

**The (Mis)Application of the Chinese Works Made for Hire Doctrine to
Copyright Infringement in the United States**

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I. INTRODUCTION: THE RE-EMERGENCE OF CHINA IN THE 21ST CENTURY

For centuries China outpaced the rest of the world in the arts and sciences.¹ While Europe spent centuries recovering from the fall of Rome and the Dark Ages, China's advances inspired "outsiders" to establish lengthy trade routes seeking Chinese goods that eventually helped spark the European Renaissance.² However, despite introducing paper,³ movable type,⁴ ink,⁵ and certain legal prohibitions against unauthorized printing of books,⁶ China did not develop the Western notion of copyright as a property right or as an incentive for authors to disseminate works. Instead, China fostered Confucian notions emphasizing familial duties and the study of traditional virtues through ancestors' writings— notions that virtually alienated the concept that the products of intellectual pursuits would be characterized as private property.⁷ After devastating famines, military defeats and foreign occupation crippled China in the 19th and early 20th centuries, mainland China transformed itself into a socialist system that ensured its

¹ See Rhoads Murphey, *The Historical Context* in Robert E. Gamer, *Understanding Contemporary China* 2nd Ed., 29-59 (Lynne Rienner Publishers, London 2003).

² See *id.*

³ See Xue Hong, *China*, 1-CHI International Copyright Law and Practice § 1[1] (October 2004; Release No. 16): "The Chinese are thought to be the first to have invented paper, over two thousand years ago."

⁴ See *id.* "[T]he emergence of such printing technologies [is confirmed] at least as far back as the Tang Dynasty, that is, between 704 and 751 A.D."

⁵ See William P. Alford, *To Steal a Book is an Elegant Offense: Intellectual Property Law in Chinese Civilization*, 1 (Stanford University Press 1995).

⁶ Many of these prohibitions focused on preserving state power by limiting the availability of prints of certain texts to high ranking officials or representatives of the Emperor. See Zheng Chengsi, "Further on Copyright Protection in Ancient China," *China Patents & Trademarks*, 1996, no. 4, p. 62.

⁷ See Alford, *supra* note 5, *Don't Stop Thinking About ... Yesterday: Why There Was No Indigenous Counterpart to Intellectual Property Law in Imperial China*, at 9-29.

sovereignty through strict control over expression.⁸ With its founding in 1949, the People's Republic of China ("China") repealed virtually all of its existing laws and refused to recognize copyrights or any other form of intellectual property rights.⁹ After Deng Xiaoping and other Chinese leaders started the process of opening China to market-oriented economic development in 1978, the Chinese government recognized that in order to thrive in international trade it must enforce intellectual property rights.¹⁰ Unlike patents and trademarks, copyrights presented more of a challenge to Chinese tradition and Communist doctrine because of its close association with ideology,¹¹ but after years of reluctant efforts, China finally put its first copyright statute into effect in 1991.¹²

Although China's implementation of a copyright system was motivated more by international pressure than as a reflection of internal beliefs, China's Copyright Act¹³ reflects unique Chinese views on intellectual property.¹⁴ Contrary to foreign expectations that copyright laws put forth by a Communist government would heavily favor rewarding government

⁸ See Patricia Buckley Ebrej, *The Cambridge Illustrated History: China*, (Cambridge University Press 1996). See also Central Intelligence Agency World Fact Book, January 2004, available at <http://www.cia.gov/cia/publications/factbook/geos/ch.html> (last updated Feb. 10, 2005).

⁹ See Xue, *supra* note 3 at § 1[2][a].

¹⁰ See Matt Jackson, *Harmony or Discord? The Pressure Toward Conformity in International Copyright*, 43 IDEA 607, 639 (2003), citing Naigen Zhang, *Intellectual Property Law in China: Basic Policy and New Developments*, 4 Ann. Surv. Int'l & Comp. L. 1, 7 (1997).

¹¹ See *id.*

¹² See Xue, *supra* note 3 at § 1[2][a].

¹³ COPYRIGHT LAW OF THE PEOPLE'S REPUBLIC OF CHINA (Adopted at the 15th Session of the Standing Committee of the Seventh National People's Congress on September 7, 1990, and Amended According to the Decision on the Revision of the Copyright Law of the People's Republic of China, Adopted at the 24th Session of the Standing Committee of the Ninth National People's Congress on October 27, 2001). WORLD TRADE ORGANIZATION English publication IP/N/1/CHN/C/1 (July 8, 2002). (Hereafter "Chinese Copyright Act").

¹⁴ The primary purpose of Chinese copyright law is to "encourag[e] the creation and dissemination of works which would contribute to the construction of socialist spiritual and material civilization, and of promoting the development and flourishing of socialist culture and sciences." See *id.* at Article 1.

sanctioned entities instead of individuals, Chinese copyright law rewards workers because China's socialist system is ruled by the working class. However, mainland China's views are not the single relevant voice in Chinese expression. China's copyright laws are further complicated by the fact that Hong Kong, which joined mainland China as a Special Administrative Region in 1997,¹⁵ continues to retain aspects of its pre-existing copyright law based on the laws of the United Kingdom. Furthermore, the Republic of China ("Taiwan"), which maintains only unofficial diplomatic relations with both mainland China and the U.S., operates under its own separate and distinct copyright law.¹⁶

From the perspective of U.S. consumers and copyright holders, the differences between Chinese and U.S. copyright laws have held particular significance in international infringement disputes with conflicts of copyright law.¹⁷ Soon after the introduction of the Chinese Copyright Act in 1991, the U.S. and China underwent a series of widely publicized copyright piracy

¹⁵ See World Intellectual Property Organization, *WIPO Profile of China*, available at www.wipo.int/about-ip/en/ipworldwide/pdf/cn.pdf (last visited April 14, 2005).

