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COPYRIGHT'S LONG ARM: ENFORCING U.S. COPYRIGHTS ABROAD[†]

*Paul Goldstein, Moderator**
*Lawrence Hadley, Panelist***
*David Kendall, Panelist****
*Carl Oppedahl, Panelist*****
*Rufus Pichler, Panelist******

MR. GOLDSTEIN: I am delighted to be moderating this panel on “Copyright’s, Long Arm: Enforcing Copyrights Abroad.” When the SLATA organizers proposed this topic as one of the topics for today’s conference, I told them, Jim in particular, that I could not think of a more important issue facing copyright today, domestically or internationally. I believe that statement even more so today than I did a few months ago when I made it to Jim. As important though as this narrow topic is, dealing with copyright long arm jurisdiction and enforcing copyrights abroad, it ramifies into three equally important and more general issues. I would just like by the way of introduction to say a word on each. First, the field that this issue occupies is not just the field of jurisdiction, but rather the more general field of what the Europeans call “private international law.” Specifically, in this case, questions of territoriality. The question not only of the extent to which one country can allow a private party to haul a citizen of another country into that country’s courts and adjudicate that person’s rights, but also the question of the extent to which one nation can impose its intellectual property norms on conduct that occurs in other countries. Other questions that arise and that I think will be alluded to in

[†] On March 15, 2003, the Stanford Law and Technology Association (SLATA) presented a symposium on creating and protecting intellectual property in the international arena, or “Ideas Without Boundaries.” The following is an edited version of the transcript from the conference panel and discussion. More information about SLATA and its conferences can be found at <http://slata.stanford.edu>.

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the course of panel discussion today involve questions of choice of law: what law does apply to particular forms of infringement and choice of forum? What fora are open and what fora might be closed to certain intellectual property causes of action? The second point, at which the narrow topic ramifies, is that really we are talking not just about copyright and the Internet, although that will be the focus of discussion this afternoon. But copyright and the Internet are, I think, harbingers of issues, some of which are already facing us, but others of which will loom very large in the coming years. The question of domain names also is very much with us and is a function, of course, of the Internet. We are going to see trademark law raising issues of the sort that are being discussed today. And, once you get off the Internet, but within the context of a globalized economy, we are going to find that patents raise exactly the same kinds of issues of jurisdiction, territoriality, enforcement, and applicable law. The third point and last point at which the specific topic ramifies is that although the way the topic for the panel's discussions has been phrased is, "To what extent can U.S. law, U.S. intellectual property, be enforced respecting conduct abroad?" I think that the topic really is not just about U.S. content or U.S. content owners seeking to protect their products. The United States was a net intellectual property importer in the nineteenth century. It became the world's preeminent intellectual property exporter in the twentieth century, and it may well become a net intellectual property importer again in the twenty-first century. Compare the numbers on video game sales, which have outstripped DVD and video cassette sales, and consider that their country of origin is not necessarily the United States. This is, I think, a good moment in our history to reflect on the capacities of other nations to support and sustain flourishing intellectual property industries.

Your organizers have chosen our panel extremely well and I am grateful to the panelists for coming to Stanford today to speak with us. You have their biographies and so I am not going to take any time to relate those, but I would like to welcome them in the order in which they will be speaking. First, Rufus Pichler, who will be providing an overview of these private international law issues. He will be followed by Larry Hadley and David Kendall, focusing on the *Kazaa*¹ litigation as an example of the kinds of issues we are talking about—a case study—and enlarging from that. Carl Oppedahl, who will be looking at these issues from the point of view of

1. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 243 F. Supp. 2d 1073 (C.D. Cal. 2003).

users, the so-called “intellectual property underdogs,” those who may perceive that they have been over-reached upon by intellectual property content owners. Each has agreed to speak for fifteen minutes and we will take them consecutively. That should leave us about one-half hour for Q-and-A. I understand that you are a lively group in terms of having questions—I do not know about answers—but having lots of questions, and so we will hope to have plenty of time for that at the close. But why don't we start, Rufus, with you?

MR. PICHLER: Thank you very much, I am happy to be here. As Paul indicated, I am going to offer an overview of some of the issues regarding jurisdiction, applicable law and enforcement in this context—the context of cross-border enforcement of judgments or of intellectual property rights. But I am going to focus on judgments in the context where infringement originates abroad and infringes rights in the U.S. Obviously, you can turn this scenario around, you know, infringement could originate in the U.S., or in any other country, and infringe rights in other countries, and I will touch upon these issues while I go. I will take this in three steps. The first being, if you want to enforce intellectual property rights, the first choice you have to make is if you bring a lawsuit, where you want to bring it? Do you want to bring it locally in the United States, or do you want to go to a foreign country to bring a lawsuit there, or maybe the country where the infringement originates? Secondly, once you have obtained a judgment, can you enforce the judgment locally in the U.S. or do you have to go abroad and have it recognized and enforced? Thirdly, if you find that enforcement in a foreign country is too cumbersome, you may want to focus on other potential defendants that may be local, that may be in the U.S. I am just going to note some developments or tendencies where this is happening in this context.

On the first point, obtaining a judgment, obviously, the first choice is do you bring an action in the U.S., or do you bring it abroad? I am going to focus on bringing an action in the U.S. and then trying to either enforce it locally or abroad. [Regarding] the first issue, personal jurisdiction and subject matter jurisdiction of U.S. courts, I am not going to go into details of personal jurisdiction. I believe that is probably going to be addressed in the course of the panel, but just two issues to think about. In this context it is not only about finding a U.S. court that will have personal jurisdiction over the matter, but keep in mind in this context that it may be important to, at this stage, already, look at where you will have to enforce the judgment. Because, almost universally, one of the requirements for enforcement and recognition of foreign judgments is that the court rendering the judgment

has jurisdiction according to the rules of the court recognizing the judgment over their subject matter. So if you seek a court that exercises exorbitant jurisdiction, or jurisdiction that is deemed excessive in other countries, it will be very problematic to have this judgment enforced in other countries.

The second choice you likely make is what sort of relief are you seeking. Are you seeking preliminary relief, a TRO or preliminary injunction, or are you seeking a permanent injunction to stop the infringing conduct, and/or are you seeking damages? In each of these three cases, different issues arise with respect to international enforcement of judgments.

First, on the preliminary injunctions, temporary restraining order, as a general matter, it would be very difficult if not impossible to have a preliminary judgment enforced in any other country. There is a strong opposition to enforcing preliminary measures or preliminary judgments because there has been no full trial on the merits, so that will be the likely choice only if you have an opportunity to locally enforce that preliminary measure. For example, because the defendant, although it may be located in a foreign country, operates a server in the U.S. on which files are stored, for example. A permanent injunction, the issue arising there and being discussed is that of the so-called cross border injunction or extraterritorial injunction. And, as Paul indicated, the background to this is that intellectual property rights are territorial in nature so if I allege infringement of a copyright in the U.S., this is limited to the U.S. The U.S. law does not apply extraterritorially and the infringement, or a conduct, may be an infringement in the U.S., but not in another country. So if I seek an injunction in the U.S., for example, against a foreign-based provider of a peer-to-peer file sharing system, or a party that is involved in a peer-to-peer file sharing system, all I could do under U.S. law is to have this party enjoined from infringing in the United States, under U.S. law.

