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Sovereign Immunity: The Exception for Intellectual or Industrial Property

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SOVEREIGN IMMUNITY: THE EXCEPTION FOR INTELLECTUAL OR INDUSTRIAL PROPERTY

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I. INTRODUCTION

The doctrine of sovereign or state immunity exempts a state and its property from the judicial jurisdiction of any other state. The domestic courts of various nations have developed this doctrine over the years through cases in which private citizens have attempted to sue foreign states. Courts' enunciations of the principle of state immunity and their reasons for granting or denying the immunity are almost as numerous as the countries whose courts have faced this issue. The current work of the International Law Commission[1] (the Commission) on the codification

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* J.D., McGeorge School of Law, 1982; The Hague Academy of International Law, 1984. The author would like to thank Stephen C. McCaffrey and Sompong Sucharitkul, Members of the Commission, for the benefit of their comments in this article.

1. The General Assembly established the International Law Commission on November 21, 1947, pursuant to the Assembly's powers under the United Nations Charter to initiate studies and make recommendations for the progressive development of international law and its codification. G.A. Res. 174(II), U.N. Doc. A/519, at 105 (1947). U.N. Charter art. 13, para. 1(a). The Statute of the International Law Commission, the declarations and conventions which have been formulated based on Commission drafts, and a discussion of the Commis-

and the progressive development of the jurisdictional immunities of states and their property greatly assists the international legal community. The Commission's work on state immunity has produced a number of draft articles[2] designed to provide a basis for the first comprehensive, universal convention[3] on this important aspect of international law.[4]

The Commission has provisionally adopted an exception to state immunity for intangible property in draft article 16.[5] This

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sion's agenda as of 1980, may be found in United Nations, The Work of the International Law Commission, U.N. Sales No. E.80.V.11 (3d ed. 1980).

2. The Commission's draft convention on state immunity is discussed in the recent report of the distinguished Special Rapporteur, Mr. Sompong Sucharitkul. The Special Rapporteur prepares reports and proposes draft articles for the Commission's consideration. Since 1979, Mr. Sucharitkul has served as the rapporteur for "The Jurisdictional Immunities of States and Their Property." *See* Documents of the 36th Session, U.N. Doc. A/CN.4/376/Adds. 1-2, *reprinted in* [1984] 2 Y.B. INT'L L. COMM'N (Part 1) [hereinafter cited as Documents of the 36th Session].

3. *See* Documents of the 31st Session, U.N. Doc. A/CN.4/SER.A/1979/Add.1, *reprinted in* [1979] 2 Y.B. INT'L L. COMM'N at 235-36 [hereinafter cited as Documents of the 31st Session]. The relevant provisions of the multilateral treaties which refer to state immunity are contained in United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 (1982). This invaluable resource was prepared by the U.N. Office of Legal Affairs to assist the Commission in its work on state immunity. It contains national legislation, official records, bilateral and multilateral treaties, judicial decisions, and replies from Member States to a questionnaire circulated by the Legal Counsel of the United Nations.

4. The Commission's preliminary work in the form of draft articles has provided the basis for several important international conventions, including the Vienna Convention on the Law of Treaties, May 23, 1969, Documents of the Conference, U.N. Doc. A/CONF.39/11/Add.2 at 287.

5. Article 16 reads:

> Unless otherwise agreed between the States concerned, the immunity of a State cannot be invoked before a court of another State which is otherwise competent in a proceeding which relates to:
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> (a) the determination of any right of the State in a patent, industrial design, trade name or business name, trade mark, copyright or any other similar form of intellectual or industrial property, which enjoys a measure of legal protection, even if provisional, in the State of the forum; or
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> (b) an alleged infringement by the State in the territory of the State of the forum of a right mentioned in subparagraph (a) above which belongs to a third person and is protected in the State of the forum.

Report of the International Law Commission to the General Assembly, 39 U.N. GAOR Supp. (No. 10) at 159, U.N. Doc. A/39/10 (1984) [hereinafter cited as ILC Report]. For the commentary on Draft Art. 16, see *id.* at 159-63.

exception to state immunity with respect to patents, trademarks, and copyrights is of particular interest, because of the increasing commercial activities of states and the importance of industrial and intellectual property rights in an age of sophisticated technology. Questions have been raised concerning the implications for developing countries of such an exception. This article will examine state immunity for industrial or intellectual property in relation to the work of the International Law Commission, the general principles and existing state practice, and the interests of the international community, including developed and developing countries. This issue is not specifically addressed in either the Foreign Sovereign Immunities Act of 1976 or the proposed amendments to the Act. This omission may have a significant impact on the development of this particular aspect of international law.

II. The Work of the International Law Commission

As early as 1948 a survey prepared by the Secretary-General of the United Nations recognized the importance of codifying the law of state immunity:

> There would appear to be little doubt that the question—in all its aspects—of jurisdictional immunities of foreign States is capable and in need of codification. It is a question which figures, more than any other aspect of international law, in the administration of justice before municipal courts. The increased economic activities of States in the foreign sphere and the assumption by the State in many countries of the responsibility for the management of the principal industries and of transport have added to the urgency of a comprehensive regulation of the subject. While there exists a large measure of agreement on the general principle of immunity, the divergencies and uncertainties in its application are conspicuous not only as between various States but also in the internal jurisprudence of States. . . .[6]

Since 1978 the Commission has been actively engaged in the preparation of a set of draft articles on the jurisdictional immunities of states and their property.[7] In these drafts the Commission

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6. United Nations, Survey of International Law and Selection of Topics for Codification at para. 52, U.N. Sales No. 1948.V.1(I). See also Documents of the 31st Sess., [1979] 2 Y.B. Int'l L. Comm'n paras. 14-18, U.N. Doc. A/CN./SER.A/1979/Add. 1 (Part 1).

7. *See* Documents of the 31st Session, *supra* note 3, at 228-29.

recognizes the doctrine of state immunity[8] and various exceptions[9] based on the underlying principles of state immunity as well as state practice. In 1984 the Commission provisionally adopted the exception relating to patents, trademarks, and copyrights contained in draft article 16.[10] Article 16 provides an exception to state immunity for three categories of intangible or incorporeal property rights:[11] (1) patents, including "industrial designs and inventions for industrial or manufacturing purposes";[12] (2) trademarks, including "trade names, service marks or other similar rights pertaining to merchandise on sale in the markets or for general or limited distribution for commercial purposes";[13] and (3) copyrights, including "translation rights, reproduction rights, literary works, artistic objects, musical compositions, lyrics, video tapes, discs, tapes and audio visual tapes."[14] In addition, the Commission included a catch-all phrase to cover rights which do not fit into any of these groups.

The provisions of draft article 16 are framed in the context of broad, generic terms to encompass existing and future types of intellectual or industrial property.[15] The specific reference to "any other similar form of intellectual or industrial property"[16] clearly demonstrates the Commission's intention to provide for new forms of intangible property. Ensuring a degree of flexibility in the scope of this exception to state immunity is important because of the fluid nature of the intangible interests which may be protected as intellectual or industrial property. As the Commission has pointed out:

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8. *See* Draft Art. 6, Documents of the 36th Session, *supra* note 2, at para. 9, n.14.

9. The Commission's draft articles reject state immunity in cases involving commercial contracts; employment contracts; personal injuries and damage to property; ownership, possession and use of property, patents; trademarks and copyrights; fiscal liabilities and customs duties; shareholdings and membership of bodies corporate; ships employed in commercial service; and arbitration. *See* Draft Arts. 12-20, Documents of the 36th Session, *supra* note 2.

10. *See supra* note 5. *See also* Documents of the 36th Session, *supra* note 2.

11. *See* Draft Art. 16, Documents of the 26th Session, *supra* note 2, at para. 51.

12. *Id.*

13. *Id.*

14. *Id.*

15. *See supra* note 5.

16. ICL Report, *supra* note 5, at 160.

> Some rights are still in the process of evolution, such as in the field of computer science or other forms of modern technology and electronics which are legally protected. Such rights are not readily identifiable as industrial or intellectual. For instance, hardware in a computer system is perhaps industrial, whereas software is more clearly intellectual, and firmware may be in between.[17]

An example illustrating the importance of this flexibility is provided by the version of article 16 originally proposed by the Special Rapporteur.[18] This proposal referred to plant breeders' rights,[19] an emerging property interest in new plant varieties yet to be recognized in many countries. The Drafting Committee[20] deleted this term at the request of some members of the Commission who preferred to exclude the specific reference to a type of property unknown in their legal systems.[21]

The issue of sovereign immunity does not arise unless a national court has jurisdiction over a foreign state under the internal law of the forum and in conformity with international law, which requires a substantial connection with the state for the legitimate exercise of jurisdiction.[22] According to the Special Rapporteur, the exercise of jurisdiction in a proceeding concerning a patent, a trademark, or a copyright may be justified on any one of

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17. *Id.*

18. *See* Documents of the 36th Session, *supra* note 2, at para. 80.