¹⁶ When the Communists took over mainland China in 1949 the ousted former Nationalist government of China fled to Taiwan. See Ebrey, *supra* note 8 at 327. Taiwan is not a separate member to the Berne Convention or the WTO. See World Intellectual Property Organization, available at www.wipo.int. See also Hamilton Atsumi Lau, *Role Reversal and the Piracy of Chinese-Language Films in the United States: Does the Rights Holder Have a Realistic Opportunity to Obtain Relief Under the Federal Copyright Act?* 38 Colum. J. Transnat'l L. 169, 182-83 (1999):

“[T]he recognition of the People's Republic of China as the "sole legal government of China" required the U.S. to terminate diplomatic relations with the Republic of China. ... The position of rights holders in Taiwan may be less secure because of the United States' policy of nonrecognition towards the Republic of China, but the 1989 U.S.-Taiwan Copyright Agreement [(Agreement for the Protection of Copyright Between the Coordination Council for North American Affairs and the American Institute in Taiwan, July 14, 1989)] appears to satisfy the "copyright treaty" designation of [U.S. Copyright Act 17 U.S.C.] §104(b)(1). The Second Circuit has even found that protection for works of Taiwanese origin also derives from the [1946] Treaty of Friendship, Commerce and Navigation (FCN) between the U.S. and the pre-Communist era Republic of China [see *New York Chinese TV Programs v. U.E. Enterprises*, 954 F.2d 847 (1992)].

¹⁷ Among the numerous substantive and procedural differences between Chinese and U.S. copyright law is China's recognition of moral rights and its use of special Industrial Property Tribunals and Copyright Tribunals to resolve intellectual property disputes. On moral rights, see Chinese Copyright Act, *supra* note 13 at Article 10. See also Xue, *supra* note 3 at § 7. On Chinese Tribunals, see WIPO Profile of China, *supra* note 15.

disputes, trading threats of billions of dollars in sanctions only to be averted with last minute bilateral trade agreements.¹⁸ Over the past decade U.S. copyright holders have continued to be frustrated by the lack of customs and judicial enforcement of piracy,¹⁹ the lack of familiarity of Chinese judges with Chinese copyright laws in the newly adopted Copyright Tribunals,²⁰ and the relatively weak remedies and small damages that could be recovered in the Chinese courts.²¹ In the long run, these transitional hurdles should decline as China gains experience with its copyright law and China moves from a global market participant to an international market leader. China is already taking steps in improving copyright enforcement: it has doubled its seizures of pirated DVDs²² and has for the first-time ever sentenced Americans to prison for DVD piracy in April 2005.²³

¹⁸ See Warren M. Newberry, *Copyright Reform in China: A "TRIPs" Much Shorter and less Strange Than Imagined?* 35 Conn. L. Rev. 1425, 1439-46 (2003).

¹⁹ See Amanda S. Reid, *Enforcement of Intellectual Property Rights in Developing Countries: China as a Case Study*, 13 DePaul-LCA J. Art & Ent. L. 63 (2003).

²⁰ See Naigen Zhang, *Intellectual Property Law Enforcement in China: Trade Issues, Policies and Practices*, 8 Fordham Intell. Prop. Media & Ent. L.J. 63 (1997). See also Gregory Kolton, *Copyright Law and the People's Courts in the People's Republic of China: A Review and Critique of China's Intellectual Property Courts*, 17 U. Pa. J. Int'l Econ. L. 415 (1996).

²¹ In 1994 Walt Disney Co. brought the first and largest copyright infringement suit to date in China over 300,000 counterfeit copies of nine Disney storybooks. It was the first time a Chinese court recognized a U.S. copyright holder's rights—to the tune of \$27,000 in damages and a public apology. See Patrick H. Hu, "Mickey Mouse: in China: Legal and Cultural Implications in Protecting U.S. Copyrights", 14 B.U. Int'l L.J. 81, n.95 (1996).

²² See Jonathan Landreth, *China Jails Americans for Piracy*, Hollywood Reporter (Beijing, April 20, 2005) available at http://www.hollywoodreporter.com/thr/search/article_display.jsp?vnu_content_id=1000886182 (last visited April 21, 2005). "Last year, China seized 35 million counterfeit DVDs, nearly twice the number confiscated the previous year."

²³ See *id.*

"A Shanghai court ... ordered Randolph Hobson Guthrie III and Abram Cody Thrush to serve up to 2 1/2 years for selling pirated DVDs online. The sentencing of the two Americans and Chinese co-defendants ... included fines totaling \$66,500. The case was the result of an unprecedented three-year cooperation between Chinese police and U.S. customs officials. The four co-defendants were convicted of using the Internet to sell more than 180,000 counterfeit DVDs to buyers in 25 countries. Officials said about 20,000 of the DVDs were sold to buyers in the United States."

The 21st century shows significant potential for the re-emergence of China as a primary source of creative works shared across the world. With its copyright laws and international treaties in place, China is poised to transform itself from supporting foreign outsourced manufacturing to becoming a copyright-producing superpower. China is already producing internationally recognized movies²⁴ as well as a multitude of original and derivative works, ranging from textile designs²⁵ to software upgrades.²⁶ As China asserts itself as more of a copyright market leader, global infringement issues should shift from concerns of piracy of foreign works in China to enforcement of Chinese copyrights in foreign countries. The purpose of this paper is to explore the potential application of Chinese copyright law against U.S. defendants in U.S. courts. Part II of this paper reviews the international copyright dispute framework and the impact of the landmark Second Circuit Court of Appeals' holding on determining copyright ownership in *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*²⁷ Part III applies the *Itar-Tass* approach to the Chinese works made for hire and Part IV examines the reasons why U.S. courts should not be governed by Chinese copyright law.

