

Cross-border issues and disputes:
Jurisdiction, international enforcement and governing law

Star Wars Episode III - English Supreme Court decision:

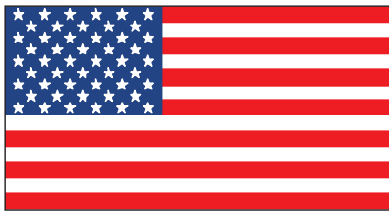
A New Hope for the enforcement of non-EU copyrights, or a Phantom Menace for UK-domiciled entities?

The English Supreme Court has ruled that the English Courts are able to hear claims for infringement of US copyright brought against UK-domiciled defendants – and should do so.

The scenario:

US PROCEEDINGS

(1st)



The parties:

- (1) Lucasfilm Ltd (US)
(2) Star Wars Productions Ltd (English)
(3) Lucasfilm Entertainment Company Ltd (US)
v.
(1) Andrew Ainsworth (English)
(2) Shepperton Design Studios Ltd (English)

Nature of both proceedings:

Jurisdiction clause:

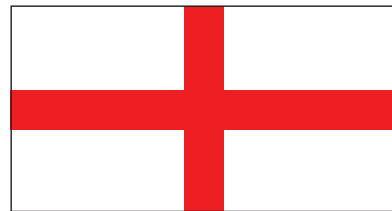
Alternative jurisdiction:

Parallel proceedings?

ENGLISH PROCEEDINGS

(2nd)

Article 2 (Brussels I Regulation)



The parties:

- (1) Lucasfilm Ltd (US)
(2) Star Wars Productions Ltd (English)
(3) Lucasfilm Entertainment Company Ltd (US)
v.
(1) Andrew Ainsworth (English)
(2) Shepperton Design Studios Ltd (English)

Infringement of intellectual property rights

None

Non-EU Member State (United States)

Yes, although default judgment already obtained in the US proceedings for US infringement

Summary

THE CASE:

The decision of the English Supreme Court in *Lucasfilm Limited & others v Ainsworth & another* [2011] UKSC 39 represents the latest plot development in the **Star Wars** litigation saga.

Although that dispute concerns the alleged infringement of intellectual property (“IP”) rights, the proceedings have raised a number of general issues of fundamental importance in cross-border litigation.

THE ISSUES:

Two questions arose before the English Supreme Court.

- The first was a technical point of domestic UK copyright law:
*Were the **Stormtrooper** helmets utilitarian and so not artistic works, or were they “sculptures” with the benefit of UK copyright protection?*
- The second concerned a question of international jurisdiction:
Could/should English Courts hear claims for infringement of non-EU (in this case US) copyright, brought against UK-domiciled defendants?

The second issue is the more significant. It arose because the US Court judgment obtained in respect of the US infringement was unenforceable in England. Such questions reflect the international character of not only the **Star Wars** proceedings, but of modern litigation generally in a brave new “global” world.

THE DECISION:

The Supreme Court decided:

- the helmets were not “sculptures” - so there was a defence to the UK copyright infringement claim; but
- the English Courts were able to hear the claims for breach of US copyright against the UK-domiciled Ainsworth – and should do so.

The decision on the second point can be viewed in two ways:

- As paving the way for a plethora of infringement claims which utilise the English Courts to give effect to “alien” copyright principles - and thus as a potential **Phantom Menace** for UK-domiciled entities.

OR

- As **A New Hope** for those seeking to enforce non-EU copyrights in an on-line era – providing an effective mechanism for bringing to account UK infringers that might otherwise have escaped retribution.

Further details and analysis

THE CROSS-BORDER ISSUES

1. The **Star Wars** dispute features many inter-related elements key to any cross-border epic:
 - (a) jurisdiction (where one can sue);
 - (b) governing law (which country’s law applies); and
 - (c) international enforceability (whether a judgment obtained in one country can be enforced in another).
2. In order to view the Supreme Court decision and its implications in context, it is first necessary to explore how the pieces of the international jigsaw fit together.