19. This term is included in the European Convention on State Immunity and in the national legislation of several states which are discussed *infra.*

20. For a discussion of the Drafting Committee, see United Nations, The Work of the International Law Commission, 15 U.N. Sales No. E.80.V.11 (3d ed. 1980). "At recent sessions, the Drafting Committee has been asked to deal not only with purely drafting points but also with points of substance which the full Commission has been unable to resolve or which seemed likely to give rise to unduly protracted discussion." *Id.*

21. This statement is based on the author's observation of the Commission's discussion of draft article 16 at the 36th Session of the International Law Commission at the U.N. Headquarters in Geneva, Switzerland, in 1984.

22. As Higgins points out, "Competence is the sine qua non of immunity. If there is no jurisdiction, then there is no need to establish immunity." Higgins, *Certain Unresolved Aspects of the Law of State Immunity*, 29 NILR 265, 272 (1982). The Revised Restatement on the Foreign Relations Law of the United States provides for a number of jurisdictional bases. For a comprehensive discussion of jurisdiction, see Mann, *The Doctrine of Jurisdiction in International Law*, 111 RECUEIL DES COURS 9-162 (1964). *See also* Mann, *The Doctrine of International Jurisdiction Revisited After Twenty Years*, 186 RECUEIL DES COURS 19 (1984).

the following grounds: (1) the legal protection[23] afforded by the forum state with regard to the intangible property; (2) the "lex situs"[24] of the intangible property which exists by virtue of internal law; (3) the significant territorial connection[25] provided by the registration of a property interest or by an alleged infringement within the state; or (4) the implied consent[26] of a foreign state which applies for protection of intangible property or engages in nonsovereign, commercial, or trading activities within the territorial jurisdiction of another state, thereby infringing property rights protected under the law of the territorial state.

The protection of intangible property rights under internal law is limited to the territory of the state. A state can exert jurisdiction over a foreign state in disputes involving patents, trademarks, or copyrights when the foreign state has sought to protect its intangible property rights in the territory of another state.[27] A state also can exert jurisdiction in such cases when the foreign nation has allegedly infringed intangible property rights protected in the territory by conduct therein, such as importing goods which infringe the locally protected patent rights of a third party.[28]

International conventions providing for the transnational protection of patent, copyright, or trademark interests created under national law may impose obligations on party states to protect the rights of foreign nationals which are infringed within the territory of one of the states.[29] Thus, treaty law may expand the intangible property interests protected by a state to include the intellectual or industrial property rights of a foreign national. The protection afforded by a state under either domestic law or international obligations, however, generally is limited to the state's territorial jurisdiction. For example, State A cannot affect the right of State B to copy materials within its territory which are the subject of copyright protection in State A because in the absence of a treaty, State A cannot secure jurisdiction over State B. This result is consistent with the principle of territoriality, a fun-

23. *See* Documents of the 36th Session, *supra* note 2, at para. 53.
24. *See id.* at para. 57.
25. *See id.* at para. 55.
26. *Id.* at para. 58.
27. *See id.* at paras. 53-55. *See also* ILC Report, *supra* note 5, at 162.
28. ILC Report, *supra* note 5, at 162.
29. *See id.* at 159.

damental aspect of the doctrine of jurisdiction in international law.[30]

The Commission's debate over the the possible effects on the development goals and economic policies of developing countries of the proposed state immunity exception for intangible property rights must be viewed in the context of this important jurisdictional limitation. Before turning to a discussion of the interests of the international community, however, the merits of the proposed exception to immunity and the likelihood of its adoption in an international convention will first be evaluated in light of generally applicable legal principles and existing state practice.

III. General Principles and State Practice

The doctrine of state immunity exempts a foreign state from local jurisdiction over sovereign or governmental functions in recognition of the sovereign dignity, equality, and independence of states and in the interests of friendly international relations.[31] Exceptions to this rule of immunity have developed over the years as states have expanded their functions to include activities which do not involve the exercise of sovereign rights or governmental functions. In such cases the interest of a foreign state in avoiding local jurisdiction does not outweigh the interest of the forum state in the regulation of conduct within its territory of jurisdiction. The activities of a state with regard to patents, trademarks, and copyrights are industrial, commercial, or economic in nature. The use of intellectual or industrial property rights does not require the exercise of sovereign rights or governmental powers. Thus, foreign state activities implicating intangible property rights would not require immunity from jurisdiction in the event of a dispute before the domestic courts.[32]

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30. The principle of territoriality provides for the legitimate exercise of the judicial power of a state in the presence of a territorial connection. As the Special Rapporteur has pointed out, "State competence is generally territorial, in the sense that every object, or person or property physically present within or connected with the territory of a State is subject to its territorial jurisdiction." Documents of the 33rd Session, [1981] 2 Y.B. Int'l L. Comm'n para. 12, U.N. Doc. A/CN.4/SER.A/1981/Add.1 (Part 1).

31. The Schooner Exchange v. McFaddon, 11 U.S. (7 Cranch) 116 (1812). The proceedings concerned an armed vessel of France which had entered a U.S. port and was alleged to be the Schooner Exchange, a ship unlawfully seized by persons acting under orders of Emperor Napoleon of France.

32. In rejecting the applicability of state immunity in cases involving intan-

The state immunity exception contained in the first paragraph of the Commission's draft article 16[33] covers cases which involve a determination of the rights of a foreign state in a patent, a trademark, or a copyright. A foreign state which registers an intangible property right in another state has clearly availed itself of the protection and the benefits of the domestic law and has impliedly consented to the jurisdiction of the local courts if a dispute should arise concerning the rights of the foreign state.[34] Similarly, a foreign state which intervenes in a proceeding to protect its intangible property interests by asserting a claim relating to the merits of the case also has consented to the jurisdiction of the court regarding the principal claim or a related counterclaim.[35] This situation is to be distinguished from one in which a foreign state intervenes merely to assert state immunity regarding property before the court.

Article 16, which provides a state immunity exception for cases involving "the determination of any right of the State"[36]in a patent, trademark, or a copyright, covers cases which directly or indirectly concern the rights of a state. The Commission has noted that article 16 applies to a case in which the rights of the State are only important in determining the rights of a third party.[37] In

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gible property rights, the Special Rapporteur notes that such activity is "not only commercial and non-governmental, but also involves unfair competition and trade practices." Documents of the 36th Session, *supra* note 2, at para. 58.

33. *See supra* note 15.

34. *See* ILC Report, *supra* note 5, at 161.

35. Under article 10 of the Commission's draft convention, a state cannot invoke immunity in three situations involving related claims. First, a state which institutes a proceeding in a court of another state cannot invoke immunity with regard to counterclaims against the state "arising out of the same legal relationship or facts as the principle claim." Second, a state which intervenes in a proceeding in a court of another state cannot invoke immunity with regard to counterclaims "arising out of the same legal relationship or facts as the claim presented by the State." Third, a state which makes a counterclaim in a proceeding instituted against it in another state cannot invoke immunity with regard to the principle claim. Report of the International Law Commission to the General Assembly, 38 U.N. GAOR Supp. (No. 10) at 42-43, U.N. Doc. A/38/10 (1983). *See also* Documents of the 31st Session, *supra* note 3, at para. 65: "It may be asked whether voluntary submission opens up all the possibilities of unlimited counter-claims, or whether counter-claims are limited as to the subject-matter involved or by the amount of the original claim, thus operating as a set-off only."

36. ILC Report, *supra* note 15, at 159.

37. *Id.* at 162.

addition, the term "determination" is used in a broad sense to include issues relating to the existence of an intangible property right, as well as the content, scope and extent of this right.[38]

The intellectual and industrial property exception to state immunity is closely related to the generally accepted commercial contract[39] or commercial activity[40] exception.[41] A person who has acquired rights pursuant to a patent, a trademark, or a copyright exploits this intangible property interest for profit or commercial gain. Examples are the patent owner or licensee who acquires a monopoly on the production of the new product, the trademark owner or licensee who acquires a competitive sales advantage over other brands, and the copyright owner who receives compensation for the production, reproduction, or performance of the protected creative work.

