

RECENT DEVELOPMENTS

SUBAFILMS, LTD. v. MGM-PATHE COMMUNICATIONS CO.: THE NINTH CIRCUIT ALLOWS DIRECT COPYRIGHT INFRINGERS TO ESCAPE LIABILITY

Subafilms, Ltd. through a joint venture with the Hearst Corp. created an animated motion picture called “Yellow Submarine” (Movie) featuring the musical group the Beatles in 1967.¹ Subafilms, Ltd. and the Hearst Corp. (Producers) properly registered their copyright to the movie. The Producers had an agreement with United Artists Corp. at the time whereby the Producers licensed United Artists to distribute the Movie in theaters and in television.² When home videotapes became popular in the 1980s, the holder of the licensing agreements to the Movie, United Artists’ successor company, MGM/UA (MGM), authorized third parties to distribute the Movie on videocassette worldwide, against the Producers’ objections.³ Consequently, the Producers brought suit for copyright infringement and prevailed before a retired California Superior Court judge acting as a special master.⁴ The special master reasoned that since MGM made an illegal authorization of copyright infringement from within the United States, MGM was a direct infringer according to the U.S. Copyright Act.⁵ The district court then adopted all of the special master’s findings, except one regarding prejudgment interest, and awarded the producers \$2,228,000, plus attorney’s fees, and a permanent injunction.⁶ A panel of the Ninth Circuit Court of Appeals affirmed the district court’s judgment, and concluded that there is an actionable Copyright Act infringement claim exists if illegal authorization for international showings of the Movie takes place within the United States.⁷ On a rehearing en banc, the court reversed the panel’s findings, and *held* that authorization of the infringing distribution abroad is not actionable under U.S. copyright laws because the acts abroad are not

1. *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1089 (9th Cir.), *cert. denied*, 115 S. Ct. 512 (1994).

2. *Id.*

3. *Id.*

4. *Id.* at 1089.

5. *Id.*

6. *Subafilms*, 24 F.3d. at 1089.

7. *Id.*

illegal under those laws.⁸ *Subafilms, Ltd. v. MGM-Pathe Comm. Co.*, 24 F.3d 1088 (1994).

The applicable sections of the U.S. Copyright Act are those that address authorization and distribution rights. The U.S. Copyright Act⁹ provides that the copyright owner has the exclusive right to authorize the distribution of any and all copies of the copyrighted material.¹⁰ Anyone who unlawfully distributes copyrighted material, and anyone who authorizes such acts, is a direct copyright infringer and is liable under U.S. law.¹¹ Direct U.S. copyright infringers may be sued in U.S. courts if they commit the unlawful act within the United States. However, U.S. courts will lack jurisdiction over infringers who act exclusively outside the United States because U.S. copyright laws generally do not apply extraterritorially.¹²

Although U.S. copyright laws generally do not have extraterritorial effect, there are exceptions. U.S. copyright laws may be enforced extraterritorially if the original work is produced domestically and the type of infringement is one that would permit further reproduction abroad.¹³ Courts have allowed actions for these kinds of infringements

8. *Id.*

9. 17 U.S.C.A. §§ 101-810 (West 1977 & Supp. 1995).

10. 17 U.S.C.A. § 106(1)-(5) (West 1977 & Supp. 1995) in relevant part, states:
Subject to sections 107-120, the owner of copyright under this title has the exclusive right to do and authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based on the copyrighted work;

(3) to distribute copies or phonorecords of copyrighted work to the public by sale or other transfer of ownership or by rental, lease or lending;

(4) in the case of . . . musical works . . . and motion pictures . . . to perform the copyrighted work publicly;

(5) in the case of . . . musical works . . . and individual images of motion pictures, to display the copyrighted work publicly.

11. 17 U.S.C.A. § 501 (West Supp. 1995).