²⁴ See Lau, *supra* note 16 at 169:

“...films from Hong Kong, Taiwan, and China, in particular, have enjoyed extraordinary success among a much larger group of Americans. For example, Hong Kong action films starring Jackie Chan and Chow Yun-Fat have reveled in tremendous commercial prosperity, while films by directors Zhang Yimou of China [(House of Flying Daggers, Hero)] and Ang Lee of Taiwan [(Crouching Tiger, Hidden Dragon)] have garnered widespread critical acclaim.”

²⁵ See *Pem-America, Inc. v. Sunham Home Fashions, LLC*, 83 Fed. Appx. 369 (2003) and *Lambert v. Pem-America, Inc.*, 2004 U.S. Dist. LEXIS 1821; Copy. L. Rep. (CCH) P28,764 (2004) (Cases involving original quilt design works made for hire in Chinese companies that were sold to U.S. distributors).

²⁶ See *Liu v. Price Waterhouse LLP*, 182 F. Supp. 2d 666 (2001) (Case involving derivative work software authored by Chinese software programmers in a work for hire dispute in the U.S.).

²⁷ *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82 (2d Cir. 1998).

II. INTERNATIONAL COPYRIGHT DISPUTE FRAMEWORK ALTERNATIVES

(A) The Berne Convention and National Treatment

After its first copyright statute went into effect in June 1991,²⁸ China joined the U.S. as a member of the Berne Convention and the Universal Copyright Convention (“UCC”) in October 1992.²⁹ China subsequently amended the Chinese Copyright Act in October 2001 to ensure China’s December 2001 admission into the World Trade Organization (“WTO”), thereby entering China in the Agreement on Trade-Related Aspects of Intellectual Property (“TRIPs”).³⁰ Each of the foregoing international conventions and agreements support the choice of law rule of “*national treatment*” among their members in relation to copyright disputes.³¹ Under the national treatment standard, foreign members are entitled to the same copyright protection in each of the other member states as each such other state accords to its own nationals,³² and the law applied to copyright infringement is the copyright law of the state in which the infringement occurred.³³

²⁸ See Xue, *supra* note 3 at § 1[2][c].

²⁹ See David Nimmer, *Nimmer on Copyright*, 9-20 Nimmer on Copyright Scope (April 2005; Release No. 66).

³⁰ See World Trade Organization website, *China*, at http://www.wto.org/english/thewto_e/countries_e/china_e.htm (last visited April 14, 2005).

³¹ The UCC precludes Berne Convention member countries from relying on the UCC in copyright disputes with other Berne Convention members. See Universal Copyright Convention, Article XVII, Paris revision July 24, 1971, 1 B.D.I.E.L. 813.

³² See Berne Convention for the Protection of Literary and Artistic Works, Article V(1), Sept. 9, 1886, 1 B.D.I.E.L. 715 (Paris Act of July 24, 1971, as amended on October 2, 1979, provided by the World Intellectual Property Organization, Geneva, 1987):

“Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.”

³³ See Paul Edward Geller, *International Copyright Law and Practice: Grounds for Protection Abroad*, 1-INT International Copyright Law and Practice § 3 (October 2004; Release No. 16).

(B) Copyright Ownership Determination in the Second Circuit's *Itar-Tass*

The U.S. Court of Appeals for the Second Circuit rejected the previously accepted interpretation of national treatment by creating its own federal common law on the copyright conflicts issue in *Itar-Tass*, a case involving the copying by a New York newspaper of over 500 articles from Russian copyrighted newspapers.³⁴ *Itar-Tass* applied depeçage³⁵ to copyright law by concluding that foreign law should be consulted to determine whether foreign plaintiffs owned exclusive copyrights in works which had subsequently been copied in the U.S., effectively applying foreign law to determine the ownership of copyright while applying domestic law to the remaining substantive issues of copyright infringement. In relying on the Restatement (Second) of Conflict of Laws §222 the court held that the interests of the parties in property are determined by the law of the state with "*the most significant relationship*" to the property and the parties.³⁶ The *Itar-Tass* court concluded that Russia had the most significant relationship to the articles at issue and therefore used Russian law to determine that the exclusion of newspapers from the Russian works made for hire doctrine meant the plaintiff newspaper publisher had no standing to sue the infringing U.S. defendants. Three subsequent cases in the Second Circuit have followed the *Itar-Tass* approach.³⁷

³⁴ See *Itar-Tass*, *supra* note 27 at 90-91.

³⁵ Depeçage, "dismemberment" in French, is the application of more than one law to a portion of a case. See William Patry, *Choice of Law and International Copyright*, 48 Am. J. Comp. L. 383, 392 n44 (2000). The *Itar-Tass* court followed the recommendations of William Patry's amicus brief in its reasoning for the case. See *Itar-Tass*, *supra* note 27 at 89.

³⁶ See *Itar-Tass*, *supra* note 27 at 90. See also Restat 2d of Conflict of Laws, § 222 (1971).