Each of these related state immunity exceptions for commercial contracts and intangible property rights is based on the nonsovereign nature of the state activities which would normally fall within the commercial sphere. Nonetheless, a commercial element is not essential for the state immunity exception relating to intellectual or industrial property.[42] The purpose of the laws which govern intellectual or industrial property rights is to protect the intangible property interests and to promote fair competition.[43] As the Commission has pointed out, in some cases these rights which have a commercial value may be violated by conduct which is not commercial in nature:

> An infringement of a patent of invention or industrial design or any copyright of literary or artistic work may not always have been motivated by commercial or financial gains, but invariably impairs or entails adverse effects on the commercial interests of the manufacturers or producers who are otherwise protected for the produc-

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38. *Id.* at 161.

39. *See* Draft Art. 12, Documents of the 36th Session, *supra* note 2, at para. 14, n.22.

40. *See* U.S. Foreign Sovereign Immunities Act of 1976, 28 U.S.C. § 1605(a)(2) (1982).

41. *See* Documents of the 36th Session, *supra* note 2, at para. 56.

42. *See* ILC Report, *supra* note 5, at 162:

> The infringement under this article does not necessarily have to result from commercial activities conducted by a State as stipulated under article 12 of the present draft articles; it could also take the form of activities for non-commercial purposes.

43. *See* Documents of the 36th Session, *supra* note 2, at para. 56.

tion and distribution of the goods involved.

[44]For example, State A performs in a cultural exchange program in State B songs written about its country by a third party who owns a copyright protected in State B.[45]

In practice, the commercial contract exception is greatly complicated by the question of devising an effective and equitable test for determining the commercial or noncommercial character of a transaction.[46] An objective test[47] would emphasize the nature of the transaction, while a subjective test[48] would focus on the purpose of the transaction. The Commission has adopted a compromise test under which the nature of a transaction is initially considered, and then, if necessary, the public purpose may also be considered.[49]

The intangible property exception to state immunity is also closely related to the widely recognized exception for cases involving interests in real property.[50] A state must be able to determine the rights and obligations relating to real property situated in its territory. If a claim of state immunity were allowed to suspend a determination of interests in real property, the resulting uncer-

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44. *See* ILC Report, *supra* note 5, at 160.

45. *See* X v. Spanish Government Tourist Bureau, Judgment of June 30, 1977, Oberlandesgericht, Frankfurt, W. Ger., Recht der Internationalen Wirtschaft 720 (1977), 65 I.L.R. 140, *reprinted in* United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 at 294 (1982).

46. *See* Documents of the 34th Session, [1982] 2 Y.B. INT'L L. COMM'N paras. 47-48, U.N. Doc. A/CN.4/SER.A/1982/Add.1 (Part 1).

47. The United States Foreign Sovereign Immunities Act of 1976 uses an objective test to define commercial activities: "The commercial character of an activity shall be determined by reference to the nature of the course of conduct or particular transaction or act, rather than by reference to its purpose." *Supra* note 38, § 1603(d).

48. Mr. Sompong Sucharitkul, *see supra* note 2, initially rejected the purpose test as being unhelpful in distinguishing commercial and noncommercial acts. Documents of the 32d Session, [1980] 2 Y.B. INT'L L. COMM'N at paras. 46-47, U.N. Doc. A/CN.4/SER.A/1980/Add.1 (Part 1).

49. *See* Draft Art. 3(2), Documents of the 36th Session, *supra* note 2, at para. 6, n.10:

> In determining whether a contract for the sale or purchase of goods or the supply of services is commercial, reference should be made primarily to the nature of the contract, but the purpose of the contract should also be taken into account if in the practice of that State that purpose is relevant in determining the non-commercial character of the contract.

50. *Id.* at paras. 56-57.

tainty of title could unjustly interfere with the use and enjoyment of the property, the purchase of goods and services in relation to the property and the enforcement of internal laws such as assessments for taxes or services.

A state has a similarly strong interest in deciding disputes which relate to intangible property rights. The proprietary interest represented by a patent, a trademark or a copyright exists solely by virtue of the internal law which normally includes an elaborate system of registration. Compliance with registration procedures is therefore a prerequisite to the legal protection of such interests. To allow a foreign state to engage in activities which affect patent, trademark or copyright interests protected in the territory and to claim immunity in the event of a dispute relating to such interests would undermine the very systems which are designed to protect intellectual and industrial property rights. The creation and protection of intangible property interests is dependent upon an effective system of registration to obtain legal protection, to settle conflicting claims, to encourage compliance, and to terminate infringements. It is in the interest of every state to provide effective protection of patents, trademarks and copyrights which rewards individual effort and incentive, encourages creativity and innovation, and promotes fair competition and trade practices.[51]

A. Treaties

The European Convention on State Immunity[52] is the only multilateral treaty which contains an express provision governing state immunity in cases involving intangible property rights. This convention was completed under the auspices of the Council of Europe in 1972, and entered into force between Austria, Belgium and Cyprus in 1976. The United Kingdom and Portugal have since ratified the convention.[53] In article 8 the convention clearly prevents a state from claiming immunity in proceedings relating

51. *See* ILC Report, *supra* note 5, at 159-60.

52. European Convention on State Immunity, May 16, 1972, Europ. T.S. No. 74. *See* Documents of the 36th Session, *supra* note 2, at paras. 73-74.

53. *See* Documents of the 36th Session, *supra* note 2, at para. 73: "The Netherlands is also contemplating ratification, while the Federal Republic of Germany and Italy are probably already putting the provisions in practice and stretch [sic] them to their logical extremes."

to industrial or intellectual property interests.[54]

B. National Legislation

During the last decade, several countries have enacted legislation in an attempt to codify the law of state immunity. The United States led the way with the Foreign Sovereign Immunities Act of 1976 (FSIA).[55] Although this statute does not contain a specific provision concerning intangible property, it does provide a broad state immunity exception for commercial activities.[56] This exception could be interpreted to include foreign state activities which affect patent, trademark or copyright interests in the United States.[57]

In 1984, the American Bar Association (ABA) passed a resolution recommending certain changes in the FSIA.[58] The United States Senate received proposed amendments to the legislation which largely follow the ABA recommendations.[59] Unfortunately, these proposed changes do not include any provisions concerning intangible property. United States courts will have to consider this issue in the context of the commercial activity exception.

A significant number of the states which have recently passed legislation governing state immunity have included a specific exception for patents, trademarks and copyrights.[60] The United

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54. *See* Documents of the 36th Session, *supra* note 2, at para. 73. Article 8 provides:

A Contracting State cannot claim immunity from the jurisdiction of a court of another Contracting State if the proceedings relate:

(a) to a patent, industrial design, trade-mark, service mark or other similar right which, in the State of the forum, has been applied for, registered or deposited or is otherwise protected, and in respect of which the State is the applicant or owner;

(b) to an alleged infringement by it, in the territory of the State of the forum, of such a right belonging to a third person and protected in that State;

(c) to an alleged infringement by it, in the territory of the State of the forum, of copyright belonging to a third person and protected in that State;

(d) to the right to use a trade name in the State of the forum.

European Convention on State Immunity, *supra* note 52, art. 8.

55. 28 U.S.C. §§ 1330, 1332, 1391, 1441, 1602-11 (1982).

56. *Id.*, § 1603(a)(2)-(3), (b).

57. *See* Documents of the 36th Session, *supra* note 2, at para. 71.

58. Resolution by House of Delegates, Aug. 8, 1984, *reprinted in* 1984 SUMMARY OF ACTION TAKEN BY ABA HOUSE OF DELEGATES 1, 23-24.

59. S. 1071, 99th Cong., 1st Sess., 131 CONG. REC. 55363, 55370-72 (1985).

60. This type of provision may be found in the United Kingdom State Im-

Kingdom legislation is representative of the recently enacted state immunity laws. The statute includes a state immunity exception for intangible property:

> A State is not immune as respects proceedings relating to:
> (a) any patent, trademark, design or plant breeders' rights belonging to the State and registered or protected in the United Kingdom or for which the State has applied in the United Kingdom;
>
> (b) an alleged infringement by the State in the United Kingdom of any patent, trademark, design, plant breeders' rights or copyright; or
>
> (c) the right to use a trade or business name in the United Kingdom.[61]

The state immunity exception in section 7 for copyright cases refers only to an infringement by a foreign state and not to the determination of a right of a foreign state. The same is true of the provisions contained in the legislation of the other countries which followed the United Kingdom statute.[62] Copyright protection, originally covering literary and artistic creations, now includes new types of works such as computer programs.[63] The application of copyright protection to new types of intangible property interests increases the economic significance of this proprietary interest and the likelihood of copyright litigation.