12. *See American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 355-57 (1909) (Holmes, J.); *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (9th Cir.), *cert. denied*, 429 U.S. 848 (1976); *Capital Records, Inc. v. Mercury Records, Corp.*, 221 F.2d 657, 662 (2d Cir. 1955); *see also* 3 MELVILLE B. NIMMER & DAVID B. NIMMER, NIMMER ON COPYRIGHT § 17.02.

13. *See Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940). A type of infringement that permits further reproduction abroad is that which may be continually reproduced from any transcription or record thereof. *Famous Music Corp. v. Seeco*

by reasoning that someone abroad should not be able to appropriate property that would not have been legally available to them in the United States.¹⁴

The copyright holder in an infringement action generally has the option of recovering either statutory damages or lost profits.¹⁵ Statutory damages are those provided for by statute that impose a minimum amount of \$500 for each copyright infringement.¹⁶ Pursuing statutory damages may be preferable to a plaintiff where the infringer made little or no profits from the infringement, or may be imposed *sue sponte* by the court. If there is an infringement abroad, then the plaintiff may be able to recover restitution under a constructive trust, but may not seek statutory damages.¹⁷ A constructive trust allows the plaintiff to recover any profits that the extraterritorial infringer derives from the infringing acts.¹⁸ However, only profits from infringements abroad that permit further reproduction are made part of the trust.¹⁹ This is logical because only these kinds of foreign infringements are actionable in the United States.²⁰ The profits accumulate in trust with the copyright holder as the beneficiary.²¹ Constructive trusts are applied automatically to any infringement that occurs within the United States.²² However, a constructive trust is only applied abroad when any of the infringing acts take place within the United States.²³ Thus, when a constructive trust applies to an infringement entirely abroad, the plaintiff would not enjoy

Records, Inc., 201 F. Supp. 560, 569-70 (S.D.N.Y. 1961). An example of such a type of infringement would be unauthorized copies of a cassette tape or a videotape which are easily recorded and reproduced. *Id.* A live performance of a copyrighted play would not fall under this type of infringement. *Robert Stigwood*, 530 F.2d at 1101.

14. *See, e.g.*, Update Art, 843 F.2d at 72-73.

15. There are actually three different computations of damages available to the plaintiff under 17 U.S.C. § 504: (1) actual profits that the copyright owner lost; (2) profits that the infringer made; and (3) "in lieu of" damages which give the judge discretion to award damages of at least \$500 per infringement. *See Robert Stigwood*, 530 F.2d at 1101.

16. 17 U.S.C. § 504(b) (West, Supp. 1992).

17. NIMMER & NIMMER, *supra* note 12, § 14.05 (citing *Sheldon*, 106 F.2d at 45).

18. *Id.* § 14.05, § 17.03.

19. *Regents of Univ. of Minn. v. Applied Innovations, Inc.*, 685 F. Supp. 698, 711 (D. Minn. 1987).

20. *See supra* note 13.

21. *See Sheldon v. Metro-Goldwyn*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940) (copyright owners have an immediate interest in any profits made from exploitation abroad of their U.S. copyright, and thus those profits are "imposed with a constructive trust").

22. *Id.*

23. NIMMER & NIMMER, *supra* note 12, § 14.05.

the option of pursuing statutory damages that are available for copyright infringers wholly within the United States.²⁴

In cases regarding a U.S. copyright infringement abroad, there is a question whether a claim of copyright infringement may be properly brought when only the authorization for the infringement occurred in the United States and the substantive infringement (usually through reproduction or distribution) occurred completely abroad. Moreover, the kind of infringement that occurs abroad, as well as its origination point, is a critical factor when determining whether or not to extend the reach of U.S. copyright law.²⁵ An action may lie for foreign infringement of a U.S. copyright if the kind of infringement permits further exploitation abroad.