³⁷ See *Bridgeman Art Library v. Corel Corp.*, 25 F. Supp. 2d 421 (S.D.N.Y. 1998) (using United Kingdom law to determine ownership of 120 photographs produced by British museums owning the original works of art and by freelance photographers employed by a British firm); *Shaw v. Rizzoli Int'l Publs., Inc.*, 51 U.S.P.Q.2d (BNA) 1097 (S.D.N.Y. Mar. 19, 1999) (Finding U.S. has the "most significant relationship" in the use of 105 Marilyn Monroe pictures in a book sold in the U.S. and Italy); *Films by Jove, Inc. v. Berov*, 154 F. Supp. 2d 432 (E.D.N.Y. 2001)

III. THE APPLICATION OF *ITAR-TASS* TO CHINESE WORKS MADE FOR HIRE

In copyright infringement cases involving Berne Convention member countries, the Berne Convention's national treatment approach calls for the application of the copyright law of the location of the infringement in that member country's courts.³⁸ If a Chinese work is infringed in the U.S., most U.S. courts would, under the national treatment standard, use a straight-forward application of the U.S. Copyright Act in determining both initial copyright ownership as well as substantive copyright issues.³⁹ However the Second Circuit's *Itar-Tass* decision calls for an examination of the law of the nation with the "most significant relationship" to a copyrighted work when determining initial copyright ownership.⁴⁰ Presuming China has the "most significant relationship" to Chinese works, this section will illustrate some of the complex issues related to the works made for hire doctrine when applying the *Itar-Tass* approach to the various Chinese copyright laws. Currently, much of the world output of marketed copyright material comes in some form of company-author relationship, whether it is in the form of direct employment, collective works, or commissioned works.⁴¹ Such works tend to involve a

(Stating "[t]he issue of initial copyright ownership must be decided in accordance with Russian law. The Second Circuit has endorsed this view" in determining ownership of over 1500 animated films made between 1936 and 1989 by Soyuzmultfilm Studio, a former Soviet Union state enterprise).

³⁸ See Part II-A.

³⁹ The *Itar-Tass* court cites several cases where national treatment is used by U.S. courts using U.S. interpretations of the "work-for-hire doctrine." See *Itar-Tass*, *supra* note 27 at 88-89 citing *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548, 551-53 (2d Cir. 1984) (U.S. law applied to determine if statuettes crafted abroad were works for hire); *Dae Han Video Productions, Inc. v. Kuk Dong Oriental Food, Inc.*, 1990 U.S. Dist. LEXIS 18329, 19 U.S.P.Q.2D (BNA) 1294 (D. Md. 1990) (U.S. law applied to determine if scripts written abroad were works for hire); *P & D International v. Halsey Publishing Co.*, 672 F. Supp. 1429, 1435-36 (S.D. Fla. 1987) (U.S. work for hire law assumed to apply).

⁴⁰ See Part II-B.

⁴¹ See Catherine L. Fisk, *Authors at Work: The Origins of the Work-for-Hire Doctrine*, 15 Yale J.L. & Human. 1,1 (2003). "The death of the author was announced in literary circles quite some time ago. Rumors of the author's demise were, in my view, premature. The author isn't dead; he just got a job."

contractually bound agency relationship between one or several creators with a principal or employer. Given that the U.S. treatment of the work made for hire doctrine tends to favor the employer,⁴² the differences in the various Chinese treatments of the work for hire doctrine can lead to some surprising results.

(A) The Impact of the Lack of Copyright Contracts in China

The existence of a contract addressing copyright ownership issues takes statutory precedence in virtually all aspects of Chinese works made for hire ownership.⁴³ U.S. firms dealing with Chinese entities would be prudent in accounting for the presence of these copyright ownership contracts in each transaction. While it is unclear how many current Chinese works made for hire have copyright ownership contracts associated with them, it is clear that Chinese copyright ownership contracts did not exist prior to 1991 when China's first copyright law was enacted. Depending on the extent to which Chinese entities have pursued retroactive copyright ownership contracts, it is possible that a high proportion of Chinese copyright works lack any copyright contractual provisions whatsoever, thereby reverting the authorship and initial ownership status to the "default"⁴⁴ conditions described in each of the following works made for hire scenarios discussed below: the employment relationship, collective works, and commissioned works.

⁴² See U.S. Copyright Act, 17 U.S.C. §101, definition of a "work made for hire" and 17 U.S.C. § 201(b) on ownership of works made for hire:

"In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright."

⁴³ See Part III-B, C, D.

⁴⁴ The term "default" is being used herein for situations in which there is no valid copyright ownership contract in place between the principal and creative agent.

(B) The Employment Relationship

Unlike U.S. works made for hire law, which provides a default authorship right to the employer,⁴⁵ Article 16 of the Chinese Copyright Law grants default moral and economic authorship rights to employees.⁴⁶ The exceptions to this general default rule are limited to “drawings of engineering designs and product designs, maps, computer software and other works created in the course of employment mainly with the material and technical resources of the legal entity or other body and under its responsibility.”⁴⁷ These exceptions give copyright authorship status to the employer while providing the author of the occupational work with the moral right to credit for authorship and a potential reward for creating the work.⁴⁸ Outside these exceptions, under default Chinese copyright law the employee is the author of the work made for hire and

⁴⁵ The default U.S. copyright ownership conditions are subject to a signed, written contract to the contrary. *See* U.S. Copyright Act, 17 U.S.C. § 201(b), *supra* note 42.

⁴⁶ *See* Chinese Copyright Act, *supra* note 13 at Article 16:

“Article 16. A work created by a citizen in the fulfillment of tasks assigned to him by a legal entity or other body shall be deemed to be a work created in the course of employment. The copyright in such work shall be enjoyed by the author, subject to the provisions of the second paragraph of this Article, provided that the legal entity or other body shall have a priority right to exploit the work within the scope of its professional activities. During the two years after the completion of the work, the author shall not, without the consent of the legal entity or other body, authorize a third party to exploit the work in the same way as the legal entity or other body does.

