *Arica Inst. v. Palmer*, 761 F. Supp. 1056 (S.D.N.Y. 1991); *Midway Mfg. Co. v. Bandai-America, Inc.*, 546 F. Supp. 125 (D. N.J. 1982). See also, BOORSTYN, *supra* note 31, § 10:11, at 288-89.

¹⁷⁷ BOORSTYN, *supra* note 31, § 10:11, at 289.

¹⁷⁸ *Id.* § 10:12, at 289.

¹⁷⁹ Most courts find that the plaintiff has met her burden of proving "access" if she proves that the defendant had a "reasonable opportunity" to see or hear the plaintiff's work. *Arica*, 761 F. Supp. at 1056; *Pellegrino v. American Greetings Corp.*, 592 F. Supp. 459 (D. S.D. 1984), *aff'd without op.* 760 F.2d 272 (8th Cir.); *Kamar Int'l, Inc. v. Russ Berrie & Co.*, 657 F.2d 1059 (9th Cir. 1981). See also BOORSTYN, *supra* note 31, § 10:13, at 290.

A less accepted, more restrictive view suggests that the defendant must actually have viewed the material in issue to satisfy the access requirement. *Meta-Film Assoc., Inc. v. MCA, Inc.*, 586 F. Supp. 1346 (C.D. Cal 1984) (where the defendant, Stephen King, had no access to plaintiff's work based on "corporate receipt" because King was not in a relationship with the plaintiff corporation).

To prove the "substantial similarity" element, the plaintiff faces the seemingly insurmountable obstacle of proving how similar is similar? Therefore, courts have adopted the "ordinary observer or audience" test. See *v. Durang*, 711 F.2d 141 (9th Cir. 1983); *O'Neill v. Dell Pub. Co.*, 630 F.2d 685 (1st Cir. 1980); *Durham Indus. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980).

¹⁸⁰ 17 U.S.C. § 504(a)(1) & (2) (Supp. 1991). Establishing actual damages is often difficult for the plaintiff, therefore courts have historically allowed expert testimony on the value of the plaintiff's work in a particular market and on whether the defendant's infringing work competes in the same market. *Lottie Joplin Thomas Tr. v. Crown Pub., Inc.*, 592 F.2d 651 (2d Cir. 1978); *Alouf v. Expansion Prod., Inc.*, 417 F.2d 767 (2d Cir. 1969); *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947). See also, BOORSTYN, *supra* note 31, § 10:15, at 300-02.

¹⁸¹ BOORSTYN, *supra* note 31, §§ 10:18-20, at 306-09.

B. Abroad

Abroad, the United States must rely on diplomacy and the judicial system of the country involved.¹⁸² Thus, a U.S. film company is inherently more vulnerable outside its own territory. In 1987, pirating of U.S. motion pictures in Spain was nearly 100 percent.¹⁸³ Spanish copyright law simply did not adequately deter potential pirates.¹⁸⁴ After extensive lobbying efforts, the United States began alleviating the problem by convincing the Spanish government to change its copyright law.¹⁸⁵ With these changes in place, in December 1988, the rate of piracy had substantially decreased.¹⁸⁶ However, lobbying efforts are inherently slow and cannot keep pace with the rapidly changing technology inherent in the electronic media industry.

On the other hand, in Israel, statutory damages are allowed as proof of actual damages by law.¹⁸⁷ This procedure is beneficial for U.S. copyright holders for two reasons: (1) since the amount of infringement is determined by statute in the civil case, proof of actual damages in the criminal proceeding is expedited; and (2) the judicial process is simplified because the statute creates a clearly defined standard for penalties.¹⁸⁸

V. CONCLUSION

Faced with the seemingly insurmountable obstacle of protecting creative works produced in the United States and distributed in the international marketplace, organizations such as the MPAA and the MPEAA, as well as trade-based umbrella organizations such as the IIPA,¹⁸⁹ have consistently lobbied Congress to strengthen both copyright protection standards and the penalties for infringement.¹⁹⁰

These intellectual property advocates agree that the most effective means of combating all forms of international piracy is through increased lobbying efforts in countries where gaps between copyright law and enforcement exist.¹⁹¹ Although the amounts lost from international piracy seem staggering, officials see a positive trend in those countries which have been persuaded to clarify legislation and to increase penalties.¹⁹²

¹⁸² Nix interview, *supra* note 6.

¹⁸³ ANNENBERG REPORT, *supra* note 8.

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ IIPA REPORT, *supra* note 47, at iii. The Alliance represents 1600 companies who collectively generated in excess of \$270 billion in revenues in 1988. *Id.* at i.

¹⁹⁰ Nix interview, *supra* note 7.

¹⁹¹ IIPA REPORT, *supra* note 47; ANNENBERG REPORT, *supra* note 8.

¹⁹² Nix interview, *supra* note 7; IIPA REPORT, *supra* note 47.

However, lobbying is an inherently slow process and, by itself, can not adequately disrupt the rapidly expanding pirated videotape marketplace.

With the advancements of Macrovision¹⁹³ and microchip technology,¹⁹⁴ the United States should consider broader implementation of electronic combative technology. Although, the greatest potential for enforcement of a legitimate videotape market is through lobbying efforts at the governmental level, these efforts will have little or no effect on the vast numbers of black market pirates.

Given the current lack of interest by foreign officials in the confiscation and prosecution of pirating operations in developing countries such as the PRC, the U.S. film industry should subsidize research to advance electronic protection. For example, a system might be developed whereby an electronic strip is integrated into original film and videocassette tape much like an additional soundtrack, thus rendering the originals immune from second-hand copying except through certified machines. Of course the industry must weigh the benefits of such technology against the cost of creating and marketing it.

Once the United States has successfully lobbied the IIPA "priority" countries, officials should continue to hold out for stiffer penalties abroad. Especially in developing countries such as Singapore and the PRC, even the strongest diplomacy will not deter piracy where a significant profit potential remains. Therefore, the prosecution of foreign pirates must include penalties strong enough to send a ripple through the underground markets.

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¹⁹³ Currently, Macrovision encodes videocassettes with signals that distort the sound and picture of reproductions. However, only VHS machines are susceptible. Therefore, the process is not one hundred percent effective. Bollier, *supra* note 2, at 35.

¹⁹⁴ See *supra* notes 114-18 and accompanying text.

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