Long-standing jurisprudence provides that U.S. copyright laws do not apply extraterritorially.²⁶ One exception to this doctrine applies if the infringing work is produced in the United States as well as abroad.²⁷ In *Robert Stigwood Group, Ltd. v. O'Reilly*,²⁸ the Ninth Circuit Court of Appeals stated that "it is only when the type of infringement permits further reproduction abroad that its exploitation abroad becomes the subject of a constructive trust,"²⁹ and may then be alleged in a U.S. copyright infringement suit.³⁰ In *Robert Stigwood*, infringing live performances of the rock opera "Jesus Christ Superstar" in Canada were not actionable under U.S. copyright law because live performances were not the type of infringements that permit further reproduction in Canada.³¹ Since the foreign infringements could not be continually

24. Copyright infringers may be liable for a minimum \$250 per infringement. 17 U.S.C. § 101(b). See *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096, 1099, 1105 (9th Cir.), cert. denied, 429 U.S. 848 (1976) (damages measured not by amount of profit infringers derived from infringements within United States, but by statutory minimum of \$250 per infringement). In *Robert Stigwood*, because there were 27 copyrighted songs in each of two infringing performances, the court entered judgment for \$13,500. *Id.* at 1105.

25. *Id.* at 1099, 1105.

26. See, e.g., *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909); *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91 (2d Cir. 1981); *Robert Stigwood*, 530 F.2d 1096; *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940).

27. NIMMER & NIMMER, *supra* note 12, § 17.02.

28. *Robert Stigwood*, 530 F.2d at 1096.

29. *Id.* at 1101.

30. *Id.*

31. *Id.*

reproduced, as a recording or a book could be, the claim for the profits made in Canada did not lie.³²

The Ninth Circuit broadened the scope of liability for illegal authorizations in *Peter Starr Production Co. v. Twin Continental Films, Inc.*³³ Under the rule established by *Peter Starr*, anyone who authorizes the use of copyrighted material without the permission of the copyright owner is a direct infringer, liable under U.S. copyright laws.³⁴ The court reasoned that since “authorization” is an exclusive, enumerated right of the copyright owner, anyone violating that right is a direct infringer,³⁵ as long as the illegal authorization occurred in the United States. It does not matter where the actual infringement took place.³⁶ The defendant in *Peter Starr* was held to be a copyright infringer for signing a document in Los Angeles that authorized a third party to distribute a film in the United Kingdom and Sweden, without the permission of the film’s copyright owner.³⁷ The court deemed the unlawful authorization itself part of the infringement.³⁸ Because the unlawful authorization of the infringing action took place within the United States, the infringement did not take place *entirely* outside the United States.³⁹ Furthermore, because the act did not take place entirely outside the United States, the court determined that they were not improperly applying U.S. copyright law extraterritorially.⁴⁰

The rule in *Peter Starr* manifested itself in various situations and several subsequent decisions, and soon became established federal jurisprudence. In *Thomas v. Pansy Ellen Products, Inc.*,⁴¹ for example, an agent for the defendant authorized a foreign manufacturer to reproduce a copyrighted design owned by the plaintiff. A North Carolina district court found that the unlawful authorization itself was the commencement of the infringement.⁴² The court reasoned that if the designs were first shown, and the agent’s authorization took place, this was sufficient to

32. *Id.*

33. 783 F.2d 1440 (9th Cir. 1986).

34. *Id.* at 1441.

35. *Id.* at 1442 (citing 17 U.S.C. § 106 (1)-(5)).

36. *Id.* at 1443.

37. *Id.*

38. *Peter Starr*, 783 F.2d at 1443.

39. *Id.* at 1442-43.

40. *Id.*

41. 672 F. Supp. 237 (W.D.N.C. 1987).