In the following cases the author of a work created in the course of employment shall enjoy the right of authorship, while the legal entity or other body shall enjoy the other rights included in the copyright and may reward the author:

(1) drawings of engineering designs and product designs, maps, computer software and other works created in the course of employment mainly with the material and technical resources of the legal entity or other body and under its responsibility; (2) works created in the course of employment where the copyright is, in accordance with laws, administrative regulations or contracts, enjoyed by the legal entity or other body.”

⁴⁷ *See id.* at Art. 16 ¶2 (1). *See also* Regulations for the Implementation of the Copyright Law of the People’s Republic of China, Article 11. (Promulgated by Decree No. 359 of the State Council of the People’s Republic of China on August 2, 2002, and effective as of September 15, 2002) WORLD TRADE ORGANIZATION English publication IP/N/1/CHN/C/3 (October 13, 2002). (Hereafter “Chinese Copyright Regulations”).

⁴⁸ *See id.*

the employer is given only a priority right of exploitation (or a type of limited exclusive license⁴⁹) within the scope of its professional or business activities for two years starting on the date of delivery to the employer.⁵⁰ If the employer does not use the work within its two year window, the employee may request the employer's permission in allowing a third party to use the work in the same manner as the employer could (e.g., within the scope of the employer's professional or business activities), and the employer may not refuse such a request without proper cause.⁵¹ Similarly, under the default Taiwanese works made for hire copyright law employees also retain authorship status—however, Taiwan provides a simultaneous unlimited grant of the economic right of enjoyment to employers.⁵² By contrast, Hong Kongese default works made for hire copyright law grants authorship status directly to the employer.⁵³

The implications of default Chinese and Taiwanese law is significant to a U.S. firm that presumes employers retain work made for hire authorship status. An otherwise-valid contract

⁴⁹ The framework of this Chinese author status in the employee-employer relationship can have implications similar to the draft “authorial license” proposal by Professor Tim Wu’s *Copyright’s Authorship Policy* discussed at the UCLA Intellectual Property Colloquium on Feb. 25, 2005. Draft copy on file with author.

⁵⁰ See Chinese Copyright Act, *supra* note 46 at Art. 16 ¶1.

⁵¹ See Chinese Copyright Regulations, *supra* note 47 at Article 12. See also Xue, *supra* note 3 at § 1[1][b][ii]: In such a situation, during these two years, the author and the employing entity are to share, according to proportions on which they agree, any resulting remuneration from the third-party use of the work.

⁵² See Taiwan Copyright Act, Article 11 (as amended and promulgated in full on 21 January 1988 by Presidential Order No. (87) Hua-Zong-(1)-Yi-Zih 87000126405) available at the Intellectual Property Office, Ministry of Economic Affairs, R.O.C., <http://www.tipo.gov.tw/eng/laws/laws.asp> (last visited April 15, 2005).

“Article 11: [¶1] Where a work is completed by an employee within the scope of employment, such employee is the author of the work; provided, where an agreement stipulates that the employer is the author, such agreement shall govern. [¶2] Where the employee is the author of a work pursuant to the provisions of the preceding paragraph, the economic rights to such work shall be enjoyed by the employer; provided, where an agreement stipulates that the economic rights shall be enjoyed by the employee, such agreement shall govern. [¶3] The term “employee” in the preceding two paragraphs includes civil servants.”

⁵³ See Jared R. Margolis, *Hong Kong, 2-HK International Copyright Law and Practice* § 4[1][b] (October 2004; Release No. 16), citing Hong Kong Copyright Ordinance § 163.

with a Chinese entity for exploitation or distribution of Chinese copyright works that overlooks the entity's two-year statutory rights limitation could be disastrous. After the two-year window all default copyright moral and economic rights belong to the employee alone, leaving U.S. firms vulnerable to infringement suits by that employee. Under *Itar-Tass*, if the work is considered to have its "most significant relationship" with China then the Chinese employee has standing to sue an employer-licensed U.S. firm for copyright infringement in U.S. courts.

(C) Collective Works

For collective works such as dictionaries, photo books, textbooks, encyclopedias or team reports, U.S. and Chinese law default rules lead to the opposite authorship status in employment relationship cases. Under Article 11 of the Chinese Copyright Act, when a Chinese entity requests or intends a work to be made under its supervision and responsibility, the moral and economic rights go to the entity.⁵⁴ For example, if a report is drafted for appropriate remuneration by a team or an individual, but is reviewed and edited by a reporting entity then made public in the name of the entity, the copyright ownership vests in the entity.⁵⁵ Conversely, U.S. copyright law classifies "a work specially ordered or commissioned for use as a contribution to a collective work" as a work made for hire only "if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire."⁵⁶

⁵⁴ See Chinese Copyright Act, *supra* note 13 at Article 11:

"Article 11. . . . Where a work is created according to the intention and under the supervision and responsibility of a legal entity or other body, such legal entity or other body shall be deemed to be the author of the work."

⁵⁵ See Xue, *supra* note 3 at § 1[1][b][i] n14, citing *Interpretation of Several Issues Relating to the Adjudication of, and the Application of Law to, Cases of Civil Disputes on Copyright*, adopted at the 1246th session of the Judicial Committee of the Supreme People's Court on Oct. 12, 2002, effective on Oct. 15, 2002, published in *People's Court Daily*, Oct. 15, 2002. (Hereafter "Judicial Committee Report of the SPC").