THE PARTIES AND THE DISPUTE

The clone war

3. The dispute was between Lucasfilm, the owner of the **Star Wars** IP rights, and Andrew Ainsworth, who originally helped create the **Imperial Stormtroopers’** helmets and armour.
4. Mr Ainsworth, domiciled in England, set up a website and began selling copies of **Stormtrooper** merchandise. Lucasfilm alleged infringement.

THE US PROCEEDINGS

“A long time ago, in a [Court] far, far away ...”

5. In 2005, Lucasfilm commenced proceedings in California for US infringement.
6. Ainsworth did not contest that claim (much as **Obi-Wan** refused to defend **Darth Vader’s** lightsaber offensive).
7. Lucasfilm obtained judgment in default. But it had a problem: Ainsworth, and his assets, were in England.

THE ENGLISH PROCEEDINGS

“Meanwhile ...”

8. Lucasfilm then also attacked Ainsworth’s **rebel base** in England. It sought to enforce the US judgment, and also claimed infringement of UK copyright.

The claim to enforce the US judgment

9. As against the attempt to enforce the US judgment, Ainsworth deployed a **deflector shield**. He was not resident/present in the US, nor had he submitted to the US Court. Thus, he said, the English common law pre-requisites for enforcement were not met.

10. Lucasfilm argued that, in an internet age, Ainsworth was “present” in the US, having set up a website targeting US customers. That argument, however, failed, at first instance and on appeal, so the US judgment was unenforceable.

The claim for UK copyright infringement

11. Lucasfilm’s claim for breach of UK copyright failed too (again at first instance and on appeal).
12. Just as **Han Solo** helped **Luke Skywalker** destroy the **Death Star**, Ainsworth too received welcome aid - from a quirky point of UK copyright law. In essence, the **Stormtrooper** helmets were not “sculptures” since they were utilitarian and not artistic works, so Ainsworth had a defence to the claim.

The claim for US copyright infringement

13. But Lucasfilm had a third **attack wave** planned - a fresh claim for breach of US copyright brought directly in England. US law governed, so the UK “quirk” was irrelevant. Ainsworth, however, used an old **bounty hunter** trick: he contested the ability of the English Courts to hear that claim at all.

US copyright infringement - the jurisdiction debate

14. Notwithstanding Ainsworth’s attempt to contest jurisdiction, the first instance Judge ruled that the English Courts could hear the claim (and that it succeeded). He noted that public policy might sometimes demand the contrary in respect of certain foreign IP claims – and if so, jurisdiction could be declined on discretionary “*forum non conveniens*” grounds. However no public policy issue, he said, arose here.
15. The Court of Appeal, however, disagreed and sought to decline jurisdiction. But Lucasfilm, like a **Bothan spy**, had spotted a problem with the discretionary mechanism mentioned by the Judge. It contravened *Owusu v Jackson* [2005] (ECJ)¹.
16. Under *Owusu*, if an EU Defendant is sued in his country of domicile (pursuant to Article 2 of the Brussels I Regulation²), there is no “*forum non conveniens*” discretion available - even if the alternative forum is non-EU. Since Ainsworth was domiciled in England, *Owusu* posed a real problem.
17. But the Court of Appeal found a way around *Owusu* - by distinguishing between “personal” and “subject matter” jurisdiction. Although the English Courts had “personal” jurisdiction over Ainsworth, they

could not hear claims of a nature beyond their competency – and claims for infringement of non-EU copyright were, it said, “non-justiciable”.

18. Ainsworth was no doubt delighted to have knocked out the final **enemy TIE fighter**, but the judgment came with **Solo’s** warning: “Great, kid. Don’t get cocky.”