42. *Id.* at 241 (citing 17 U.S.C. § 412).

establish a cognizable claim within the United States under U.S. copyright law.⁴³ The court rejected defendants' arguments that there was no authorization within the United States because they did not sign any agreement unlawfully conveying authority, circumstances similar to what occurred in *Peter Starr*.⁴⁴ Instead, the court interpreted authorization broadly, and stated "[i]t is not necessary that a contract be executed in order for an infringing authorization to occur."⁴⁵

Similarly, in *Update Art, Inc. v. Modiin Publishing, Ltd.*,⁴⁶ the Second Circuit Court of Appeals found that the predicate act of illegal reproduction of a copyrighted poster occurred in the United States while the distribution of the infringing work took place in Israel.⁴⁷ The court determined that there was an exception to the principle that U.S. copyright laws do not apply extraterritorially because it was the type of infringement that allows further reproduction abroad.⁴⁸ Since the predicate act to the infringement abroad took place within the United States, namely the reproduction, then an action against the Israeli distributors of the infringing poster would be properly brought under U.S. copyright law.⁴⁹

The *Peter Starr* rule that mere authorization of infringement is itself an act of copyright infringement, not only applies to individuals but to corporations as well. In the case of corporations, vicarious liability for copyright infringement may attach to the parent company if a subsidiary is found to be an infringer.⁵⁰ Because the parent company essentially authorizes the subsidiary when it has the ability to supervise the infringing activity and has a financial interest in the infringement, vicarious liability is appropriate.⁵¹ Such was the case in *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*,⁵² where MGM's subsidiary company, the MGM Grand Hotel, infringed a copyright in a performance it sponsored. The *Frank Music* court found a continuing relationship between the parent

43. *Id.*

44. *Thomas*, 672 F. Supp. at 241.

45. *Id.*

46. 843 F.2d 67 (2d Cir. 1988).

47. *Id.* at 73.

48. *Id.*

49. *Id.*

50. *See Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

51. *Id.*

52. 886 F.2d 1545 (9th Cir. 1989), *cert. denied*, 494 U.S. 1017 (1990).

and subsidiary regarding the infringement, thus establishing vicarious liability on the part of the parent as an authorizer.⁵³ However, in the same year as *Frank Music*, some federal courts began moving in a different direction and narrowly interpreted infringement by mere authorization.⁵⁴ Federal courts declined to follow the *Peter Starr* reasoning to wholly domestic application of the Copyright Act.

The decision in *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.*,⁵⁵ was the first case after *Peter Starr* to hold that the authorizing party could only be liable under U.S. copyright law if the authorized party infringed the copyright. In *Columbia Pictures*, a hotel that authorized its guests to view copyrighted movies was not engaged in unlawful activity because the court found that the movie showings were not public performances and therefore did not violate U.S. copyright law.⁵⁶ Although there was no issue of foreign infringement, it was significant that the Ninth Circuit examined the lawfulness of the alleged infringement first to determine the lawfulness of the authorization.⁵⁷

In *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*,⁵⁸ the Ninth Circuit refused to find the creators of a video-altering device liable for copyright infringement. There, Nintendo alleged derivative copyright⁵⁹ infringement when Lewis Galoob Toys (Galoob) created the "Game Genie," a device that altered video games characters in Nintendo's video games.⁶⁰ Nintendo attempted to characterize Galoob as the authorizer of the players of the game to infringe Nintendo's derivative copyright.⁶¹ The court rejected that view and found that since the individuals using Game Genie were not violating U.S. copyright law,

53. *Id.* at 1553.

54. *See* *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (9th Cir. 1992); *Columbia Pictures Indus., Inc. v. Professional Real Estate, Inc.*, 866 F.2d 278 (9th Cir. 1989).

55. 866 F.2d 278.

56. *Id.*

57. *Id.*

58. 964 F.2d 965.

59. Derivative work is defined in 17 U.S.C. § 101 (West Supp. 1995) as a work "based upon one or more preexisting works . . . in which a work may be recast, transformed or adopted. A work consisting of . . . modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'" *Id.* Derivative works are the property of the original copyright holder under 17 U.S.C.A. § 106(2).