Obviously, U.S. courts are not precluded from applying foreign law in the same case. So, if the provider is located outside the U.S., and I want a cross border injunction—I wanted to preclude him from operating the service from wherever the provider is located—the court would likely have to apply foreign law to enjoin that party from doing what the party does in a foreign country. And the issue there obviously is the outcome may be different. The conduct may constitute an infringement in the U.S., like in the Kazaa scenario that we will be discussing later, may constitute infringement here, for example, in the form of contributory infringement, but it may not in another country because the rules on contributory

infringement are different. In the Kazaa case,² for example, the Kazaa entity has been found not to infringe contributorally in the Netherlands, and I believe that the outcome would be similar under German law, basically because the courts find that what Kazaa does is closer to what Sony did in the Betamax case.³ Just providing a device, or a software in this case, that has substantial amount of infringing use, and has no control of what happens later—closer to that—than to the Napster⁴ or Aimster⁵ scenario that has been decided in the U.S., where the courts found there is substantial control over what the users do with the stuff. So depending on what the outcome is under the applicable, possibly multiple applicable laws, you may or may not get an injunction that is broader than, or that covers more than the territory of the U.S. Of course, on a practical level, it may well be that the only way that a foreign provider can comply with an injunction that enjoins him from doing what the provider does in the United States is to shut the service down completely, just because it may not be possible to zone or target or exclude only U.S. users in the Internet context. That is, by the way, what Yahoo⁶ found and I do not know how many are familiar with the Yahoo case. That was also the issue in the Yahoo case, which was not a copyright case, but a similar issue where Yahoo was ruled in France to violate local laws and the practical effect of the French judgment was that they would have had to shut down the service for the entire world.⁷ But that is not a legal consequence, that is only the consequence on the practical implementation of how you want to or can comply with the judgment.

If you seek damages there are similar issues. Will a U.S. court award damages for infringement occurring abroad, or will it limit the damages to the financial consequences that occur in the U.S.? [U]nder U.S. law, U.S. courts may award damages under U.S. copyright law if a local infringing act enables further exploitation abroad. That is likely, I believe, not the scenario in the case we are talking about, because there is not a local infringement that will then enable further exploitation abroad, but is rather

2. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003) (summary judgment motion granted with regard to contributory and vicarious infringement in favor of Grokster and StreamCast Networks, Inc., distributors of peer-to-peer software employed by Kazaa users).

3. *Sony Corp. of America v. Universal City Studios, Inc.* 464 U.S. 417 (1984).

4. *A&M Records, Inc., v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002).

5. *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003).

6. *Yahoo!, Inc., v. La Ligue contre Le Racisme et L'Antisemitisme*, 169 F. Supp. 2d 1181 (N.D. Cal. 2001).

7. *Id.*

providing a service from abroad that infringes in the U.S., but that will not enable further infringement outside the U.S. So, again, if the court wants to award damages for possible infringement outside the U.S., it will have to apply the respective foreign laws and again the outcome may be different, the conduct may not constitute infringement at the place where the service is provided, for example, or in other places where the service can be accessed.

Moving to the issue of recognition and enforcement. So, this assumes that you have obtained a judgment in the U.S. and the scope of this judgment may vary depending on these issues I just briefly raised. The second step would be enforcing the judgment, unless of course the defendant voluntarily complies with the judgment, which, especially when larger companies are involved, may be the case, because there may be negative other impacts for not complying with a judgment in the U.S. even though it may not legally be enforceable in other countries. But assuming you will have to enforce the judgment because the defendant does not voluntarily comply, first you will have to look at whether you can enforce the judgment locally, maybe because the other party has local assets, or do you have to go and enforce the judgment abroad? Another preliminary issue is related to the type of remedy that you sought. How is the judgment enforced? If it is a damages award, obviously you want to get hold of assets satisfying your award. If it is a preliminary injunction, there may be different measures, for example, removing material from a server or blocking a specific service or Internet address, etcetera. So, with respect to whatever it is that the judgment says, you may have to take different measures to enforce the judgment. If it is a permanent injunction also likely noncompliance will trigger contempt of court proceedings or similar remedies in other countries, fines or penalties, and possibly if the fines are not paid, even a threat of imprisonment.

Looking at whether you can enforce a judgment locally, often a party that operates offshore is not as offshore as it seems at first sight. Often you will be able to find some local assets. Just by way of example—by the way, assets of the company and possibly not only the company, but the directors or officers of the company, under a theory if you can pierce a corporate veil, for example—if the whole corporate structure is a sham and the officers are really based in the United States and just set up a foreign corporation or foreign entity to avoid exposure. So you may want to look at both of these scenarios, either assets of the company, or assets of individuals that are in the company. Those may be monetary assets, but it may also be other assets which are often overlooked, for example,

intellectual property rights. The company may have patents registered in the United States or in another country where you want to enforce the judgment. It may have trademarks registered here and all these assets may be subject to attachment. It may have domain names registered in the U.S. or in another country where you may enforce the judgment. It may have interest, stocks or shares or rights to receive revenue from local affiliates or other companies. It may have claims against customers or business partners or advertisers in the U.S. So all these are possible assets that you might want to seek out if you want to enforce the judgment locally. The other thing to take into consideration is that even though the company may not have assets in the country where you obtained the judgment, it may have assets in a country that is very likely to enforce and recognize the judgment. For example, in the European Union, under the Brussels regulation dealing with jurisdiction and recognition and enforcement, any other member state of the European Union is required to give full faith and credit to a judgment from another member state. So, even without review of whether the court of origin has jurisdiction over the matter, the judgment will have to be enforced. So basically, if you have assets anywhere in Europe, and the plaintiff is able to obtain a judgment in a European Union state, then the assets all over Europe are subject to enforcement under that judgment. And again this includes all the assets I mentioned, specifically intellectual property rights or patents, or trademarks, or domain names.

Other issues to consider, as the defendant in the action, you may not only want to look at the status quo, but also may want to look to the future, whether you need the mobility to either move assets to other countries, and you may find yourself restricted by doing that if there is an outstanding judgment in such country. Or, if you are limited in your personal mobility, just because there may be fines or penalties or possible imprisonment if you are traveling to countries—which is often an incentive for companies, even though they do operate offshore, to comply with judgments just because they find themselves too restricted in their future business operations.

Regarding the prospects of recognition and enforcement, if you will actually have to go to a foreign country, just quickly, the requirements that are generally tested by foreign courts, or whether the court of origin had jurisdiction to either matter, and that is obviously often an issue in these cases. To the extent, for example, that the U.S. court exercised jurisdiction based on the minimum contacts that it found, that other courts hold to be excessive, you are unlikely to have your judgment recognized in other countries.