Defining the state immunity exception for copyrights to include cases requiring the determination of a right or an infringement of a foreign state makes sense. The Australian Law Reform Commission has observed that because an action for infringement may raise ownership issues involving a foreign state, it is reasonable to include such issues in the exception.[64]

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munity Act of 1978, the Singapore State Immunity Act of 1979, the Pakistan State Immunity Ordinance of 1981, and the South African Foreign Sovereign Immunities Act of 1981. (The relevant provisions of the national legislation, translated into English when necessary, are contained in United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 (1982). *See id.* at art. 7, p. 43.)

61. The United Kingdom State Immunity Act, 1978, ch. 33, § 7.

62. *See supra* note 54.

63. *See* 17 U.S.C. §§ 101, 102, 117 (1982). *See also* Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3rd Cir. 1983), *cert. dismissed*, 464 U.S. 1033 (1984).

64. AUSTRALIAN LAW REFORM COMM'N, FOREIGN STATE IMMUNITY, Rep. No. 24,

The Australian Law Reform Commission has proposed legislation on state immunity, including a specific exception for patent, trademark, and copyright cases.[65] Treatment of issues arising out of a prior transaction in another state relating to property imported into or used in Australia for noncommercial purposes is an interesting aspect of the proposal. The Australian Commission determined that this exception should not apply to property imported into or used in Australia for non-commercial purposes.[66]

The International Law Commission's provision concerning intangible property rights contains a similar limitation. The limitation provides that the action must relate to either the determination of a right of a foreign state which the state claims is protected under the law of the forum state, or an alleged infringement by a foreign state within the territory of the state asserting jurisdiction of a right protected under the domestic law.[67] If a foreign state claims an intangible property interest under the local law, clearly the state has consented to the jurisdiction of the national court.[68] With regard to an alleged infringement by a foreign state, the Commission has placed two specific territorial restrictions on the proposed state immunity exception. First, the alleged infringement must have occurred within the territory of the forum state, and second, the case must involve rights which are protected in the forum state.[69] Therefore, under the Commission's

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at 59 n. 64 (1984).

65. The intangible property exception in the proposed Australian legislation provides:

(1) A foreign State is not immune in a proceeding concerning—

(a) the ownership of a copyright or the ownership, or the registration or protection in Australia, of an invention, a design or a trade mark;

(b) an alleged infringement by the foreign State in Australia of copyright, a patent for an invention, a registered trade mark or a registered design; or

(c) the use in Australia of a trade name or a business name.

(2) Sub-section (1) does not apply in relation to the importation into Australia, or the use in Australia, of property otherwise than in the course of or for the purposes of a commercial transaction as defined by sub-section 11(3).

Id. at 115-16. *See also id.* at 134 (commentary on draft article 15).

66. *Id.* at 24.

67. ILC Report, *supra* note 5, at 159.

68. Documents of the 36th Session, *supra* note 2, at para. 58.

69. ILC Report, *supra* note 5, at 162. Note that the Commission's intangible property exception is more limited than the commercial activity exception in the United States statute which includes foreign state activity abroad that has a

draft convention a national court would not be empowered to decide antecedent infringements occurring outside of the territory of the forum state.

Cases may exist in which an alleged claim of a foreign state conflicts with a third party's claim to an intangible property interest created under the law of another state and protected in the forum state pursuant to an international treaty obligation.[70] Even in this type of case involving the expanded protection of foreign property interests by virtue of a treaty, the infringement must occur within the territory of the forum state for the state to exercise jurisdiction. State immunity is not an issue unless there is a valid basis for jurisdiction. The states which are parties to an international agreement do not have the power to extend the jurisdiction of any one state to encompass activities within the territory of another state which is not a party to the agreement. Thus the states would not have jurisdiction over the infringing state for activities within its territory.

In addition, the proposed Australian provision concerning intangible property frames the territorial limitation with a requirement that the property be imported into or used in Australia in the course of or for the purposes of a commercial transaction.[71]

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direct effect in the United States. 28 U.S.C. § 1605(a)(2) (1982).

70. The Department of State publication entitled *Treaties in Force of Jan. 1, 1986*, indicates that the U.S. is a party to the following international agreements which relate to the transnational protection of intangible property rights: Convention on Literary and Artistic Copyrights, Aug. 11, 1910, 38 Stat. 1785, T.S. No. 593,1 Bevons·758; Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731, T.I.A.S. No. 3324, 216 U.N.T.S. 132; Universal Copyright Convention, as revised, July 24, 1971, 25 U.S.T. 1341, T.I.A.S. No. 7868, 943 U.N.T.S. 178; Convention for the Protection of Inventions, Patents, Designs and Industrial Models, Aug. 20, 1910, 38 Stat. 1811, T.S. No. 595, 155 L.N.T.S. 179; General Inter-American Convention for Trademark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, T.S. No. 833, 124 L.N.T.S. 357; Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 24 U.S.T. 2140, T.I.A.S. Nos. 6923, 7727, 828 U.N.T.S. 305; Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, T.I.A.S. No. 8733; Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, Apr. 28, 1977, 32 U.S.T. 1241, T.I.A.S. No. 9768, as amended, Jan. 20, 1981, T.I.A.S. No. 10078 (further amended on May 24, 1984); International Convention for the Protection of New Varieties of Plants, as revised, Oct. 23, 1978, T.I.A.S. No. 10199; and the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms, Oct. 29, 1971, 25 U.S.T. 309, T.I.A.S. No. 7808, 866 U.N.T.S. 67.

71. *See supra* notes 65-66 and accompanying text.

This commercial element is not present in the Commission's state immunity exception for industrial or intellectual property. Foreign state activities which affect patent, trademark or copyright interests protected in the forum state will in many cases fall within the realm of commercial activities. Nonetheless, the laws which protect intangible property interests are designed to promote creativity, innovation and fair trade practices. These policies are sufficient to justify a separate state immunity exception without regard to the commercial or noncommercial nature or purpose of foreign state activity.[72]

C. Judicial Decisions

Courts have handed down relatively few decisions concerning state immunity in patent, trademark or copyright cases. In light of the importance of industrial and intellectual property and the active participation of many states in technological development and international commerce, national courts probably will face this issue in an increasing number of cases.[73]

Three important reported decisions[74] discuss the issue of state immunity in relation to industrial or intellectual property. In each of these cases the court rejected the defendant state's claim of state immunity as a bar to the adjudication of the merits of the case.

The High Court of Frankfurt decided the most recent case, *X v. Spanish Government Tourist Bureau*,[75] in 1977. The Spanish Government maintained in West Germany a tourist office engaged in the unauthorized performance of copyrighted film scores. With regard to the initial issue of jurisdiction, the court held that

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72. *See supra* note 67 and accompanying text.

73. The Commission has recognized the "growing practical importance" of this state immunity exception. ILC Report, *supra* note 5, at 159. *See also* Documents of the 36th Session, *supra* note 2, at paras. 60-61.

74. Dralle v. Government of Czechoslovakia, Judgment of May 10, 1950, Supreme Court, Aus., Sz 23/143, Supruchreportorium Wo. 28 Neu, 17 I.L.R. 155, *reprinted in* United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 at 183 (1982) (English translation); Chateau-Gai Wines Ltd. v. Le Gouvernement de la République Française, Judgment of Apr. 11, 1967, Exchequer Court, Can., 61 2d D.L.R. 709, 53 I.L.R. 284, *reprinted in* United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 at 245 (1982); X v. Spanish Government Tourist Bureau, *supra* note 45.

75. *Supra* note 45.

a foreign state which conducts business under private law in West Germany is subject to local jurisdiction.[76] In discussing the question of state immunity, the court began by pointing out that this immunity only applies to sovereign activities, which are to be classified in terms of public or private law on the basis of the nature of the act or of the legal relationship. In rejecting the claim of state immunity, the court made several important points. First, the activities of a government tourist office are of a private-law nature, even though the office is an official agency. Second, copyrights and related rights of use are the subject of private legal transactions which are not within the sphere of State sovereignty.[77] Third, the right to use copyrighted material is usually obtained by a contract under private-law. In addition, because of the private-law nature of the rights of use, the purpose of and motive for the unauthorized use of copyrighted material is only a secondary consideration. In any event, the court found that the purpose or motive behind the use of the film scores, to increase the revenue from tourism, was commercial rather than sovereign in nature. Finally, the court concluded that state immunity did not extend to the unauthorized performances of copyrighted film scores because the state was pursuing primarily commercial interests through its tourist office, which engaged in activities equivalent to those of a private travel agency. Though the claim for damages was time-barred, the court recognized a claim for unjust enrichment because the tourist office had used copyrighted materials without paying any fees.[78]

Chateau-Gai Wines Ltd. v. Le Government de la République Française[79] involved a claim of state immunity in relation to a trademark dispute. The Exchequer Court of Canada, while espousing an absolute theory of immunity precluding jurisdiction over a foreign state in the absence of consent, engaged in a legal

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76. X v. Spanish Government Tourist Bureau, *supra* note 45, 65 I.L.R. at 141, *reprinted at* 294.