60. *Lewis Galoob Toys*, 964 F.2d at 967.

61. *Id.* at 967.

Galoob could not be engaging in illegal authorization.⁶² The court stated, “[a]lthough infringement by authorization is a direct infringement, a party cannot authorize another party to infringe a copyright unless the authorized conduct itself would be unlawful.”⁶³

The noted court was the first to apply the reasoning of *Columbia Pictures* and *Lewis Galoob Toys* to the authorization of foreign infringements, thus overruling *Peter Starr*. The court began by critiquing the prior broad reading of the U.S. Copyright Act⁶⁴ by the *Peter Starr* court. It agreed with the *Peter Starr* court that U.S. copyright laws do not have extraterritorial effect, but declined to find an action for authorized acts abroad that would be illegal if committed in the United States.⁶⁵ Instead, the court merely asked if the infringement abroad is illegal under U.S. copyright laws.⁶⁶ The purpose of this inquiry was to determine if there was a direct infringement.⁶⁷ The court reasoned that since U.S. copyright laws do not apply in foreign countries, infringements therein are not illegal under U.S. Copyright law.⁶⁸ Consequently, the acts abroad were not direct infringements of the U.S. Copyright Act, and thus lawful.⁶⁹ Following the prior Ninth Circuit holding in *Galoob*, which refused to impose liability for authorizing an act that itself is lawful, the court found no violation of U.S. copyright law.⁷⁰

The court further noted that *Peter Starr* failed to recognize that when an infringing act occurs solely because of an authorization, the infringement is a form of third party liability that requires the acts themselves to be infringing ones.⁷¹ The court explained that in cases with third party liability, there could only be a direct action against the

62. *Id.* at 970.

63. *Id.*

64. See 17 U.S.C.A. § 106 (1)-(5).

65. *Subafilms, Ltd. v. MGM-Pathe Comm. Co.*, 24 F.3d 1088, 1090, 1094 (9th Cir.), *cert. denied*, 115 S. Ct. 512 (1994).

66. *Id.* at 1090-91.

67. *Id.* at 1092-94.

68. *Id.* at 1091-92.

69. *Id.* at 1090-91.

70. *Subafilms*, 24 F.3d at 1093.

71. *Id.* at 1093. For a discussion advancing the notion that there must be direct infringement for an action to lie, see generally Alfred P. Ewert & Irah H. Donner, *Will the New Information Superhighway Create “Super” Problems For Software Engineers? Contributory Infringement of Patented or Copyrighted Software-Related Applications*, 4 ALB. L.J. SCI. & TECH. 155 (1994).

third party and not against the authorizer.⁷² The authorizer is merely a contributory infringer.⁷³ Therefore the copyright owner cannot directly sue the authorizer.⁷⁴

The Producers attempted to sway the court by relying on the opinions in *Robert Stigwood* and *Update Art* which provide for extraterritorial application of U.S. copyright laws when the type of infringement abroad allows the infringement to continue.⁷⁵ The court discarded this argument by distinguishing the noted case.⁷⁶ In the cases cited by the Producers, there was a substantive act of copyright infringement within the United States in addition to the authorization of acts abroad.⁷⁷ In the noted case, the only act within the United States was the authorization.⁷⁸ After determining that domestic authorization alone is not itself a substantive infringement, the court declined to apply U.S. copyright law extraterritorially.⁷⁹

Congressional intent for acceding to the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) was persuasive to the noted court. Congress was clear that it intended for foreign copyright laws to be relied upon more heavily in cases of infringement abroad.⁸⁰ By analyzing congressional intent,⁸¹ the court found strict adherence to the doctrine limiting U.S. jurisdiction to its own territory to be appropriate.⁸² This principle has been consistently upheld in American jurisprudence.⁸³ The single exception provided by Congress involves works actually distributed within the United States and not mere authorization.⁸⁴

72. *Subafilms*, 24 F.3d at 1093 (quoting NIMMER & NIMMER, *supra* note 12, § 12.04(A)(3)(b) (footnotes omitted)).