Other requirements are proper service and fair proceedings which may or may not be an issue. Proper service may be an issue especially in preliminary injunctions when those are ex-parte injunctions, for example, those are unlikely to be enforced or it may be an issue if you just cannot find an address to serve process on a foreign provider. Thirdly, no violation of public policy that, for example, came up in the Yahoo case where Yahoo sought a declaratory judgment in the U.S., that the French order is not enforceable because it violates U.S. foreign policy.⁸ The court agreed with Yahoo based on a free speech argument, that complying with the French order and shutting down that service would be a violation of the free speech rights in the United States and, thus, be a violation of public policy here.⁹ So the French order stands as it is in France but is not enforceable in the United States. And, as long as Yahoo does not have assets in France, or as long as directors of Yahoo do not travel there, they may be fine for now, but nobody knows what happens in the future.

The third issue, and I think I am close to the end, to the extent that it is difficult to enforce judgments abroad, or to enforce your intellectual property rights abroad, what you can increasingly observe is that parties just focus on different potential defendants. They may not want to go and sue the provider of an infringing service in Tuvalu just because they find it too difficult to find local assets or to enforce a judgment abroad,¹⁰ but they may want to focus on local parties that they might be able to sue in the same matter. And some of the potential parties are obviously users of the service, people that download or share files, and use the software to do that. Increasingly, other intermediaries like Internet service providers, payment providers, credit card companies, employers, and universities are often targeted to try and shut down use of their networks and facilities for these infringing activities. You may want to look at ICANN [Internet Corporation for Assigned Names and Numbers] domain name registers and domain name registries and registrars, to maybe strip a domain name from a party that is based offshore and you may look to business partners, advertisers, maybe even investors in the foreign companies. So, I believe that is a shift that we see more and more frequently: that, to the extent enforcement of your rights in an offshore infringement context becomes more difficult, plaintiffs tend to focus on local parties, on local defendants.

MR. GOLDSTEIN: Thank you very much Rufus. I would like to

8. *Yahoo!, Inc.*, 169 F. Supp. 2d 1181.

9. *Id.*

10. Tuvalu is located in Oceania, and consists of nine small islands in the South Pacific Ocean, about one-half of the way from Hawaii to Australia.

turn now to Larry Hadley. We will start the Kazaa discussion.

MR. HADLEY: I am sure that some of you are familiar with the ongoing litigation involving, what I describe, as the legality of the peer-to-peer software that is distributed by a number of companies under various names, both here and abroad. I currently represent one of those companies, Sharman Networks, in their legal sense, in the action that was brought by the recording industry, the movie studios and the publishers. Mr. Kendall, to my left, represents the movie studio plaintiffs in that action. Since that is ongoing litigation, my remarks are going to be limited to my own personal views of the case. I did not really intend to come as a representative of Sharman and debate the merits of that litigation. That will happen in court. But, in fact, I was kind of pleased to see that, in the description of who my client is, that it at least said they were the distributor of the Kazaa peer-to-peer software. I had a feeling that, if Mr. Kendall got a hold of the participant list, you would have seen something like that I represented “the illegal file sharing service that is the mother of all pirates.” But that being said, I would be happy to give my views about the case during the question and answer period, and answer any questions that I can about it.

The topic that we have today is certainly not as weighty as the topic that we had during the lunch session. Although, if you apply the twenty year look back standard, I have a feeling that twenty years from now, our children will look back and say, “what was all the fuss about?” just like we might look back today and say what was all the fuss about player pianos, photocopy machines, and even the Betamax machine. I also think, though, that the case itself, and the issue in general, really raises some fascinating legal questions. Unlike Professor Goldstein, I think that the topic is extremely broad and that the legal issues that are raised, not only by the litigation itself, but by the overall question of enforcing copyrights in the type of international environment that we exist in today, with the technology that we have today, is an extremely broad topic and that there are really no easy answers for some of the questions that are raised. I think the first speaker, Rufus, only served to highlight the breadth given the number of issues that he went over in detail. What I did intend to do with the topic in mind was maybe just fill in a little bit of some of the granularity of the outline that Rufus covered.

I think that with respect to the case involving peer-to-peer software, or even all of the cases involving it, one of the most fascinating issues that is raised is really who should decide these issues? Whether it should be political branches; if so, what political branches? Whether it should be the

judicial branches? And, if it is the political or the judicial branches, then where, which branch is the most appropriate and what location is the most appropriate to decide these issues? I think that most of them have been decided in courts, and they will probably continue to be decided in courts, although there is both domestic and international legislation that is being proposed and pending. Twenty years from now, we may ultimately see legislative solutions to some of the questions that are being posed right now and, from my standpoint, I think that may very well be the best solution. In terms of enforcement in courts though, as Rufus mentioned, the first question is what court do you look to? Clearly, copyrights can be enforced in both U.S. courts and in foreign courts or foreign jurisdictions. The United States is party to international treaties that allow for the enforcement of copyrights abroad depending on what countries are signatory to those conventions and when the copyrights were obtained or published. Examples are the Berne Convention¹¹ and the Universal Copyright Convention.¹² I think that enforcement overseas often depends on who the target of the enforcement action is, and the legal theory of enforcement and the nature of the alleged infringing activity. Some of those issues will determine whether it is in the copyright holder's interest to pursue an answer to some of these legal questions overseas or to do it here. And to some extent it will also depend on the nature of the action that is being challenged and again the technology involved.

To take a simple example, if somebody is making bootleg CDs or cassettes overseas and distributing them into the United States, if you have a clearly identifiable maker and distributor in a country that is a signatory to, for example, the Berne Convention, in most instances, it will be much easier to pursue that person overseas, especially if they do not have assets in the U.S., other than perhaps the material that is being imported into the U.S., in which case you may be able to get some sort of injunction against the material itself and stop the import.¹³ On the other hand, if your goal was to stop the technology that was being used to make the bootleg CDs, then that may raise some more complicated legal issues that may make enforcement overseas more difficult. I think that so far what we have seen in this area as newer technologies and different technologies cross paths with copyright laws, is an attempt to resolve these in United States courts.

11. Berne Convention, Sept. 9, 1886, 1 B.D.I.E.L. 715,
<http://www.wipo.int/clea/docs/en/wo/wo001en.htm>.

12. Universal Copyright Convention, July 24, 1971, 25 U.S.T. 1341,
<http://www.unesco.org/culture/laws/copyright/images/copyrightconvention.rtf>.

13. Berne Convention, *supra* note 11.

In my experience, there are three major reasons why you see enforcement in U.S. courts more than you would see them overseas, at least right now. One is that at least the holders of the U.S. copyrights have counsel that they are comfortable with that they work with on a daily basis, and when they go into court, particularly dealing with issues that may be somewhat novel, they are more comfortable using counsel that they use on a day-to-day basis that they trust and that they are familiar with. I think it is only natural to want to bring the action in a place where they can have counsel that they are familiar with and they are comfortable with. Another factor that I think plays into initially enforcing or trying to enforce in the United States is the fact that the United States has a much more developed body of law in the area. It has courts that are more predictable, perhaps, than courts overseas. And then, finally, I think that just the expense factor plays into it. It is probably, more often than not, more expensive to bring a case overseas and it raises sort of the unknown factor to a large extent. If the action is brought in the United States, as Rufus mentioned, I think that there are three issues that will come up in every case, particularly over when the target or the defendant is a foreign entity: one is personal jurisdiction, the second is the reach of the U.S. copyright laws over the foreign entities, and that is really another way of talking about subject matter jurisdiction, and then the final issue of course will be enforcement if you are successful.

