Chapter 1

Forum Selection

I. SECTION POSITION

The IPL Section favors jurisdiction in the U.S. district courts for any new enforcement mechanisms that address online extraterritorial piracy and counterfeiting of U.S. intellectual property rights undertaken by PFWs.

II. SECTION RESOLUTION: TF-05

RESOLVED, that the IPL Section urges Congress, in the enactment of any proposed new enforcement mechanisms that address online extraterritorial piracy and counterfeiting of U.S. intellectual property rights, to vest jurisdiction of actions seeking civil or criminal remedies in the U.S. district courts.

III. DISCUSSION: Online Piracy & Counterfeiting: Forum Selection

A. Jurisdictional Issues

One of the goals of extraterritorial online piracy legislation is to enable intellectual property owners to obtain speedy, efficient, and full relief against violators of their intellectual property. The IPL Section thus considered which forum for resolution of online piracy and counterfeiting actions would best achieve this goal: Article I executive branch agencies (such as the International Trade Commission) or Article III U.S. district courts. The IPL Section did not focus on the jurisdictional limits of any particular available forum, because that could be amended through legislation.2

1. Article I—Executive Branch Agencies

Certain executive branch agencies have the advantage of possessing enforcement capabilities (e.g., the Department of Justice) or having relationships with other executive branch agencies that possess enforcement capabilities (e.g., the International Trade Commission and its relationship with Customs and Border Protection). Executive branch agencies also have the advantage of possessing nationwide jurisdiction, unconstrained by geographical limitations within the United States.3

On the other hand, most executive branch agencies are limited in the scope of their enforcement authority.4 They can only perform the functions expressly authorized by their enabling statutes.5 They may levy fines or sanctions payable to the U.S. government,6 but that does not remedy the losses that the intellectual property owner may have incurred as a result of the infringement, as they do not have the power to award damages to the intellectual property owner.7 In addition, any amounts collected are not likely to be high enough to attract the attention of the Attorney General or the U.S. Attorneys’ Office, such that enforcement by a prosecutor would be an option.8 This suggests that executive branch agencies may not be adequate fora to adjudicate online extraterritorial piracy actions.

Congress or the executive branch could, however, augment or amend the jurisdiction and mission of these agencies. As a result, the current limitations on the jurisdiction and scope of current executive branch agencies do not necessarily mean that they are inherently inappropriate fora for
adjudication of extra-territorial piracy actions. For instance, the International Trade Commission now has a record number of pending investigations occupying its time and attention. In Fiscal Year 2011, the ITC instituted 70 Section 337 investigations, the most it has ever instituted,⁹ and in FY 2012, the ITC has already instituted 31 investigations.¹⁰ Thus, as things now stand, proceeding before the ITC is not an efficient option for expedited extra-territorial piracy actions. But if Congress were to designate the ITC as the appropriate forum, it could allocate additional funds, staff and/or other resources to support the expected increased volume of cases.

2. Article III—U.S. District Courts

Unlike executive agencies, Article III courts do not have their own enforcement arms,¹¹ and they have to rely on private parties or governmental entities to initiate civil or criminal proceedings before them. However, once such proceedings are instituted, Article III district courts can enjoin certain conduct and/or award monetary damages to intellectual property owners.¹² They can also adjudicate criminal charges that the U.S. Attorney brings against alleged violators of intellectual property rights.¹³

B. Convenience and Accessibility

1. Article I—Executive Branch Agencies

The responsibility for intellectual property rights enforcement is currently divided among certain executive branch agencies, such as the ITC, the Court of International Trade (“CIT”), the Department of Justice (“DOJ”) and Customs and Border Protection (“CBP”).¹⁴ Entrusting the responsibility for adjudicating extra-territorial online piracy actions with a single centralized agency, however, would yield several benefits. One benefit is that the hearing officers (likely administrative law judges appointed under the Administrative Procedure Act, 5 U.S.C. §§501 et seq.) would obtain a great deal of experience in these actions. Moreover, a single agency could provide streamlined and expedited proceedings, unlike district courts, which must first attend to their criminal dockets with speedy trial requirements.¹⁵