77. *Id.* at 143, *reprinted at* 296.

78. *Id.* at 144, *reprinted at* 296-97. With regard to the merits of the case, the court made two important findings. First, a film score has a separate legal existence in addition to the film because the music has a value of its own and can be utilized apart from the film. Second, the performances did not constitute a permissible public use under the Literary Copyright Act because the film showings "served at least indirectly the 'gainful purposes' " of the government by increasing its revenues. *Id.* at 144, *reprinted at* 297.

79. *Supra* note 74.

fiction to avoid the frustration of the domestic trademark registration scheme. Chateau-Gai Wines originally instituted an action against the French Government challenging the registration of a trademark on its behalf. The court stated that the complaint would be cognizable if the winery amended it to exclude any reference to the French Government and to include simply a request for an order removing the entry from the trademark registry on the grounds that it did "not accurately express or define the existing rights of the person appearing to be the registered owner of the mark."[80] In the event that Chateau-Gai Wines were to file an amended complaint, the court suggested that the French Government be informed through the appropriate diplomatic channels so that it might have an opportunity to decide whether it wished to take any action concerning the case.[81] Though the Canadian court did not recognize a state immunity exception for trademark cases, the practical effect of the decision is the same. The decision clearly evidences the substantial state interest in an accurate trademark register which requires the ability to adjudicate disputed claims.

The first case to raise the issue of state immunity with regard to intangible property also involved trademarks. *Dralle v. Government of Czechoslovakia*[82] came before the Austrian courts by way of war measures instituted by Czechoslovakia during World War II. A German firm with registered trademarks in Hamburg, Germany, and Vienna, Austria, challenged the activities of a nationalized Czechoslovakian enterprise in the sale and distribution of goods in Austria which were protected by the marks. In rejecting a rule of absolute immunity and, in particular, the claim of state immunity presented in the case, the Austrian Supreme Court stated that:

> This subjection of the *acta gestionis* to the jurisdiction of States has its basis in the development of the commercial activity of States. The classic doctrine of immunity arose at a time when all the commercial activities of States in foreign countries were connected with their political activities, either by the purchase of commodities for their diplomatic representatives abroad or by the

80. *Chateau-Gai Wines*, *supra* note 74, 61 2d D.L.R. at 709; 53 I.L.R. at 287, *reprinted at* 247. *See* United Nations, Materials on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 at 245, 247 (1982).

81. United Nations, *supra* note 80, at 247-48.

82. *Supra* note 74.

> purchase of war material for war purposes, etc. Therefore there was no justification for any distinction between private transactions and acts of sovereignty. Today the position is entirely different; States engage in commercial activities and, as the present case shows, enter into competition with their own nationals and with foreigners. Accordingly, the classic doctrine of immunity has lost its meaning and, *ratione cessante*, can no longer be recognised as a rule of international law. . .[83]

Thus, the principle of state immunity did not preclude the exercise of jurisdiction over the trademark dispute because the state activities were nonsovereign or commercial in nature and placed the state in competition with other traders.

The Austrian court held that the nationalization of the branch office was a war measure having no extraterritorial effect. Even if the action were consistent with international law, a nonbelligerent state would not recognize the action.[84] Because the court did not recognize the act of nationalization, the Czechoslovakian enterprise could not successfully claim the trademark rights and priorities of the branch office.[85]

A foreign state may acquire intellectual or industrial property rights through expropriation. As the Commission has pointed out:

> In actual practice, a State may succeed to the rights and obligations of private firms or trading or manufacturing companies, by way of nationalization or otherwise, and also become answerable for the infringement of patents by the corporations it had nationalized or acquired. This is not an uncommon phenomenon at this time and this age, when developing countries and socialist as well as capitalist States have also deemed it expedient to nationalize an industry or enterprise or the production and management of its natural resources, such as oil, gas, electricity, water supply and other sources of energy. Banking and other financial institutions are no exceptions to the wave of nationalization to remedy or improve national economies.[86]

However, the Austrian decision clearly illustrates that the rights of the state in the nationalized enterprise will be recognized in other countries only if recognition and the act of nationalization

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83. *Dralle*, *supra* note 74, at 163, *reprinted at* 195.
84. *Id.* at 165, *reprinted at* 198.
85. *Id.* at 163-64, *reprinted at* 196.
86. Documents of the 36th Session, *supra* note 2, at para. 34.

are consistent with international law.[87]

The law of state immunity encompasses the power of a national court to decide a case which impleads a foreign state. The rule of state immunity and its exceptions do not alter the principles of international law which relate to expropriation. In other words, the doctrine of state immunity will determine whether or not a national court can exercise jurisdiction in a case impleading a foreign state with regard to nationalization measures. The substantive rules of international law which determine the validity of the act remain the same.[88]

A traditional rule of international law recognizes the validity of an expropriation by a state of property within its territory if the taking is for a public purpose and the state provides prompt, adequate, and effective compensation.[89] This rule has been challenged by some socialist states and developing countries which reject the notion of customary international law deciding the legality of nationalization measures considered essential for the economic development of the state. As the United States Supreme Court stated in *Banco de National de Cuba v. Sabbatino*,[90] which involved the Cuban expropriation of a sugar company:

> There is, of course, authority, in international judicial and arbitral decisions, in the expressions of national governments, and among commentators for the view that a taking is improper under international law if it is not for a public purpose, is discriminatory, or is without provision for prompt, adequate, and effective compensation. However, Communist countries, although they have in fact provided a degree of compensation after diplomatic efforts,

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87. *Dralle*, *supra* note 74, at 170, *reprinted at* 202. The Special Rapporteur has proposed that a special provision be added to the draft which would expressly provide that the state immunity exceptions do not in any way prejudge the question of the extraterritorial effects of nationalization measures. *See* Draft Art. 11(2), Documents of the 36th Session, *supra* note 2, at 138.

88. The principle of state immunity exempts a state from the national jurisdiction of other states. It does not affect the international responsibility of a state for violations of international law. *See* I. BROWNLIE, PRINCIPLES OF PUBLIC INTERNATIONAL LAW 326 (3d ed. 1979).

89. *See* Oscar Chinn Case, 1934 P.C.I.J., ser. A/B, No. 63, at 65; and Chorzow Factory Case, 1928 P.C.I.J., ser. A., No. 17, at 46-47. *See also* AMERICAN LAW INSTITUTE RESTATEMENT OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES (REVISED) § 712 (Tent. Draft No. 3, 1982); Robinson, EXPROPRIATION IN THE RESTATEMENT (REVISED), 78 AM. J. INT'L L. 176 (1984); *contra* D. SCHACHTER, COMPENSATION FOR EXPROPRIATION, 78 AM. J. INT'L L. 121 (1984).

90. Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398 (1964).

> commonly recognize no obligation on the part of the taking country. Certain representatives of the newly independent and underdeveloped countries have questioned whether rules of state responsibility toward aliens can bind nations that have not consented to them and it is argued that the traditionally articulated standards governing expropriation of property reflect "imperialist" interests and are inappropriate to the circumstances of emergent states.[91]

The divergent views are represented in various resolutions of the United Nations General Assembly, including: the Resolution on Permanent Sovereignty over Natural Resources 1962,[92] which requires a public purpose and appropriate compensation in accordance with international law; the Charter of Economic Rights and Duties of States 1974,[93] which does not refer to either a public purpose or rules of international law concerning expropriation; and the Declaration on the Establishment of a New International Economic Order 1974,[94] which allows the expropriating state to determine the amount and mode of compensation. The proposed changes in the law of expropriation have yet to achieve broad and consistent support from the international community necessary to supersede an existing rule of customary international law.[95]

Consideration of relevant United States law is useful in discussing the question of state immunity in a case involving nationalization measures affecting intangible property rights. First, the FSIA contains an express state immunity exception for property taken

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91. *Id.* at 429-30. *See generally* M. AKEHURST, A MODERN INTRODUCTION TO INTERNATIONAL LAW 92 (4th ed. 1982); I. BROWNLIE, PRINCIPLES OF PUBLIC INTERNATIONAL LAW 531-36, 538, 543-45 (3d ed. 1979); D.J. HARRIS, CASES AND MATERIALS ON INTERNATIONAL LAW 422-33 (3d ed. 1983).