We have had, in the case that is pending, most recent proceedings involving personal and jurisdiction over our client, Sharman Networks, which is a Vanuatu corporation¹⁴ that does business in Australia and makes the software at issue available on servers in Denmark, and that has raised a lot of issues on the personal jurisdiction side that were resolved against us in a recent opinion by the district court in Los Angeles.¹⁵ In looking at the personal jurisdiction issues, though, I think that the district court's opinion does have some implications both for U.S. holders of copyrights, U.S. publishers, and foreign entities as well. I think it will be interesting to see how these standards continue to evolve over time and whether this particular decision is followed and to what extent.

The standards for personal jurisdiction have been around for a long time. They have been very well developed and, just as a general sense, if a foreign entity is either doing business in the United States, directs somebody else to do business in the United States, then typically that entity

14. Vanuatu is located in Oceania. It is a Y-shaped chain of four main islands and eighty smaller islands with the terrain mainly mountains of volcanic origin.

15. *Metro-Goldwyn-Mayer Studios, Inc.*, 243 F. Supp.2d 1073.

will be subject to U.S. jurisdiction. But in the case involving Sharman, there was really more to it than that, and it was not just the matter of technology being different. In my view, the standards that have been around for a long time have been applied over the course of that time to new and different technologies. Every time a new technology comes up, often times you will see cases involving personal jurisdiction, everything from telephone solicitations to computers, to even the fact that travel is easier. But I think that, in the district court's opinion in the jurisdictional challenge that Sharman faced, the court came up with a couple of things that is, as I said, may need to be revisited as we go forward.

Let me just give you a couple of examples. The court's opinion found that on the purposeful availment test, that there was jurisdiction for basically three reasons. The first reason that the court cited was that two million or so California residents had probably downloaded the software from the servers that Sharman maintained in Denmark and were using the software. The problem that I see with that is that there was really no more purposeful availment by people in California downloading the software than if the two million California residents flew to Denmark and purchased the software. Another problem with that test is that it kind of put an undefined numbers factor on a personal jurisdiction or purposeful availment test without any real standards. So, in other words, will there now be some sort of test that if you have a million people using software or downloading information from a website, will that give rise to jurisdiction, or is it something less? And it also, looking at just the numbers, it will subject companies posting information available for downloading on a website, whether it be software or anything else, subject to jurisdiction any place where that information is popular.

Another factor that the court looked at, that I think can create some problems, is that the court said that the software indirectly generates revenue for Sharman. The problem with that analysis, just looking at the revenue side of things or the commercial aspect of what is made available on a website, is that it does not take into account how the content of the web site ends up with the end user or the receiver. It does not take into account exactly how the commercialization takes place, or whether the end user is the entity or the person who is paying the revenue, and in this case it is not the end users of the peer-to-peer software that pay the revenue, it is advertisers that may or may not have been located in California. It just was not a factor in the court's opinion.

The third thing that court said is that the users have to agree to what essentially is known as a click-wrap license in order to install the software

and that was a reason to have personal jurisdiction. The problem with that is the court did not consider where that license was formed. I would contend that the license is really formed in Australia or Denmark and that it is no different than if somebody, two million California residents again, got in airplanes or whatever and flew to Australia and entered into licenses there. Under those circumstances, I do not think there would be much debate that Sharman would not have been subject to personal jurisdiction in California. Also, the opinion did not take into account the terms of the license, or whether the license itself had anything to do with the conduct that was at issue in the case and, in fact, the license agreement at issue was designed to tell people, in part, that they should only use the software for legal purposes.

The same can be said of the effects test that the court looked at. The court essentially said that the effects test would apply also because of two reasons: one, the users of software were infringing copyrights, or at least allegedly infringing copyrights, and that Sharman was aware at least constructively, if not actually, that this was going on, and that the copyrights were held mostly by California based companies. The problem that I see there is that it essentially reads the intent element of vicarious copyright infringement out of the cause of action. The court basically substituted knowledge for intent. And, in my view, knowledge is not the same thing as intent. There is something that has to bridge that gap before knowledge can give rise to intent and I think that thing that is missing is an ability to control or at least stop the infringement from taking place and that was something that was not considered in the effects test and in fact you do see different opinions on this. I think the recent California Supreme Court decision in Pavlovich¹⁶ took a different tact on the effects test. There is a recent case involving the Reverend Jerry Falwell out of, I believe, the district court in Virginia just a couple of weeks ago that took a slightly different tact on that.¹⁷

In terms of the other two issues, the subject matter or the reach of U.S. copyright laws, I think for the most part that is going to be coextensive with the reach of the effects test and that really leaves enforcement, and Rufus touched on a lot of important issues regarding enforcement. I will

16. Pavlovich v. Superior Court of Santa Clara, 58 P.3d 2 (Cal. 2002).

17. On March 4, 2003, a federal judge in Virginia dismissed Jerry Falwell's attempt to gain control over the web site JerryFalwell.com, agreeing with the defendant Gary Cohn that the court did not have jurisdiction over the matter since Cohn did not live, work in, or target the people in the state of Virginia. See Lisa M. Bowman, *Court Dismisses Falwell Domain Name Case*, CNET NEWS.COM, Mar. 5, 2003, at <http://news.com.com/2100-1028-991215.html>.

only add that I think that is probably the most important issue, especially if the target of the infringement does not have assets in the U.S. In our firm, when we look at cases from a plaintiff's standpoint, and I do a fair amount of plaintiff's work in patent cases and trade secret cases, I always start just the opposite of what I learned in law school. I look at damages first. I look at enforcement first. And, if I cannot collect damages or I cannot seek an enforceable judgment that is going to be worth something to the client, then it is not worth bringing the action in a U.S. jurisdiction, even if I can prove liability ten times over. With that being said, if you do get a judgment in the U.S. court, and you cannot enforce it here, then you are going to have to enforce it overseas and you are going to be litigating the same issues that you would be litigating if you brought it overseas in the first place.

MR. GOLDSTEIN: I apologize for trying to bring things to a close, but I do want to leave at least some time for discussion afterwards.

MR. KENDALL: Like Mr. Hadley, my remarks are going to be my own, and not my clients, and I take as my text Chapter 1, Verse 9, King James version of Ecclesiastics: "The thing that hath been, it is that which shall be; and that which is done is that which shall be done: and there is no new thing under the sun." Now it is very dangerous with a conference like this to say there is no new thing under the sun. What I mean, of course, is not technology, but rather the application of law to technology. I think many problems which appear radically new in the Internet context have been confronted by the law in the past. Indeed, there are areas of the law, and I think you are probably familiar with them, which have enjoyed a surprising renaissance. I do not think twenty years ago, if we had been talking, any of us could have imaged the frisky legal career of a tort like trespass to chattels in the twenty-first century. Judge Frank Easterbrook about seven years ago wrote an article called "The Law of the Horse"¹⁸ and he pointed out that 150 years ago the horse was very important to society, but there was no specific law which developed relating to horses; rather, that law was derived from all kinds of different areas like contract, property, warranties. And, any effort to collect all of the law of the horse into a single doctrine, he pointed out, was doomed to be both shallow and to miss underlying unifying principles. Only by looking to the broader rules could you understand properly the law that would govern horses in any particular transaction.