There are, however, several drawbacks to centralizing the adjudication of these actions in one agency. Many executive branch agencies are physically located in Washington, D.C., or have only a few locations in the United States. This would increase the burden on intellectual property owners and alleged violators, who would be forced to travel to a centralized location for adjudication of the dispute.¹⁶ This could have a particularly adverse effect on smaller entities and impecunious individuals.¹⁷

2. Article III—U.S. District Courts

Unlike some executive agencies, Article III district courts are located throughout the United States, allowing relatively convenient access to fora for adjudication of extra-territorial online piracy actions.¹⁸ An intellectual property owner could proceed in any convenient U.S. district court that satisfies personal jurisdiction and venue requirements.

District courts also have a common set of procedural and evidentiary rules, regardless of the geographic location of the district court.¹⁹ District courts already handle copyright infringement cases under 17 U.S.C. §501 and counterfeiting actions under 15 U.S.C. §1116. Also, they have handled in rem actions against foreign domain names for over a decade under the existing legislation. 15 U.S.C.§1125(d). As a result, there are already decades of preexisting case law that demonstrate how district courts handle piracy and counterfeiting issues which would also allow for the same basic relief to be available in any of the district courts. ²¹ Consistency in rulings
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among the courts would be promoted by developing a body of precedents at the district and circuit court level.

Despite these benefits, there are some drawbacks to using district courts. For instance, district courts could be cost-prohibitive for smaller intellectual property rights owners and may be intimidating for intellectual property rights owners without counsel; especially if the costs of proceeding in these cases mirrored the costs of filing other intellectual property cases.\(^22\)

C. Parallel Proceedings

The IPL Section has also considered the possibility of parallel actions regarding extra-territorial online piracy actions. By way of example, the OPEN Act bill would place jurisdiction for extra-territorial online piracy actions solely in the ITC.\(^23\) However, as explained earlier, the ITC does not have criminal jurisdiction or the ability to award damages.\(^24\) Therefore, in order to obtain comprehensive relief for intellectual property owners, those owners would be forced to approach the U.S. Attorney’s Office regarding possible criminal prosecution while also pursuing parallel civil litigation against the alleged infringers.

The concept of parallel litigation is currently available in patent infringement proceedings. Specifically, in the context of Section 337 investigations at the International Trade Commission, complainants often file parallel actions in the U.S. district court so that they can obtain not only the injunction relief available through the ITC, but also any monetary relief available through the U.S. district courts. In other words, a plaintiff in this situation would file two lawsuits (one in the ITC and the other in district court) in order to obtain both injunctive and monetary relief in a case that presumably justifies both types of relief.\(^25\) A district court must stay the case before it, pending a parallel proceeding in the ITC. 28 USC §1659(a).\(^26\) If an intellectual property owner is forced to pursue such parallel actions in order to combat extra-territorial online piracy actions, then those costs may be prohibitive for small or solo intellectual property owners.\(^27\)

D. Expedited Proceedings

In order to help alleviate intellectual property owners’ concerns about the cost of pursuing district court actions against extra-territorial online piracy, the IPL Section recommends using expedited proceedings, such as preliminary injunction proceedings. Such proceedings already exist in the Federal Rules and are regularly used in trademark infringement cases.\(^28\) Expedited proceedings would reduce the costs of enforcement and also reduce concerns that normal procedural rules might be too slow to contend with foreign infringers who change domain names and websites nearly instantaneously.

E. Protections against Misuse

The IPL Section recommends vesting the U.S. district courts with jurisdiction over extra-territorial online piracy and counterfeiting actions because the Federal Rules of Civil Procedure (FRCP) provide protection against abusive litigation. Under FRCP 65(c), an intellectual property owner bringing such an action could be required to post a security bond. Under FRCP 11, an intellectual property owner who brings frivolous actions could be subject to sanctions.\(^29\) Vesting jurisdiction in the district courts would place the litigants under these and other existing rules that limit the risk of false or intentionally misleading claims being presented.