⁵⁶ See U.S. Copyright Act, 17 U.S.C. §101, definition of a "work made for hire."

Therefore, without a valid signed contract under U.S. law the individuals are the authors.

(D) Commissioned Works

Under both Chinese and U.S. copyright default rules the authorship status of most commissioned works appears to lie with the commissioned party.⁵⁷ However, contrary to the language in Article 17 of the Chinese Copyright Act which states that the commissioned party retains the copyright in the absence of a contract clarifying copyright ownership,⁵⁸ the commissioning party may still use the work within the scope agreed by the parties.⁵⁹ If the parties lack an agreement on the scope of use of the work, the commissioning party may use the work free of charge within the purpose of the commissioned creation.⁶⁰ There are specific exceptions to this rule—for example, commissioned biographies do not follow the default rule and biographies lacking copyright ownership contracts give copyright authorship status to the subject of the biography.⁶¹ Similarly, both Hong Kongese and Taiwanese default commissioned works copyright laws give the commissioned party authorship status while also conferring simultaneous (and sometime exclusive) exploitation rights to the commissioning party.⁶²

⁵⁷ *See id.*

⁵⁸ *See* Chinese Copyright Act, *supra* note 13 at Article 17:

“Article 17. The ownership of the copyright in a commissioned work shall be agreed upon in a contract between the commissioning and the commissioned parties. In the absence of a contract or of an explicit agreement in the contract, the copyright in such a work shall belong to the commissioned party.”

⁵⁹ *See* Xue, *supra* note 3 at § 1[1][b][iii] n20, citing the Judicial Committee Report of the SPC, *supra* note 55.

⁶⁰ *See id.*

⁶¹ *See id.* at § 1[1][b][iii] n21, citing the Judicial Committee Report of the SPC, *supra* note 55.

⁶² *See* Taiwan Copyright Act, *supra* note 52 at Article 12 and *see* Margolis, *supra* note 53.

IV. WHY CHINESE COPYRIGHT LAW SHOULD NOT GOVERN IN U.S. COURTS

In adjudicating a Chinese work infringed in the U.S., a court following the *Itar-Tass* approach would use the Chinese works made for hire laws to determine initial copyright ownership then revert to U.S. substantive copyright law to resolve all remaining copyright issues.⁶³ The remainder of this paper examines why this approach is unsound.

(A) The Application of Foreign Copyright Law Violates National Treatment Traditions

The *Itar-Tass* approach disrupts the territorial nature of international copyright systems that have been in place for over a century by ignoring the long and complex history of the Berne Convention principle of national treatment.⁶⁴ National treatment, appropriately applied, requires U.S. courts to adjudicate both copyright ownership and substance under U.S. law when infringement of a foreign copyright occurs within the United States. Strict interpretation of national treatment has clear advantages for domestic courts by preserving consistency while reducing administrative complexity.⁶⁵

The key treaty principle of national treatment favors the application of the law of the country in which the infringement occurs because its definition of “author” coincides with the

⁶³ See Part II-B.

⁶⁴ In response to France’s establishment of national treatment as a central principle of international copyright protection with its Decree of 1852, European interest in creating an enforceable system of international copyright protection grew, resulting in a series of subsequent multinational meetings that produced the Berne Convention at the Berne Conference of 1886. See David E. Miller, *Finding a Conflict Issue in International Copyright Litigation: Did the Second Circuit Misinterpret the Berne Convention in Itar-Tass?* 8 *Cardozo J. Int’l & Comp. L.* 239,250 (2000).

⁶⁵ See *id.* at 251, citing Sam Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986* 5.52, 5.53 (1987):

“Strictly speaking, this approach is not concerned with the question of choice of laws, as it simply removes any differences between national and foreign authors, providing that both are to be treated in the same way under national law... [This approach] has clear practical advantages, as it means that national courts have only to apply their own laws.”

rules normally followed when domestic provisions form grounds for protection, thereby assuring a consistent approach in infringement litigation.⁶⁶ At its most basic level, by treating each foreign copyright plaintiff differently on the basis of some judicially determined “most significant relationship” between the work and a country— often the country of the plaintiff— courts applying the *Itar-Tass* approach fail to treat foreign authors at least as well as national authors, as mandated under Article V of the Berne Convention.⁶⁷ While many copyright laws vest initial copyright interests in the author of the work, in cases involving works made for hire this authorship status becomes more complicated, especially when different countries’ laws define “author” in different ways and link different substantive rights to that author. For example, under default Chinese, Hong Kongese and Taiwanese copyright treatment of commissioned works the commissioned party retains title of “author” despite the unlimited use by the commissioning party, sometimes free of charge, within the specific purpose of the commissioned creation.⁶⁸ As another example, under the Chinese employment relationship, employees secure default authorship status while employers retain a contingency-based two year exclusive exploitation right.⁶⁹ Under these and similar circumstances in which the meaning of “author” differs substantially from a U.S. interpretation, U.S. courts using the *Itar-Tass* approach of determining foreign authorship produce inconsistent results under the laws of both countries.

⁶⁶ See Paul Edward Geller, *Conflicts of Laws in Copyright Cases: Infringement and Ownership Issues*, 51 J. Copyright Soc’y U.S.A. 315, 361 (2004).

⁶⁷ See Berne Convention, Art. V(1), *supra* at note 32.

⁶⁸ See Part III-D; see also Xue, *supra* note 3 at § 1[1][b][iii] n20, citing the Judicial Committee Report of the SPC, *supra* note 55.

⁶⁹ See Part III-B.