We are considering here jurisdictional issues relating to the

18. Frank H. Easterbrook, *Cyberspace and the Law of the Horse*, 1996 U. CHI. LEGAL F. 207 (1996).

enforcement of U.S. copyrights, particularly in the context of commercial Internet enterprises which transcend national boundaries. I think, in fact, that the law relating to these questions is pretty well established because these same long arm jurisdictional principles have been wrestled with by courts for over 100 years, and that the questions are really not as novel or as difficult as they may seem. Now, in my time I am not going to address the enforcement of U.S. copyrights abroad. There is no international tribunal, so as Rufus mentioned, you are going to have to rely on foreign counsel or self-help measures such as predator drones armed with hellfire missiles—but only the CIA has those, not Hilary Rosen—Wired Magazine to the contrary, notwithstanding. The jurisdictional questions which come up in these cases, where you sue in the United States to try to vindicate a violation of U.S. copyright by a company that claims “we are immune to jurisdiction because we are foreign,” has been litigated a lot. I know if you think back to your first year procedure classes—you may not want to do that—but you will remember the International Shoe line of cases, and there the court wrestled with jurisdiction under the due process clause which was asserted over an entity which did not have a physical presence in the forum state.¹⁹ What the Supreme Court said, of course, was that if there were adequate minimum contacts with that state such that you did not violate traditional notions of fair play, then that would found jurisdiction even over that out-of-state entity.²⁰ Now that was hardly a model of clarity, and the Supreme Court in the Burger King²¹ case I think charitably called its earlier formulation nebulous, but it does give some guidance because it basically says if an entity has contacts with a forum state, they may be sufficient to hold you even though you are not present there. You have to look at the substantiality of the contacts there. Larry averted to the evolution of a three-part test, and that is: first, did the defendant somehow purposefully avail itself of the privilege of conducting activities in the forum state; second, does the asserted cause of action arise out of that conduct of activities; and, third is it reasonable to hold the defendant in the forum? The Courts of Appeal really all emphasize those three factors, although the exact formulation varies.

Now, just because a long arm statute is on the books does not necessarily mean that you are going to find jurisdiction. In the World-Wide Volkswagen case an Oklahoma court, as you recall, was trying to assert jurisdiction over a New York car dealer, that it sold a VW to a New York

19. *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

20. *Id.*

21. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985).

resident who drives it to Oklahoma and has an accident there.²² It was found that there was no jurisdiction, under the long arm statute, because the New York car dealer had not had the requisite contacts with Oklahoma.²³ Federal rule 4(k)²⁴ of the federal rules was amended in 1993 to specially treat defendants who are foreign entities. It said that you could aggregate the contacts. If you sued them in one jurisdiction you can aggregate their contacts all over the United States to determine whether there was the requisite activity in the United States to hold them in a particular state. These concepts, when courts began dealing with Internet activities, courts began applying these very well settled principles.

One of my favorite cases is the Zippo manufacturing case, actually a well-known district court case from 1997,²⁵ pitting on one hand the traditional Zippo manufacturing company that makes lighters, against Zippo.com, an Internet news agency based in Sunnyvale, not very far from here. And the question was: had the Internet company had sufficient contact with Pennsylvania to justify the exercise of jurisdiction?²⁶ The Zippo court really analyzed the various ways a web site or conduct on the Internet might subject you to jurisdiction, and it really articulated a sliding scale, and that sliding scale has been very influential and in some way or another almost all the courts that deal with these issues consider the scale. On the one hand, there is the totally passive web site. You just put up a web site and that can be accessed from the forum state. Without more, that is not going to subject you to jurisdiction. On the other end of the scale is the web site that you use to transact business—to advertise, make contracts, sell goods. That is plainly commercial activity. What the court in the Zippo case wrestled with was something in the middle, which was an interactive web site stopping somewhere short of the conduct of business. But there the court held there was jurisdiction because Zippo.com did solicit subscribers over its website. It had 3000 subscribers in Pennsylvania and that was held enough to justify Zippo lighter company having jurisdiction to bring a lawsuit in Pennsylvania alleging trademark and other infringements.

The Supreme Court has often emphasized, even before the Internet era, that companies often reach out electronically or by mail to do business in other places, so these principles are, I think, well established in some of

22. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980).

23. *Id.*

24. FED. R. CIV. P. 4(k).

25. *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Penn 1997).

26. *Id.*

the cases although courts do not articulate it. If there is a certain degree of inequitable conduct, some of the cyber-squatting cases are a good example, maybe one contact with the forum state is enough to justify jurisdiction.

Now, with respect to Larry, we differ about the conduct of his client Sharman Networks in the United States. I just want to emphasize, as he did, some of the things that Judge Wilson found in his opinion. Looking for contacts of Sharman and the United States is a little bit like looking for hay in a haystack. You began by seeing that it had twenty million subscribers in the United States—twenty million subscribers. Of those, at least two million were in California and those numbers absolutely dwarf the contacts of most of these other cases. These are people, as he indicated, which had a click-wrap agreement. Now, I think I just differ with this, if you click a click-wrap agreement in California with somebody else, you are taking action in California. You have not gotten on the plane to go to Denmark to get the software. If you had, maybe that would be a different case, but it was not the case here. The other thing that happened was Sharman had lawyers, advertising agents, advertisers, public relations people—a lot of the Sharman press releases were datelined Los Angeles here—helping to conduct the business, helping to sell the advertising, helping to get advertisement revenue. Now, the revenue issue I think is very important because in this case you had an Internet company deriving at least four million dollars in ad revenue from the United States in a seven month period. All these, I think, were plainly enough to say that this company had purposely availed itself of the privilege of doing business in California and sufficient to find jurisdiction. There are many cases in state law, I think, that are more difficult because they may involve something like putting something in the stream of commerce somewhere else thinking it may have an impact on California. That is not the case here. I believe that on the Zippo scale, what Sharman Networks was doing was really conducting business here.

I would like to say just a word about other legal concepts. I think Rufus mentioned the *Aimster* case. It is not only in the area of jurisdiction that I think the law which presently exists is equipped to deal with Internet questions. I think in terms of contributory and vicarious copyright liability itself, those principles are there. They are applicable and a number of courts have applied them. Piracy is a very big problem on the Internet. I do not think that the Internet peer-to-peer services justify direct infringement. They, in fact, recognize that downloading and copying works in their entirety, that you do not have a license for, is copyright infringement. There is really no doubt about that. Nobody is making a first amendment case for

people's ability to copy copyrighted works. All kinds of things are now being passed around on the Internet. I guess my favorite is the problem involving cross-stitch needlework. Those patterns are being sold by various entities. There are now various websites where you can download pirated cross-stitch needle pattern work if you want to. But the fact is that, in the area of hard goods policy, nobody really disputes that copying without licenses can be even a criminal violation. Here, however, the defense is, well, we are not actually doing the copying. That, again, is a defense well known to prior laws, and cases like *Aimster* and *Napster* have looked to other situations where people run swap meets or fairs and they know that copyright infringement is going on—somebody selling bootleg copies of audiotapes. The fair owner does not sell them but derives revenue from renting space to the vendors against revenue from parking, refreshments and admission fees. In those cases, the most famous is the Ninth Circuit *Cherry Auction* case,²⁷ the court had no trouble saying look, you are profiting from this copyright infringement, you knew it was going on, you have sufficient ability to police it, to make you liable. And, in *Napster*, the two *Napster* decisions of the Ninth Circuit²⁸ and the recent *Aimster* decision of the Northern District of Illinois,²⁹ those old well-established principles were invoked to find liability. One difference, of course, on the Internet, is that the person who is downloading does not have to pay an entrance fee to get in this fair, and does not have to pay money to the illegal hard goods vendor. You get it for free. Is this a great country or what?