92. G.A. Res. 1803 (XVII), G.A.O.R., 17th Session, Supp. No. 17, at 15 (1962).

93. G.A. Res. 3281 (XXIX), 14 I.L.M. 251 (1975).

94. G.A. Res. 3201 (S-VI), 13 I.L.M. 715 (1974).

95. *See* 22 U.S.C. § 2370(e)(1) (Supp. 1985). "The term 'taken in violation of international law' would include the nationalization or expropriation of property without payment of prompt, adequate and effective compensation required by international law. It would also include takings which are arbitrary or discriminatory in nature." H.R. REP. No. 1487, 94th Cong., 2d Sess. 19-20, (1976) *reprinted in* 1976 U.S. CODE CONG. & AD. NEWS 6604, 6618.

In *Kalamazoo Spice Extraction Co. v. Ethiopia*, 729 F.2d 422 (6th Cir. 1984), the court included in an appendix the relevant provisions of several FCN treaties which demonstrate the international acceptance of the requirements of a public purpose and just compensation for lawful expropriation. *Id.* at 428-30.

in violation of international law.[96] Therefore, any expropriation measures which failed to meet the requirements of a public purpose and prompt, adequate, and effective compensation would not be immune to United States jurisdiction under the state immunity doctrine. In such cases the statute also provides for execution against the commercial property of a foreign state.[97] Second, the act of state doctrine[98] does not provide a defense if the con-

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96. 28 U.S.C. § 1605(a)(3) (1982) states:

> A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case . . . in which rights in property taken in violation of international law are in issue and that property or any property exchanged for such property is present in the United States in connection with commercial activity carried on in the United States by the foreign state; or that property or any property exchanged for such property is owned or operated by an agency or instrumentality of the foreign state and that agency or instrumentality is engaged in a commercial activity in the United States.

See also I Congresso del Partido, Judgment of July 12, 1979, Court of Appeal, U.K., 1 Lloyd's Law Reports 22, 31 (1980) ("But confiscation or expropriation by a foreign government of the property of aliens resident there—without compensation—is contrary to international law: and the foreign government has no immunity in respect of it").

97. The proposed amendment to the U.S. Foreign Sovereign Immunities Act of 1976, S. 1071, would delete this specific exception. Under the amended statute this type of judgment could be enforced against the commercial property of a foreign state in the U.S. pursuant to a general exception concerning attachment and execution. *See* 28 U.S.C. § 1610(a)(3) (1982). *See also* S. 1071, 99th Cong., 1st Sess. (1985).

98. Distinguishing jurisdictional immunities pursuant to the concept of state immunity from the act of state doctrine which is a defense relating to the merits of a case is important. State immunity is a doctrine of international law under which a state is immune from proceedings instituted against it. The question of state immunity usually arises in relation to the activities or the property of a foreign state within the territory of the state whose jurisdiction is invoked. The act of state doctrine is a domestic legal principle under which a U.S. court refuses to judge the acts of a foreign state performed within its own territory, unless the act is contrary to international law. This doctrine of judicial abstention applies when the substance of the case requires an evaluation of an act of a foreign state within its own territory. The act of state doctrine operates as a defense even if the foreign state is not a party to the proceeding due to the sensitive political issues involved in judging the act of a foreign state and in deference to the primary responsibility of the executive branch in the field of international relations. First Nat'l City Bank v. Banco Nacional de Cuba, 406 U.S. 759, 763 (1972) (citing The Paquete Habana, 175 U.S. 677 (1900)); Banco Nacional de Cuba v. Sabbatino, 376 U.S. 398, 428 (1964); Underhill v. Hernandez, 168 U.S. 250, 252 (1897).

duct of a foreign state within its own territory is inconsistent with international law.[99] Hence, nationalization measures which failed to comply with international law would not benefit from either the doctrine of state immunity or the act of state doctrine.

The judiciary has a unique responsibility regarding cases involving questions of international law. Justice Powell discusses this point in his concurring opinion in *First National City Bank v. Banco Nacional de Cuba*:[100]

> I do not agree, however, that balancing the functions of the judiciary and those of the political branches compels the judiciary to eschew acting in all cases in which the underlying issue is the validity of expropriation under customary international law. Such a result would be an abdication of the judiciary's responsibility to persons who seek to resolve their grievances by the judicial process.
>
> . . . Until international tribunals command a wider constituency, the courts of various countries afford the best means for the development of a respected body of international law. There is less hope for progress in this long-neglected area if the resolution of all disputes involving an "act of state" is relegated to political rather than judicial process.[101]

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99. Following a recommendation of the American Bar Association, the U.S. Senate is presently considering an amendment to the Foreign Sovereign Immunities Act of 1976, Section 1606 Extent of Liability, which expressly would prevent the application of the act of state doctrine in cases involving an "expropriation or other taking of property, including contract rights, without the payment of prompt, adequate, and effective compensation or otherwise in violation of international law;" a breach of contract; or an arbitration agreement or arbitral award. S. 1071, 99th Cong., 1st Sess. § 3 (1985). In a commentary provided by the International Law and Practice Section of the ABA, the need for an amendment restricting the use of the act of state doctrine was explained in the following words:

> Experience has demonstrated that the Act's current provisions for adjudication of expropriation claims against foreign states, principally in Sections 1605(a)(3) and 1607, fail to provide an adequate remedy for many Americans who are the victims of foreign expropriations. This is true, *inter alia*, because many courts have continued to apply the act of state doctrine as a bar to adjudication of expropriation claims even in the narrow circumstances in which jurisdiction is expressly prescribed by law. *See, e.g., Empresa Cubana Exportadora de Azucar y Sus Derivados v. Lamborn & Co., Inc.*, 652 F.2d 231 (2d Cir. 1981).

Resolution to the House of Delegates (Revised), 1984 A.B.A. SEC. INT'L L. & PRAC. 4.

100. First Nat'l City Bank v. Banco Nacional de Cuba, 406 U.S. 759 (1972).

101. *Id.* at 774-75.

This unique judicial responsibility provides a backdrop against which state immunity legislation must be considered.

D. State and International Opinion

State practice regarding state immunity in industrial or intellectual property cases is somewhat limited. The United Nations Legal Office submitted questionnaires to States to get their views on state immunity in this area. The opinions of states contained in response to the questionnaire provide an important insight into the views of many governments which have yet to deal with this issue by way of treaty, national legislation or judicial decision. The Commission sought the states' responses to the following question: "If a foreign State applies to administrative authorities of your State for a patent, a license, a permit, an exemption or any other administrative action, would it be treated, procedurally or substantively, like any other applicant or would it receive special treatment on the procedure or on the substance?"[102] The overwhelming majority of states indicated that a foreign state would not receive special treatment in the absence of a special agreement, treaty or diplomatic arrangement.

The question is limited because it does not refer to judicial proceedings impleading a foreign state with regard to intangible property rights. Also, the question does not specifically refer to trademarks or copyrights. Nevertheless, the significance of the majority's response is that a substantial number of states representing various parts of the world and diverse legal and economic systems indicated that a foreign state would not be immune from the internal laws regulating patent rights. There is no readily apparent reason to assume that the reply would differ with regard to other forms of industrial or intellectual property.[103]

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102. *See* Question No. 13, United Nations, Material on Jurisdictional Immunities of States and Their Property, U.N. Doc. ST/LEG/SER.B/20 at 558 (1982).

103. *Id.* at 557-645. The following countries indicated that the principle of state immunity would not exempt a foreign state from the procedural or substantive law relating to patents, in the absence of a treaty or special agreement: Brazil, *id.* at 563; Czechoslovakia, *id.* at 566; Ecuador, *id.* at 568; Egypt, *id.* at 570; Federal Republic of Germany, *id.* at 573; Hungary, *id.* at 576-77; Kenya, *id.* at 578; Madagascar, *id.* at 583 (request channeled through the minister of foreign affairs); Netherlands, *id.* at 588; Portugal, *id.* at 593 (more favorable treatment may be afforded on the basis of tradition); Rumania, *id.* at 595; Senegal, *id.* at 598; Spain, *id.* at 600; Sweden, *id.* at 603; Syria, *id.* at 606; Togo, *id.* at 609; Trinidad and Tobago, *id.* at 612; Tunisia, *id.* at 615; U.S.S.R., *id.* at 618; U.K.