73. *Id.* at 1093.

74. *Id.* at 1093-94.

75. *Id.* at 1093-95.

76. *Id.* at 1095.

77. *Id.* at 1093.

78. *Id.* at 1089.

79. *Id.* at 1094-95.

80. *Id.* at 1097 (citing H.R. Rep. No. 609, 100th Cong., 2d Sess. 18-20, 43; S. Rep. 352, 100th Cong., 2d Sess. 2-5, *reprinted in* 1988 U.S.C.A.N., 3706, 3707-10).

81. *Id.*

82. *Id.* at 1098 (quoting *EEOC v. Arabian American Oil Co. (Aramco)*, 499 U.S. 244, 248 (1991)).

83. *Id.* at 1095-96 (citing *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908)); *Capitol Records, Inc. v. Mercury Records, Corp.*, 221 F.2d 657, 662 (2d Cir. 1955).

84. *Subafilms*, 24 F.3d at 1096 (citing 17 U.S.C.A. § 602(a) (West Supp. 1992)).

The court further stated that applying U.S. copyright law outside the United States may also be viewed abroad as a lack of faith in foreign copyright laws and “contrary to the spirit of the Berne Convention,”⁸⁵ that the law of the nation in which infringement takes place should apply.⁸⁶ Respect for territoriality, the principle of comity between the legal systems of foreign nations, and concern for preventing international discord regarding intellectual property were among the reasons cited by the court to decline extraterritorial application of U.S. copyright law.⁸⁷

The implications of the holding in *Subafilms* are potentially devastating to the owner of a U.S. copyright. In deciding *Subafilms*, the Ninth Circuit has denied justice to the U.S. copyright holder, misconstrued U.S. copyright law, and failed to recognize traditional notions of equity.

The noted court misapplied prior jurisprudence by relying heavily upon the reasoning in both *Lewis Galoob Toys* and *Columbia Pictures* which declined to hold the alleged authorizers of infringement liable.⁸⁸ Those cases involved acts wholly within the United States. There was no question of extraterritoriality regarding the application of U.S. copyright law as there was in the noted case. Thus, those cases were not on point factually with the noted case and, therefore, their reasoning was inapplicable.

In addition, the noted court failed to find on the side of equity. In both *Lewis Galoob Toys* and *Columbia Pictures*, the defendants were acquitted not only because they did not violate U.S. copyright law, but because it was the equitable solution. On the other hand, the court’s holding that MGM’s behavior did not violate U.S. law was not the equitable solution. There was no question that if any of the acts authorized by MGM occurred within the United States instead of solely abroad, the Producers would have an action against MGM. The noted court drew a line between what is inequitable and what is actionable under U.S. copyright law. However, in the interest of fairness, such a

85. Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), Sept. 9, 1886, 102 Stat. 2853, 828 U.N.T.S. 221 (1972) (amended 1988). For a summary of the Berne Convention and the history preceding its adoption by the United States in 1989, see Orrin G. Hatch, *Better Late Than Never: Implementation of the 1886 Berne Convention*, 22 CORNELL INT’L L.J. 171 (1989).

86. Berne Convention, *supra* note 85, art. V.

87. *Subafilms*, 24 F.3d at 1096.

88. *Id.* at 1090-92.

distinction should not be made. What is inequitable regarding copyright infringement should be actionable under U.S. copyright law. The decision to decline to find liability was a close one and the court should have considered the equities more thoroughly when it made that decision. With a strict construction of the U.S. Copyright Act, and the support of years of jurisprudence, the Ninth Circuit could have easily enforced the Producers' copyright. Instead, it limited that right. Of course, where there is no jurisdiction, there can be no remedy, but in a case so closely balanced as the noted one, the court would have been more fair to find on the side of equity rather than on the side of injustice. In the least, the court could have at least allowed the matter to be tried; then the plaintiff would still have the burden of proving infringement.