MR. GOLDSTEIN: Our final speaker this afternoon is Carl Oppedahl.

MR. OPPEDAHL: First, I hope that our audience fully appreciates what a privilege it is to have David and Larry here. It is not very often that you get to hear from two people on two sides of an extraordinarily important case that raises so many important issues and I hope you appreciate what it means that the organizers of this program got these two speakers to join you. It is really remarkable.

If I were a dentist, the fact that I, with these other four people have been given a microphone would prompt me to spend sixty seconds on how important it is to brush and floss regularly, but I am not a dentist, so I will not do that. I will however spend sixty seconds telling you that you must make sure that everyone you ever meet the rest of your life is fully aware of

27. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

28. *A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002); *A&M, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

29. *In re Aimster*, 252 F. Supp. 2d 634 (N.D. Ill. 2002).

the importance of registering your copyrights. This is not in the program. It is not in the syllabus but you get it for another forty-five seconds. If you register your copyright, if your client registers his or her copyright, if your cousin who happens to hear about this from you next week, registers their copyright, and then they go sue somebody, they can get their attorneys fees paid. This is very different than all the other kinds of lawsuits in the United States where, in general, if you sue somebody and win, you are still stuck paying for your own lawyer. But if you happen to have the foresight to register your copyright, or if you happened to have been told by someone in this audience to register your copyright, the next thing you know, they have to pick up the tab for your lawyers and you get statutory damages. This is not a negligible thing. If there were a single thing that everyone of you in the audience will do, it is to make sure that everyone you meet for the rest of your life is told, pay the thirty dollars, fill out the form, send it to the copyright office, and if you later have to sue somebody your position will be extraordinarily stronger than if you had not paid the thirty dollars and filled out the form. That is the end of my public service announcement.

Some of you in the audience are law students trying to make career decisions. Some of you have technical backgrounds of one kind or another, perhaps knowledgeable about electronics, about networks, knowledgeable about how the Internet works, knowledgeable about software. Please, please, please give due consideration to the possibility that you can give your talents to the world of intellectual property. Please do so. There are many real life examples of how it makes a big difference to have technically knowledgeable people in the profession.

David mentioned the Zippo case where the company that makes the cigarette lighters wanted to get personal jurisdiction over a company in another state. I happen to be acquainted with the lawyers who were on the prevailing side in that case and I happen to know exactly how they came up with the subject matter to put into their briefs to help explain why the California company Zippo.com had enough contacts with the state of Pennsylvania that the federal court in Pennsylvania could exercise personal jurisdiction. They surfed the website of the defendant company. They pursued a number of different lines of technical inquiry and assembled a brief that made it very clear to the judge that there were many, many irrefutable objectively confirmable contacts with the state of Pennsylvania and that made all the difference in the world in that personal jurisdiction case. And, I can tell you from some familiarity with the personalities involved, that different lawyers might well not have done the technical inquiry and would have put in a crummy brief that just said "we really

think we have personal jurisdiction” or something like that and would not have prevailed. Technical competence on the part of lawyers involved in that case made a difference in that outcome.

I think of one of the things that Rufus described which is that sometimes you may have somebody who is not in a place over which you could easily get jurisdiction, perhaps someone in a foreign country, and you would like to bring an end to their conduct that troubles you. A technically knowledgeable lawyer would explore things that Rufus mentioned; for example, by any chance is the web server actually in the United States? I have an actual case where we had a client who was very concerned about some conduct on the part of someone in India, and the question was what can be done about it? It was an intellectual property matter and as it happens we were able to investigate and study the situation and it eventually became clear that although the company was in India and although if you ever sent the money you would be sending it to somebody in India, the web server was actually in Southern California. There is a really good reason for that, of course, most of their customers were in the U.S. and they wanted it to be easy for those customers to reach the web page without a big delay. When you click, you want the image to come up on the screen right away and if the server had been for example in India, maybe the connections would not have been as good and the website would not respond as well. They had put their web site in California and the very thing Rufus described, the next thing you know, all that was necessary was to write one letter to a targeted individual or entity in Southern California and the relief that was desired was gotten just by writing a letter and investing thirty-seven cents in postage. Different lawyers not technically trained, not technically knowledgeable, might not have come to the point of knowing that that letter could be written and that for thirty-seven cents the problem could be solved—and that gets back to one of my themes. Those of you in the audience who are trying to make career decisions, I hope, will think of giving your technical talents to the intellectual property bar.

Technical training can also help you in tailoring an injunction. When you are trying to get an injunction, you always face the prospect that the court is going to say well fine, but to get your injunction, you are going to have to post a bond of ten million dollars. And, if only you can think of how to tailor the injunction so that it is extremely narrow, focused specifically on some narrow thing, you may well be able to convince the judge that the bond that is called for is a much smaller bond. Maybe no bond at all. A narrowly crafted injunction is more likely to be something you can convince a foreign judge to swallow than some sweeping

injunction that asks for everything starting with the letter A and finishing with the letter Z. Narrowly crafted injunctions carefully tailored to the circumstance may well serve your client better, because you might be able to get it as compared to a broad injunction. That will only work if you or your coworkers, or both, are in a position to be technologically knowledgeable enough to know what to ask for. I think of one case where we were seeking a copyright remedy against somebody and it had to do with a microchip and a keyboard. A different lawyer perhaps might have asked for an injunction that said take all the keyboards and run a bulldozer over them and destroy them and that is the kind of injunction you would love to get, if you could get it, because then all their keyboards get run over by a bulldozer. However, if you asked for something narrower, maybe it is easier to get it. And, in this particular case, the relief we asked for was merely that it turns out when you turn on the chip it copies some stuff from ROM into RAM and it performs a certain application feature and as far as we were concerned, as long as they could not turn on the chip, that was enough. They could keep the keyboards, but they just cannot apply power to them. That injunction was more narrowly tailored and stood a better chance of being granted. The case ended up settling and it never got that far, but had the case not settled, that narrowly tailored injunction might well have given the client everything it needed and serve the copyright needs with a better chance of being granted.