(B) The *Itar-Tass* Court Exceeded its Bounds

When Congress defined “author” and created its associated substantive copyright law it was creating a system under the Copyright Act consistent with U.S. law, not the rights of authors as defined in other countries. That Congress did not intend to have U.S. courts apply foreign copyright laws is evidenced by the fact that the U.S. Copyright Act only mentions the use of foreign law once—under the limited circumstances of vesting ownership of restored works “in the author or initial right holder of the work as determined by the law of the source country of work.”⁷⁰ There is no implication that this single Congressionally-recognized application should extend to conflict of law analysis for the ordinary works that were at issue in *Itar-Tass*.

Nevertheless, the *Itar-Tass* court used this single statutory application to launch into its “general conflicts approach” of applying foreign law in the case.⁷¹ Citing the U.S. Copyright Act’s lack of a provision concerning conflicts issues, the *Itar-Tass* court elected to fill “the interstices of the Act by developing federal common law on the conflicts issue”⁷² by applying depeceage to international copyright ownership.⁷³ Depeceage, while traditionally used in common law torts or state law claims, has almost never been used in federal courts under federal statutory claims, especially when the federal statute contains provisions governing the issue—as is the case with the U.S. Copyright provisions on copyright ownership and works made for hire.⁷⁴ The *Itar-Tass* court’s application of depeceage following foreign copyright law effectively judicially rewrites

⁷⁰ See U.S. Copyright Act, 17 U.S.C. §104A(b).

⁷¹ See *Itar-Tass*, *supra* note 27 at 90 n.10.

⁷² See *id.* at 90.

⁷³ See Part II-B and Patry, *supra* note 35.

⁷⁴ See Edward Lee, *The New Canon: Using or Misusing Foreign Law to Decide Domestic Intellectual Property Claims*, 46 Harv. Int’l L.J. 1, 46-47 (2005).

the U.S. Copyright Act and threatens consistent application of Congressional law and intent.

Importantly, in reaching its decision in the *Itar-Tass* case, the court relied on an incomplete, if not incorrect, portrayal of the Restatement (Second) of Conflict of Laws §222 in stating “[t]he courts have long recognized that they are not bound to decide all issues under the local law of a single state”⁷⁵ without proper reliance on the complete statement of Section 222:

“The interests of the parties in a thing are determined, depending upon the circumstances, either by the "law" or by the "local law" of the state which, with respect to the particular issue, has the *most significant relationship* to the thing and the parties *under the principles stated in § 6.*”⁷⁶ (emphasis added)

By ignoring the reference to Section 6 the *Itar-Tass* court overlooked several important factors that clarify choice of law principles:

“(1) A court, subject to constitutional restrictions, will follow a statutory directive of its own state on choice of law.

(2) When there is no such directive, the factors relevant to the choice of the applicable rule of law include

- (a) the needs of the interstate and international systems
- (b) the relevant policies of the forum,
- (c) the relevant policies of other interested states and the relative interests of those states in the determination of the particular issue,
- (d) the protection of justified expectations,
- (e) the basic policies underlying the particular field of law,
- (f) certainty, predictability and uniformity of result, and
- (g) ease in the determination and application of the law to be applied.”⁷⁷

Both commentators⁷⁸ and the comments to the Restatement⁷⁹ alike have recognized that the

⁷⁵ See *Itar-Tass*, *supra* note 27 at 90.

⁷⁶ Restat 2d of Conflict of Laws, § 222 (1971).

⁷⁷ Restat 2d of Conflict of Laws, § 6 (1971).

⁷⁸ See Geller, *supra* note 66 at 327; Miller, *supra* note 64 at 255.

⁷⁹ See Restat 2d of Conflict of Laws, § 6 Comments:

“Rationale. Legislatures usually legislate, and courts usually adjudicate, only with the local situation in mind. They rarely give thought to the extent to which the laws they enact, and the common law rules they enunciate, should apply to out-of-state facts. ... Probably the most

“needs of the ... international systems” is the most important factor for consideration. Clearly the *Itar-Tass* approach runs counter to the needs of the Berne international copyright system by violating its national treatment principle. Furthermore, one could conclude that the *Itar-Tass* court violated *all* of the Section 6 factors: the *Itar-Tass* “most significant relationship” approach overrides the needs of the international system to which both the U.S. and China are parties, ignores American and Chinese forum policies, undermines justified expectations and basic policies underlying international Copyright law, and reduces certainty, predictability and uniformity of results in copyright infringement cases while making the determination and application of the law to be applied far more complicated.

(C) The Practical Challenges and Complications in Applying Chinese Copyright Law in the U.S.

It is unlikely that U.S. courts will fully understand and properly apply the copyright laws of other countries. *Itar-Tass* imposes a system on U.S. courts that is likely to lead to disabling complexity and administrative burdens in determining copyright ownership status, resulting in inconsistent cherry-picking and selective use of foreign law while increasing litigation costs by increasing the time and resources required in cross-border copyright disputes.⁸⁰

Notably, in the *Itar-Tass* case the court reviewed Russian copyright ownership law as an issue of law under the Federal Rules of Civil Procedure 44.1.⁸¹ The court examined alternative

important function of choice-of-law rules is to make the interstate and international systems work well.”

⁸⁰ See Lee, *supra* note 74 at 19, 24-25.