Secondly, the noted court relied heavily on its assertion that the infringement in *Peter Starr* was contributory.⁸⁹ Contributory infringement is a form of third party liability that requires the authorized acts to be infringing ones.⁹⁰ Lacking that, the court maintained that there could be no direct infringement action against the authorizer.⁹¹ It appears, however, that U.S. law provides for direct infringer liability for anyone authorizing such activity.⁹² The U.S. Copyright Act plainly states that the copyright owner has the exclusive right to authorize any distribution of copies of the protected work.⁹³ If anyone violates that exclusive right, that person is a direct infringer of the U.S. Copyright Act.⁹⁴ In fact, the very case on which the *Subafilms* court relied, *Lewis Galoob Toys*, clearly conceded that infringement by authorization is a form of direct infringement.⁹⁵ It appears as if the noted court conveniently disregarded the language in *Lewis Galoob Toys* that was inconvenient and applied the language that was supportive. Therefore, under the noted case, MGM should be properly characterized not only as a contributory infringer, but also as a direct infringer. Once MGM is characterized as a direct U.S. copyright infringer, a U.S. court would have jurisdiction to hear an action against MGM.

89. *Id.* at 1091-92.

90. *Id.* at 1093.

91. 17 U.S.C. § 106.

92. *Id.*

93. *Id.*

94. 17 U.S.C.A. § 504(a).

95. *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 970 (9th Cir. 1992).

By allowing a direct infringer to escape liability, the court's decision in the noted case effectively permits conversion and embezzlement. Parties within the United States have the potential now to authorize any foreign party to violate U.S. copyright law, collect revenues therefrom, and still evade accountability. This behavior was not allowed under the previous rule and should not be tolerated in the interest of justice.

In most situations, however, copyright owners are not without remedy. What the Ninth Circuit denied copyright owners directly, may still be acquired through a back door. The copyright owner may have an action abroad. If any of the infringements abroad occurred in a country that is a member of the Berne Convention,⁹⁶ the U.S. copyright owner may pursue both the infringers and their U.S.-based authorizer under that member country's respective copyright laws. The Berne Convention provides that if a work is protected under one member's copyright laws, then it is assumed to be protected under every member's individual laws.⁹⁷ Assuming that most members' copyright laws provide authorization to be an exclusive right of the copyright owner, the U.S. copyright owner may bring an action against the U.S.-based authorizer in the foreign forum. Applying this principle to the facts of the noted case, the Producers could obtain a judgment against MGM from a foreign tribunal, bring it back to the United States, and ask a U.S. court to enforce it.

Thus, the Ninth Circuit's new rule would not prohibit the copyright owner from exercising his or her rights completely, but it does make the exercise of those rights more difficult, costly, and inefficient. It is ironic that in such a case a U.S. copyright holder is forced to rely not on a U.S. court, but on a foreign tribunal to protect his property rights.

While the Ninth Circuit's current rule regarding liability for authorization of foreign copyright infringements has cursory jurisprudential support, strong equitable arguments against the rule and the lack of any direct statutory support may forecast its demise. The court's fear of an unfavorable international opinion is unfounded because enforcement of the *Peter Starr* rule would have permitted the court to allow an action against an individual within U.S. boundaries. It would not have been an extraterritorial application of U.S. copyright law because

96. See Berne Convention, *supra* note 85.

97. *Id.*

no one is attempting to bring an action in the United States against the foreign infringer. Other Berne Convention members did not characterize the *Peter Starr* rule as a lack of trust by the United States in their copyright laws, merely allowed U.S. courts to find an action against an individual over which it has both personal and subject matter jurisdiction. It should not matter where the infringement occurred; it should only matter that it was an infringement of rights. Appropriating what is not one's property should be actionable in U.S. courts.

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