Personal jurisdiction, jurisdiction where the court is distant from the plaintiff, jurisdiction where the court is distant from the defendant, especially, is a very pesky area. As David described, it is not a new problem. *International Shoe* is a case where this came up. We have all read the case, we have all thought about fair play and substantial justice and minimum contacts and all that; and yet, I sit right now representing an accused defendant in an intellectual property case who is located actually here in Northern California. He was sued in the Southern District of New York. We filed a motion to dismiss for lack of personal jurisdiction. We argued that our Northern California client does not have contacts with New York City sufficient to justify jurisdiction there. We filed the motion to dismiss two years and six months ago and it has not been decided yet. This tells you a couple of things. It probably tells you that the Southern District of New York is one of the bars with a really big backlog of cases and it is very hard for the judges to decide everything that is in front of them. It also perhaps tells you that there are still vexing personal jurisdiction issues even within the U.S., not to mention vexing jurisdiction issues internationally as we described here. We have a little tickler in our calendar system, and

every 12 months, we write a letter to the judge saying, you know, our motion has now been outstanding for another year. In another six months, I will be writing a third letter to the judge saying, you know, we would love it if you could decide our motion. These things really, really matter.

In addition to being an intellectual property lawyer I am a director of a small nonprofit group that brought a DSL system to the neighborhood where I live in the mountains of Colorado because nobody else would bring in broadband. The phone company would not bring it in. The cable company would not bring it in. And, as a director of this nonprofit Internet co-op, I am exposed to the world of Internet service providers and how the world of copyright affects them. The Digital Millennium Copyright Act,³⁰ which many of you are familiar with, provides a number of measures that affect Internet service providers—takedown provisions. If I, director of this nonprofit, get a letter in the mail from a lawyer that says you are in a heap of trouble, you have to take down so-and-so's web site, IS and ISP will be under extraordinary pressure to take down the web site based on nothing more than the signed paper that came from the lawyer. Our little group, as a nonprofit, where are we going to find the volunteer time and energy to deal with letters like that. It is very tough—the subpoena power of the Digital Millennium Copyright Act. You have all read about the recent case where a copyright enforcer asked Verizon, the telephone company, to roll over and reveal the identity of one of their customers and the court said they have to³¹ and if I get a subpoena like that I am going to have to try to figure out whether to hand over personal information of one of the handful of subscribers who belong to our little ISP. Things the Congress does really affect ordinary folks, and my hope is that all of us can try to be good influences on future lawmaking, future statute drafting to attempt to do a good balance among different elements of society that are affected by copyright law, for example.

Well, today's theme is copyright, and international copyright in particular, and in that theme I guess I will just try to react to a few things that I heard from others on the panel here. The first of course is that bits are bits, the image that I see on my computer screen and the image that is put up on this projection screen, the music that I listen to from an M3P player, the newspaper that I read every morning sitting at my computer, they are all bits, and bits are bits. I mean, you know, this string of ones and zeros is the same as the next string of ones and zeros in terms of how it propagates.

30. 17 U.S.C.S. § 512(c) (1998).

31. *See* Recording Indus. Ass'n of Am. v. Verizon Internet Serv. Inc., 2003 U.S. App. LEXIS 11250 (2003) (denying Verizon's emergency motion for stay).

And in this world, bits are fast. Five years ago, bits were not fast, but by now lots and lots of people have broadband connections to the Internet, in their homes and in their offices, on university campuses, bits are fast. Five years ago, it would have been unthinkable that you could push a button, record something that you saw on the television and then push another button and send it to your friends so that they could watch the T.V. show that you just saw, or a videotape of baby taking baby's first step, or whatever it might be. Passing a moving video image to somebody far away by means of bits was not workable five years ago, but now it is commonplace. You can get a machine, a video recorder that records things on a hard disk that explicitly is designed so that you can push a button and send the T.V. show to your friends. Bits are fast. And, of course, bits are on the Internet and the Internet was designed so that if a nuclear weapon destroyed part of it, the rest of the Internet would re-route its connections so that everything could get through anyway, right? Well that same Internet that is supposed to be self-healing in the face of nuclear weapons also tends to be self-healing in the face of efforts to block data flow. China tries to keep track of who gets to see which websites and China largely fails in that effort because there are ways that the Internet can pass data in this way, that way or the other.

And, we get to Larry's point, twenty years from when Betamax first came out, you look back and you sort of say well, society adjusted somehow. However much of a disruption it was that video recorders existed, somehow society exists now twenty years later and everyone moves onward. Twenty years from now will we look back and figure out how we feel about peer-to-peer file sharing? Twenty years from now will we figure out how do we feel about the fact that bits are fast and that bits are bits and that anything can be effortlessly copied with no loss of quality from one point to the next? Twenty years from now, will society have adjusted to that? Well yes, of course, it will have. By definition, society always adjusts to changes. We adjusted to a world where we do not use horses to get from here to there anymore; yes, society adjusts. Will it adjust comfortably or will it adjust with great pain and strain? Well, of course, it will be great pain and strain. I personally make my living with intellectual property and my life is vested in the idea that there are such things as intellectual property rights and yet I sit here wondering how the world of copyright is going to adjust to a world where bits are bits and bits are fast and bits are on the Internet. Some rock musician, I thought it was David Bowie, when Napster first came along, he was quoted as saying something like, "I think the world will change and I think we will not make a living

selling records anymore and I think we will make a living selling T-shirts and concert tickets.” And I think it was David Bowie, but I am just not sure. That may be a shift that will happen, and if it does, it will be one that we all have to figure out what to do about. I do not think any of us at this table have answers, but it is certainly fun to be here.

MR. GOLDSTEIN: Thank you very much Carl, thank you all. We have time for some questions.

AUDIENCE: For five bonus points, who said, and when, and to whom, “so where is all this substantial non-infringing use you were telling me about Mr. Boies?” That was about the Napster case.³² I find peer-to-peer software very interesting, but technically and because of the jurisdictional issues that we talked about, one observation I made a couple years ago, when I was looking at Napster, was the opportunity for malicious use was pervasive. For example, with another Trojan horse, so to speak, who would rename a bunch of files from .doc to .mpg all of a sudden your work product would be exposed to something else. The question I have for people who have large law firms, is what is your policy on installation of peer-to-peer file sharing software by your attorneys?

MR. KENDALL: It is really very simple. Those are firm computers. We represent a number of clients who try to obey the law. It may be that working on a case somebody, supervised, may need to use them, but they are not on the firm computers.

MR. HADLEY: Our law firm is not large.

(LAUGHTER)

MR. OPPEDAHL: As a director of an Internet Service Provider, a little tiny ISP in the mountains of Colorado, I can tell you that we worry about peer-to-peer file sharing because one person running peer-to-peer on our network makes our bill go way up. It costs us a lot more money for what we connect to the Internet backbone for. And so we have a rule against peer-to-peer file sharing in our system except for people who are willing to pay a lot of extra money to cover what it costs us to support their bandwidth, but we would not even care whether they were sending pictures of baby taking baby’s first steps, which would presume to be a work where they own the copyright, or a work that infringes. In either case, the high data flow would be a problem for us. ISPs have a very odd role in all of this. It is a very odd position to be an ISP.

MR. HADLEY: Let me give you a little bit more of a serious answer.

32. Mr. David Boies represented the Defendant in *A&M Records, Inc. v. Napster, Inc.* 2001 U.S. Dist. LEXIS 2186 (N.D. Cal. 2001).