The opinion of the international legal community is reflected in the recent draft convention on state immunity adopted by the International Law Association in 1982. This convention includes a state immunity exception for intangible property.[104] In concluding his report on state practice concerning sovereign immunity in intangible property cases, the Special Rapporteur discussed the trend away from state immunity as a favored legal concept, not only with regard to intangible property, but generally.[105]

IV. The Interests of the International Community

The codification and progressive development of the law of state immunity requires careful consideration of not only the legal principles and existing state practice, but also of the interests of the international community. The Special Rapporteur has drafted a convention on state immunity designed to receive the support of the majority of states and thereby promote greater certainty and uniformity in this important area of international law. The Special Rapporteur recognized the need to approach the topic from an international perspective and the divergent interests produced by different economic and political structures and

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627-28; U.S.A., *id.* at 634-35; and Yugoslavia, *id.* at 644.

104. Article 3 of the Draft Convention provides as follows:

> A foreign State shall not be immune from the jurisdiction of the forum State to adjudicate in the following instances *inter alia*
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> . . . E. Where the cause of action relates to:
>
> 1. Intellectual or industrial property rights (patent, industrial design, trademark, copyright or other similar rights) belonging to the foreign State in the forum State or for which the foreign State has applied in the forum State; or
>
> 2. A claim for infringement by the foreign State of any patent, industrial design, trademark, copyright or other similar right; or
>
> 3. The right to use a trade or business name in the forum State.

International Law Association, Report of the 60th Conference held at Montreal, Aug. 29, 1982, to Sept. 4, 1982, at 7, 8 (London, ILA, 1983). The Draft Convention was adopted by Resolution No. 6. *Id.* at 5.

105. The Special Rapporteur stated:

> The trend in the practice of States and legal opinion seems to have emerged clearly in support of absence of immunity, or the subjection of the foreign State claiming, contesting or applying for such rights to the jurisdiction of the forum State. There appears to be no other clear trend in a different or opposite direction.

Documents of the 36th Session, *supra* note 2, at para. 79.

degrees of development.[106]

Developing countries have raised two principle objections to draft article 16. The first objection concerns the detrimental effect which the intangible property exception may have on the ability of a state to pursue its domestic policies concerning industrial or economic development.[107] For example, a state may find it in the national interest to refrain from enacting legislation to protect industrial or intellectual property so that goods and services, including any new technological advancements, may be freely reproduced in the country for the benefit of the society as a whole. In addition, a state may decide that its development goals and economic policies require the expropriation of certain businesses or industries which may involve intangible property. Thus in some countries, the state plays a pervasive role in the national economy.

The proposed state immunity exception for intangible property does not in any way affect the competence of a state to select and implement its domestic policies within its borders.[108] Each state may pursue whatever economic policies it chooses within its own territory.[109] A state is free to decide whether enacting national legislation or participating in international conventions relating to industrial or intellectual property would further its national interests. The state immunity exception only affects the liability of a state which applies for protection of an intangible property interest in another state or infringes the rights of a third party

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106. Documents of the 35th Session, U.N. Doc. A/CN.4/363 at para. 24, *reprinted in* [1983] 2 Y.B. INT'L L. COMM'N (Part 1). The author's discussion of the interests of the international community which will influence the acceptance of draft article 16 is primarily based on her observation of the 36th Session of the International Law Commission held in Geneva in 1984. A summary record of the Commission's proceedings will be published in Y.B. INT'L LAW COMM'N (1984).

107. *See* ILC Report, *supra* note 5, at 162:

> The view was expressed that this exception as formulated in subparagraph (b) might operate to hinder the economic and industrial development of developing countries in regard to their competence to expropriate or to take measures of compulsory acquisition or nationalization of the rights mentioned in this article.

108. *Id.*

> This article expresses a residual rule and is without prejudice to the rights of States to formulate their own domestic laws and policies regarding the protection of any intellectual or industrial property and to apply them domestically according to their national interests.

109. *Id.*

which are protected in the forum state by conduct therein.[110] Clearly, a state reasonably cannot expect to pursue its domestic economic policies or to conduct activities affecting intangible property rights with impunity in another state. Such an encroachment on the sovereignty of the forum state would contravene the essence of a sovereign immunity — the equality of states.

The strongest challenges to draft article 16 have related to the extraterritorial effects of nationalization measures. This issue is not limited to intellectual or industrial property; it can arise in connection with a wide variety of property interests, many of which are discussed in other draft articles providing state immunity exceptions.[111] In response to the concerns expressed by some members, the Commission has proposed a general saving clause expressly providing that the state immunity exceptions, including article 16, do not prejudge "the question of extraterritorial effects of measures of nationalization taken by a State in the exercise of governmental authority with regard to property, movable or immovable, industrial or intellectual, which is situated within its territory."[112]

A state immunity exception does not confer jurisdiction[113] or alter the substantive rules which govern the dispute.[114] Hence, the state immunity exception for intangible property would not affect the existing rules of international law which govern the lawfulness of nationalization measures,[115] nor would it expand the jurisdiction of a court to decide such issues.

The second principal objection to draft article 16 attacks the potential effect it will have on the economic growth and development of the developing countries. This objection stresses the essential nature of intangible property to the economic well-being

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110. *Id.* at 162-63.

111. *See supra* note 8.

112. ILC Report, *supra* note 5, at 138, n.182 (proposed draft of art. 11, para. 2).

113. *See supra* notes 222-30 and accompanying text.

114. State immunity provides an immunity from the exercise of jurisdiction, but not from the substantive rules of the forum state which will apply if, for example, the foreign state consents to jurisdiction or waives its immunity. *See* Sucharitkul, *Immunities of Foreign States before National Authorities*, 149 RECUEIL DES COURS 87, 96 (1976). *See also* Documents of the 31st Session, *reprinted in* [1979] 2 Y.B. INT'L L. COMM'N at para. 53, U.N. Doc. A/CN.4/SER.A/1979/Add.1 (Part 1).

115. *See supra* notes 29-30 and accompanying text.

of a state.[116] As the Special Rapporteur has recognized, the protection of intellectual or industrial property is not always as effective in developing countries which may have insufficient registration and enforcement mechanisms.[117]

This second objection concerns the fear that the intangible property exception would provide comprehensive protection of existing technology and thereby interfere with the development process. The development process often involves the unauthorized use of technology which is protected by the intellectual or industrial property law of another state. Also, developed countries are not likely to freely transfer industrial secrets to developing countries to assist the latter in their development process. Without access to existing technology, developing countries are likely to remain suppliers of raw materials and consumers of imported industrial products. Therefore, some members of the Commission question the possibility of drafting a state immunity exception for patents, trademarks and copyrights which will be in the interest of the developing as well as the developed countries.[118]

The initial premise of the second objection, that intangible property is essential for industrial and economic development, does not clearly suggest that a state immunity exception for this type of property is not in the interests of developing countries. If a developing country has chosen to enact legislation protecting intellectual or industrial property, the country has a strong interest in protecting those rights against infringement by any third party, including a foreign state. Similarly, the effectiveness of the legal protection of intangible property, especially the registration scheme, depends upon the ability of the forum state to determine the priority of conflicting claims to a patent, trademark, or copyright. This is equally true when one of the claimants happens to be a foreign state or state enterprise. Thus, the economic importance of intangible property would seem to support the adoption of a state immunity exception in developing as well as developed countries. If a state has chosen not to enact such legislation or

116. The importance or the essential nature of a transaction to a state does not determine its sovereign or nonsovereign character for purposes of state immunity. A state may place great importance on a purely commercial transaction which does not involve the exercise of a sovereign right.

117. *See* Documents of the 36th Session, *supra* note 2, at para. 52.

118. *See* Summary Records of the 36th Session of the International Law Commission, *to be published in* [1984] Y.B. INT'L L. COMM'N.

participate in relevant international treaties, however, its internal policies would not be affected by the laws of other states which may include a rule of nonimmunity.

The proposed state immunity exception together with the less effective protection of intangible property in some developing countries would not necessarily impede the development process. With regard to the domestic situation, a state is free to amend its national legislation to strengthen the protection it affords to intangible property or the sanctions imposed in the event of an infringement. On the international level, a developing country may incur substantial penalties in another country whose law provides greater sanctions for infringements of intangible property rights. This issue requires consideration of two important points. First, because a state may freely choose its domestic policies concerning intellectual or industrial property, it may provide for the effective protection of those rights, including substantial penalties for infringements. Second, the Commission's draft article 16 is expressly limited to conduct within the forum state. In such circumstances, a foreign state cannot reasonably expect to pursue its economic policies within the territory of another state to the detriment of the law and policies of the forum state, including the protection of industrial or intellectual property.