IV. CONCLUSIONS

The IPL Section recommends that extra-territorial online piracy actions be brought in Article III U.S. district courts. District courts bring the broadest scope of experience in intellectual property
law and the broadest potential set of remedies available. Appropriate remedies could include
injunctive relief, damages and/or criminal sanctions, all of which are within a district court’s ability
to adjudicate and award.30 District courts can also adjudicate criminal enforcement actions, which
Article I executive branch agencies are prohibited (on Constitutional due process grounds) from
adjudicating. District courts have had decades of experience in copyright piracy and trademark
counterfeiting cases. While these are new permutations to an existing problem, the underlying
dilemma is the same. Jurisdiction over online intellectual property infringement matters should be
vested in the district courts, which have the experience in dealing with similar matters. Similarly,
the Department of Justice and the U.S. Attorney’s offices throughout the United States have
extensive experience prosecuting criminal actions against foreign websites. This experience should
be used in prosecuting foreign online counterfeiters and cyber pirates. Finally, the IPL Section
recognizes that expedited proceedings are necessary to give intellectual property owners an
appropriate and speedy mechanism to address extra-territorial online piracy and counterfeiting
(while ensuring the due process rights of the web sites being targeted).

Notes
1. This option was suggested in the OPEN Act, introduced separately during the 112th Congress by Sen.
   Wyden and Rep. Issa, as S. 2029 and H.R. 3782, respectively.
2. Parties would appeal decisions of the U.S. district courts or the International Trade Commission to the
   U.S. Court of Appeals for the Federal Circuit. Therefore, the IPL Section considered this factor to be neutral.
3. See, e.g., 19 U.S.C. §1333(b) (1990) (authorizing nationwide service of process for witnesses and
evidence in ITC investigations); 28 U.S.C. §533 (2002) (authorizing the Department of Justice to investigate
acts against the United States).
4. See About the ITC, http://www.usitc.gov/press_room/about_usitc.htm (last visited Sept. 23, 2013); The
   Investor’s Advocate: How the SEC Protects Investors, Maintains Market Integrity, and Facilitates Capital
   licensees for violations of the Act); see also 15 U.S.C. §78f (2010) (authorizing SEC to impose sanctions upon
   a finding of violation).
7. See, e.g., http://www.copyright.gov/docs/regstat032906.html (last visited Sept. 23, 2013) (Statement of
   the U.S. Copyright Office before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee
   on the Judiciary regarding the high cost of litigation for small or solo copyright holders).
8. Statement of John Morton, Director of U.S. Immigration and Customs Enforcement, Before the U.S.
9. See FY 2011 Highlights: USITC Sees Record Number of Intellectual Property Infringement Cases Filed,
13. Id.
14. See About the ITC (available at http://www.usitc.gov/press_room/about_usitc.htm); About the Court,
   CIT.USCOURTS.GOV (available at http://www.cit.uscourts.gov/AboutTheCourt.html); Department of Justice
   Agencies, JUSTICE.GOV (available at http://www.justice.gov/agencies/index-list.html); We are CBP!, CBP.GOV
16. See, e.g., Report to Congress; Trademark Litigation Tactics and Federal Government Services to Protect
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notices/TrademarkLitigationStudy.pdf); see also Small Business Regulatory Enforcement Fairness Act of 1996, Sec. 202 (“small business bear a disproportionate share of regulatory costs and burdens”); see also Statement of the U.S. Copyright Office before the Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary regarding the high cost of litigation for small or solo copyright holders (available at http://www.copyright.gov/docs/regstat032906.html).


30. The Civil Remedies section of this White Paper addresses the benefits and limitations of remedies that can be awarded in these cases, and recommends can be made about the type of relief that would be appropriate for these types of matters.