I think that right now peer-to-peer file sharing software is used mostly for entertainment. There was a time, not too long ago, where I was with a law firm and I remember we had a very big debate as to whether we should have Internet access for the attorneys. I cannot imagine practicing law right now without Internet access. It would be a major handicap. It would put me at a big disadvantage vis-à-vis the likes of Mr. Kendall, even more so than I may be already. We do a lot of research over the Internet, and in this current Kazaa case, for the briefs that I write, I use the Internet. I think that what we will see over time, assuming that peer-to-peer evolves consistently with the overall Internet, is that you will see business uses and business applications for peer-to-peer. You do not have that today and so I think right now we would not use it because we do not want to divert people's attention away from work to entertainment. But I think, in the future, there will be a use for it in the business context and we all may be using it.

MR. PICHLER: Currently not installed and I do not think we would get approval.

MR. GOLDSTEIN: I think Fred was next.

MR. VON LOHMANN: I just cannot resist on this peer-to-peer stuff. Full disclosure. I represent one of the co-defendants in the Morpheus, Kazaa, Grokster case.³³ I will say this, I used to work at a large law firm. I respond to your question about large law firms, by asking, at any large law firm, I ask whether an associate is allowed to install any software on their desktop of any kind. Certainly, at my large law firm, that was absolutely forbidden by the high priests of the IT department. As for the law firm I work for now, the Electronic Frontier Foundation, we maintain a Morpheus node, a Gnutella node, on our network open to the Internet. We distribute our documents through that node along with the website. It is a perfectly viable distribution channel. And, on the security question, frankly Microsoft Outlook has transferred far more in the way of security vulnerability than any peer-to-peer, in fact in all peer-to-peer combined. So this notion that peer-to-peer has immense security vulnerability, I haven't seen it. Returning to the question of jurisdiction, although much of copyright law has been on an international convergence for some time, taking the form of treaties like Berne, now part of TRIPS, it is, and I think Lawrence mentioned this expressly, and I would like to hear the opinions of the other panelists, with respect to secondary copyright liability it is actually the case, certainly in my research it appeared that there is very

33. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 269 F. Supp. 2d 1213 (C.D. Cal. 2003).

little in the way of consensus in the international copyright world regarding the precise scope and standards of secondary liability principles. I think that is not surprising given the fact that secondary copyright liability principles touch on technology policy and innovation policy, something that I think different countries can plausibly disagree about. So, I guess my question to the panel is, in light of the disagreement among different countries or perhaps the lack of development among different countries of secondary copyright liability principles, what impact do you think that will have on the efforts to push one country's principles onto citizens of another?

MR. OPPEDAHL: If I can try to give a bit of a response, I see a general trend with a sort of a race toward the most restrictive for intellectual property around the world. I see it most advanced in the trademark area where, for example, with the ICANN domain name policies and other things, you end up with a situation where whichever country in the world has the strictest limits on what somebody could do with respect to trademarks, that ends up being sort of the rule for the whole world on Internet domain names. I think many of the treaty initiatives are working towards the situation where the most restrictive rule in any country will become in broad strokes, the rule in most countries. I think there is a general trend there.

MR. PICHLER: I agree with that view, Fred, that despite substantial harmonization, there is significant differences in the copyright laws. Despite Berne, which does not deal with all of these issues, especially in the area of secondary infringement but also in the area of private use, copies for private use, and even though the source may be legal, there are differences there. I am not hopeful that these differences will be solved on an international level anytime soon. Actually I think what we observe right now, if we look at the attempts to come up with international treaties in the area, is that the disagreement and the policy issues are so complex and not resolved on a national level, that it is just too soon to hope for an international solution and that is what we see in the Hague Judgments Enforcement Convention³⁴ which is basically stalled and failed when it started dealing with electronic commerce issues. Specifically on the secondary infringement issue, yes, I do believe the outcome would be different. The outcome was different in the Netherlands, where the Kazaa case has been decided, and would be different I believe under German law,

34. Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, Feb.1, 1971, Geneva.

and possibly under the laws of many other countries.

MR. GOLDSTEIN: I would just add as a historical answer to that, where an international consensus over what a legal norm should be does not emerge as apparently it is not emerging right now. What you will find happening is individual countries departing from the principle of extraterritoriality and effectively exporting whatever their, in this case, secondary liability norm will be. The United States did that in the patent law and sections 102(f)³⁵ and 271(f) and (g)³⁶ effectively extending secondary liability U.S. style worldwide. There is no reason to think, I hate to use the phrase, the U.S. might make a “preemptive strike” with respect to secondary liability in the copyright field as well. And, there is no constitutional limit on it, only a limit of notions of comity.

AUDIENCE: INAUDIBLE.

MR. OPPEDAHL: Under U.S. law, a copyright owner is free to give up their copyright rights to the public simply to surrender them to the public or to license them on any terms they like. A copyright owner could expressly say “I disclaim all the term beyond 17 years” for a copyright if they so choose. Perhaps the biggest example of this that we see is open source software licensing where people will contribute to some open source collective project under circumstances where everyone is obligated to license their rights free of charge to the public under certain conditions. So what we do have is this odd binary right in the statute, but we have freedom of action in the part of rights holders to give up more than zero and less than all of those rights.

AUDIENCE: INAUDIBLE.

MR. KENDALL: Without again getting into specific advice to clients, I think the studios are trying to do that, the record companies are trying to do that. Those efforts are halting, they are difficult. One problem you have is it is very difficult to compete with free. You really cannot compete with free. You can have a DRM system, but I think you have to add extras to that. I think you have to be responsive to what consumers want, but one of the big problems is competing with free. But, yes, I think that the future has got to include, from my prospective, not only litigation but offering alternatives which are legal, which are easy to use, and which adds to them.

MR. HADLEY: From Sharman’s perspective, that is the solution. Sharman was formed with DRM in mind. It immediately entered into a

35. 35 U.S.C.S. § 102(f).

36. 35 U.S.C.S. § 271(f) & (g).

joint venture agreement with a company called Altnet that uses Microsoft DRM technology. It has, from day one, been trying to secure works that can be offered peer-to-peer with DRM technology and has been very successful so far in certain areas in doing that. I don't know, the last numbers that I saw were something like over 150,000 DRM rights protected. Works are now available using the Kazaa media desktop, which is the software. There has been some problems in securing licenses and, if you are interested in reading more about that, look at our antitrust counterclaim against the studios and the labels who sued us.³⁷

MR. KENDALL: The fairness doctrine, alas, has been repealed.

MR. PICHLER: Just one additional remark. I do not believe, maybe that's pessimistic, that DRM will solve the international legal issues because you will have other international legal issues. Countries will differ on what restrictions they will allow. There may be fair use concepts where DRM technology, what is illegal use here, on technology to deprive you of certain rights, that are mandatory under specific laws and laws will differ on these issues I believe.

MR. GOLDSTEIN: I cannot resist before closing. If anyone questions the ability of shrewd marketers to compete with free, consider the people who put water in bottles for one dollar and fifty cents. I want to thank our panel and thank you. This has been a wonderful session.

37. See *MGM Studios, Inc.*, 269 F. Supp. 2d 1213 (dismissing ultimately for lack of standing with regard to Sharman's federal counterclaims and the state counterclaims involving the Cartwright Act and copyright misuse, and reserving a final ruling on the unfair business practices claim).