⁸¹ See *Itar-Tass*, *supra* note 27 at 92.

translations of Russian statutes⁸² and assessed numerous alternatives in expert testimony on Russian law citing legislative history of predecessors to Russian copyright statutes dating back to 1965,⁸³ Russian judicial opinions,⁸⁴ and testimony from the drafters of revisions of the Russian copyright law.⁸⁵

Unlike the case with Russian law in *Itar-Tass*, U.S. judges will find they have far fewer tools for interpreting Chinese law. The U.S. common law approach in seeking intent would likely prove futile since the Chinese Communist regime wiped out all pre-revolutionary law, and Chinese legislative history is sparse since Chinese copyright statutes did not exist before 1991 and have been amended only once, without comments, in 2001.⁸⁶ Moreover, China uses a civil law judicial system, so courts are not bound by judicial precedence or *stare decisis* in deciding individual cases, and China's new Copyright Tribunals do not tend to issue opinions clarifying reasoning in their cases.⁸⁷ Occasionally the Supreme People's Court will issue proclamations as guidelines for the Tribunals, but to date only three copyright related proclamations have been issued.⁸⁸ Lacking affirmative guidance based on Chinese interpretation of Chinese law, U.S. judges will likely end up relying on their own, varied interpretations of translations of Chinese law, potentially giving rise to inconsistency and a lack of judicial fairness.

⁸² The court used selective translated versions by Newton Davis and the WIPO translation with differing use of the word "editor" and "publisher" and emphasis on works "as a whole." *See id.* at 86 n1.

⁸³ *See id.* at 86.

⁸⁴ *See id.* at 87.

⁸⁵ *See id.*

⁸⁶ *See* Chinese Copyright Act, *supra* note 13.

⁸⁷ *See* Xue, *supra* note 3 at § 1[3][e].

⁸⁸ *See id.*

(D) The Additional Complications of Conflicts in Contract Law

Cross border copyright disputes may involve issues that extend beyond copyright alone. While *Itar-Tass* provides an alternative to the conflict of copyright infringement law governed by the Berne Convention, conflicts concerning copyright ownership issues can be further compounded by the different international conflict regime of contract law, which can address more of the expectations of the parties and specific forum choices than copyright law.⁸⁹ Copyright ownership is linked to contractual relationships in several important respects. Under both U.S. and Chinese copyright law, statutes governing initial ownership in works made for hire make repeated references to contracts between entities and individuals and what to do when the parties lack a binding contract.⁹⁰ Although many existing copyrighted Chinese works made for hire likely lack initial contractual provisions addressing copyright ownership⁹¹ *Itar-Tass* provides little guidance on how *ex post* contracts should be treated and under what potentially conflicting contract law regimes these and other newly formed Chinese contracts should be adjudicated.

Contracts also play an important role in copyright ownership transfers and their related formalities. Contract conflicts of law have the potential of raising fundamental freedom of contract issues reflecting party members' intents through choice of forum clauses,⁹² and can carry provisions contrary to certain countries' copyright laws such as waiver or impairment of

⁸⁹ Indeed, depeçage seems a more appropriate tool in delineating contract issues from copyright issues within a particular case than the *Itar-Tass* court's clumsy application of depeçage within copyright itself. See Geller, *supra* note 66 at 357.

⁹⁰ See Part III.

⁹¹ See Part III-A.

⁹² In another controversial case decided by the Second Circuit Court of Appeals, a worldwide music copyright transfer contract between Brazilians under Brazilian laws vesting all disputes to Brazilian jurisdiction was interpreted under the idiosyncrasies of U.S. renewal orthodoxy. See David Nimmer, *Corcovado: Renewal's Second Coming or False Messiah?*, Copyright: Sacred Text, Technology, and the DMCA, Chapter 3 at 93 (Kluwer Law International 2003) reprint of 1 UCLA Ent. L. Rev 127 (1994).

moral rights⁹³ or termination⁹⁴ clauses. Under Chinese law, copyright transfer contracts only concern assignment of economic rights since moral rights are inalienable.⁹⁵ When it considered “only initial ownership, and [had] no occasion to consider choice of law issues concerning assignments of rights”⁹⁶ the *Itar-Tass* court completely circumvented addressing the contractual implications of ownership assignments and treatment of contract conflicts.

V. CONCLUSION

China will likely emerge as a copyright producing leader during this century. China’s laws will impact U.S. parties conducting trade with Chinese works. Parties copying, performing, disseminating or displaying copyrighted works should be cognizant of the diverse nature of international copyright law, especially in regard to the often-complicated laws relating to works made for hire. Differences in international copyright laws do not make one right or wrong or better than another, but the improper application of the law creates problems for the entire international system. Whether or not *Itar-Tass* stands, there is no denial in the logic that in certain cases justice may be better served if copyright ownership is decided under laws pertinent to the author’s home country. National treatment is not perfect and injustice can occur in any system. But national treatment of copyright disputes does provide a system that has worked in a

⁹³ Works for hire are ineligible for U.S. artists' rights, under the definition of "works of visual art" enacted by the Visual Artists Rights Act of 1990, Act of Dec. 1, 1990, Pub. L. No. 101-650, tit. VI, 104 Stat. 5089. Chinese works made for hire copyrights maintain moral rights in varying respects, ranging from the absolute moral rights attributable to all authors to limited rights of attribution and reasonable compensation for conveyed works. *See* Part III.

⁹⁴ Termination provisions are not applicable to U.S. works made for hire. *See* U.S. Copyright Act, 17 U.S.C. § 203(a) (2005). Termination does not exist under Chinese law.

⁹⁵ *See* Chinese Copyright Act, *supra* note 13 at Article 5; *see also* Xue, *supra* note 3 at § 7[4][b].

⁹⁶ *See Itar-Tass*, *supra* note 27 at 90 n.11.

consistent and relatively non-complex manner for over a century, and in the long run it should result in more widespread justice as the international copyright mosaic expands to encompass China's impending contributions.