THE ENGLISH SUPREME COURT – APPEALS AND DECISIONS

The Jedi Council

19. Lucasfilm appealed to the Supreme Court. No appeal was, however, heard on the unenforceability of the US judgment. Further, the Supreme Court upheld the decisions of the lower Courts on the issue of UK copyright. Thus, there was no UK infringement, and “rebel” Ainsworth celebrated victory – cue the **medal ceremony** and the **wink aimed at Princess Leia...**
20. But wait. What of the “justiciability” of English claims for US copyright infringement? Had Lucasfilm **constructed a new, fully operational, Death Star** with which the **Empire** could **strike back**?
21. On this issue, the Supreme Court viewed the Court of Appeal’s judgment as just a clever **Jedi mind-trick**, and unanimously overturned it - ruling the English Court was right to hear the claim. Any “non-justiciable” claims did not include claims for infringement of foreign copyright (which did not require registration to subsist). Amongst others, it made the following points:
- (a) It was only in claims concerning registered (EU) intellectual property rights (and their validity) that Article 22(4) of the Brussels I Regulation applied so as to allocate “exclusive jurisdiction” - to the EU country where application/ registration occurred. Thus that provision did not apply to EU copyright claims, and a similar approach should be adopted as regards non-EU copyrights too.
- (b) The application of foreign laws in various other types of claim did not make them “non-justiciable”, and there was no reason why copyright claims should be any different.

¹ *Owusu v Jackson* (t/a Villa Holidays Bal Inn Villas) (Case C-281/02) [2005] E.C.R. I-1383

² Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

- (c) The new Rome II Regulation³ (although not in force in time⁴ to play anything other than a cameo role) expressly envisaged that actions could be brought in EU Member States for the infringement of foreign IP rights - including copyright⁵.

22. One can see some **force** in the Supreme Court's reasoning.

IMPLICATIONS OF THE SUPREME COURT DECISION

"Impossible to see, the future is..."

23. The decision can be viewed in two ways:

- (a) On the one hand, it paves the way for forum shoppers to bring a plethora of infringement claims, thereby utilising the English Courts to give effect to "alien" principles against UK-domiciled entities.
- (b) At the same time, it gives **A New Hope** to those wishing to **enforce** non-EU copyrights in an on-line era - by providing them with an effective mechanism for bringing to account UK entities which infringe those rights overseas and might otherwise have escaped retribution.

24. What does it mean for Ainsworth? The Californian Court damages award for infringement of the US copyright had totalled US\$20m. However, that was in respect of sales worth a mere US\$8,000 - US\$30,000. The English Court may award a much lower figure - if, under the pre-Rome II rules⁶, it applies English procedural law when quantifying the damages.

3 Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II).

4 Articles 31 and 32 of Rome II. As to when Rome II started to take effect, see also the pending ECJ reference (Case C-412/10) in *Homawoo v GMF Assurance SA and others* [2010] EWHC 1941 (QB), and the obiter view of the English High Court in *Robert Bacon v Nacional Suiza Cia Seguros y Reseguros SA* [2010] EWHC 2017 (QB).

5 Article 8 of Rome II.

6 Section 14(3) of the Private International Law (Miscellaneous Provisions) Act 1995, and *Boys v Chaplin* [1971] A.C. 356 and *Harding v Wealands* [2006] UKHL 32.

25. But a further **Phantom Menace** lurks in the shadows for other UK defendants. In future non-contractual claims which are instead subject to Rome II, it will be the governing law that will apply to the assessment of damage.⁷ That could be the law of a non-EU country, and the methodology it employs could be very different. Hopefully, public policy⁸ (and other similar mechanisms⁹) will prevent the application of penal approaches to quantification, or Rome II could turn **to the dark side...**

Contacts

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7 Article 15(c) of Rome II. That might be contrasted with the wording of Article 12(1)(c) of Rome I (i.e. Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations). This expressly states that, although the governing law will govern the assessment of damages, that is only the case "*in so far as it is governed by rules of law*" and only "*within the limits of powers conferred on the court by its procedural law*".

8 Article 26 of Rome II.

9 See Article 1(3): Rome II "*shall not apply to evidence and procedure*"; and Article 16: nothing in Rome II "*shall restrict the application of the provisions of the law of the forum if they are mandatory irrespective of the law otherwise applicable to the non-contractual obligation*". These, together with domestic statutes such as the Protection of Trading Interests Act 1980 (which outlaws the enforcement of multiple damages awards), may also assist in this respect.

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