The state immunity exception for intangible property would not create comprehensive international protection of existing technology. An exception to state immunity merely removes the shield of jurisdictional immunity and requires a state to settle its dispute with a private party in a foreign court. The intangible property exception would not alter or extend the international protection created by treaties or conventions relating to intellectual or industrial property. Furthermore, each state is free to decide whether it wishes to participate in an international arrangement for the protection of patents, trademarks or copyrights.

The effect of draft article 16 on the transfer of technology to developing countries through the unauthorized use of intangible property protected in another state depends on the law of the developing country producing the item and the destination of the unauthorized product. A state which does not provide for the protection of intangible property by way of national legislation and international conventions is free to engage in or permit the unauthorized use within its territory of technology protected in another state. For example, a foreign patent owner would not be able to enjoin or obtain relief for the unauthorized use of a pat-

ented product or process in the forum state in the absence of an international agreement creating such an obligation on the part of the forum state.

Similarly, the state could export the product with impunity to another state which did not have a treaty obligation with regard to the state in which the intangible property rights were protected. Any state is free to pursue such a policy, but a state cannot sell the product in a foreign state which protects the infringed property interest either under its internal law or pursuant to an obligation imposed by an international agreement with the state in which the rights are registered and protected under internal law. In this case, the state immunity exception for patents, trademarks or copyrights would remove the claim of immunity in the resulting proceedings against the state for the infringement. Not even the important goals of developing countries justify such interference in the territory of another state with its economic policies and its protection of intangible property.

In connection with draft article 16, the Commission focused on one of the major challenges facing many developing countries—the rapid transfer of knowledge, especially regarding scientific, technological and educational materials.[119] Limited access to translations or reprints of materials published abroad and protected there by copyrights which require costly royalty payments for reproductions complicate this task. The high cost in terms of valuable foreign exchange required to purchase these materials which could be produced at a much lower cost at home and the underdevelopment of local publishing industries have further complicated this challenge. The rapid transfer of knowledge is also impeded by insufficient incentives for domestic authors and publishers under national law.[120] All of these factors threaten the

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119. *See id.*

120. *See* Olian, *International Copyright and the Needs of Developing Countries: the Awakening at Stockholm and Paris*, 7 CORNELL INT'L L.J. 81 (1974). The absence of protection for foreign works under international agreements may actually injure the financial position of local authors who must compete with cheap pirated copies of foreign works. *Id.* at 93. Olian reaches the following conclusion:

> [R]ecognition by a developing nation of copyright on both the domestic and international levels is the best means for creating incentives for the development of its own class of full-time authors. Such a policy will also act to encourage the growth of local publishing, which will ultimately help conserve foreign exchange, provide jobs, and stimulate the country's over-

availability of publications at affordable prices in developing countries.

There are two important points concerning the transfer of literary materials and technology to developing countries. First, the use of intangible property rights must be regulated by national law in accordance with the economic goals and policies of the state. To encourage foreign investment and the importation of technology, states may have to enact legislation safeguarding intangible property interests. The comments of Mr. Motoo Ogiso, a member of the Commission, are particularly relevant:

> Japan has two methods of co-operating with developing countries with a view to assisting their further economic development. It either provided economic assistance through governmental organizations, or it promoted private investment by encouraging Japanese private industries to co-operate with industries in developing countries. Such encouragement could not be successful unless the recipient developing countries gave proper protection to the technology and capital invested in those countries. Economic co-operation at the private level had yielded remarkable results in a number of developing countries. . . . [A] law on the protection of intellectual or industrial property would enhance economic development rather than stand in its way.

There are organizations within the United Nations system, such as the World Intellectual Property Organization (WIPO)[121] and the United Nations Conference on Trade and Development (UNCTAD) which provide guidance and technical expertise with regard to legislation or international agreements concerning industrial or intellectual property.

Second, the transfer of publications or technology to developing countries on preferential terms is a subject for bilateral or multilateral negotiations. The international conventions which provide for the transnational protection of intangible property represent important frameworks in which to address the needs of both the developing and the developed countries. For example, in 1971, the Universal Copyright Convention[122] was amended to include com-

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all economic growth.

Id. at 94.

121. There are over 100 states which are parties to the Convention establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1749, T.I.A.S. No. 6932. *See* U.S. DEP'T OF STATE, TREATIES IN FORCE at 253 (1985).

122. Universal Copyright Convention, *revised* July 24, 1971, 25 U.S.T. 1341,

pulsory licensing provisions for translations and reprints in developing countries as a result of concerns expressed by those countries. This is the most constructive way for the international community to deal with transnational protection of intangible property rights.[123] The substantive issues of industrial and economic development are simply beyond the scope of the law of state immunity.

Discussion of the interests of the developing countries focuses primarily on a foreign state which seeks to claim immunity. The interests of the international community regarding draft article 16 must be viewed from the perspective of the forum state, including both developing and developed countries. Every state has a general interest in the regulation of products which are imported into its territory, including those which may infringe patents, trademarks or copyrights protected in the state. A state has a strong interest in the regulation of acts performed pursuant to its internal law, including the ownership of intangible property.

Further, each state has an interest in the protection of rights conferred under internal law, including intangible property rights, as well as a primary interest in the administration of justice which includes the redress of injury incurred as a result of unlawful conduct. State immunity precludes the valid claim of a private party against a foreign state. In the case of an infringement of intangible property rights, there is also an element of unjust enrichment on the part of a foreign state which utilizes without compensation the inventions or creations of a third party.

Moreover, every state has an interest in preventing unfair trade practices. The unauthorized use of intangible property, such as trademarks, constitutes an unfair business practice. The person who engages in the unauthorized use of an intangible property interest attempts to acquire a commercial advantage or some type of benefit without compensating the rightful owner. In addition, such practices may confuse consumers as to the quality or the manufacturer of the product.

Finally, these cases can only arise in a state which has chosen to enact legislation protecting intellectual or industrial property. Patent, trademark and copyright laws represent highly complex,

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T.I.A.S. No. 7868.

123. For example, 97 states are parties to one of the versions of the Paris Convention for the Protection of Industrial Property. *See* U.S. DEP'T OF STATE, TREATIES IN FORCE at 250-51 (1985).

specialized branches of law. Intangible property rights exist solely by virtue of these internal laws. It is essential for a state to be able to maintain an accurate registration system and to settle questions of ownership, priority and infringement in the event of a dispute. To allow a foreign state to engage in activity in another state affecting intangible property rights protected therein and to claim immunity in the event of a conflict would seriously undermine the forum state's effective protection of such rights.

In approaching the doctrine of state immunity, every state has conflicting interests because it inevitably faces this issue as a foreign state claiming immunity and as a forum state seeking to exercise jurisdiction. Yet all states share certain general interests which would be furthered by the adoption of an international convention on state immunity, and in particular an exception for intellectual or industrial property. Such an exception would contribute to certainty in international trade by providing for the determination of conflicting claims or an alleged infringement concerning intangible property which involved a foreign state. This exception to state immunity in cases involving patents, trademarks or copyrights also promotes the accountability of a foreign state for its conduct in the forum state which injures property interests protected therein. Furthermore, the exception promotes compliance with the rule of law with regard to the nonsovereign activities of a state in foreign territory. As the Supreme Court pointed out in *Dunhill*:

> Participation by foreign sovereigns in the international commercial market has increased substantially in recent years. . . . The potential injury to private businessmen—and ultimately to international trade itself—from a system in which some of the participants in the international market are not subject to the rule of law has therefore increased correspondingly.[124]

V. Conclusion

The general principles and existing state practice in international law, as well as the overwhelming interests of the international community, support the adoption of an exception to state immunity for intellectual or industrial property. This exception would promote certainty as well as fairness in international trade. It would protect the rights of intangible property owners without

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124. Alfred Dunhill, Inc. v. Cuba, 425 U.S. 682, 703 (1976).

interfering with the sovereign rights of a foreign state. The exception would allow each state to continue to pursue its domestic policies for industrial and economic growth within its own territory and require respect for the policies of another state when engaging in conduct therein. Nonetheless, the uncertain future of draft article 16 is reflected in the strong continuing reservations expressed by several members of the Commission.[125]

The Commission completed the first reading, or the provisional approval, of the sovereign immunity articles during its 1986 session which concludes the five year term of the present members, who may stand for reelection by the General Assembly. The newly elected Commission will have an opportunity to reconsider the draft during the second reading which usually progresses at a faster pace. The draft is then submitted to the General Assembly which may pursue various options depending on the political acceptability of the Commission's work. Obviously, there are fewer problems and delays if a subject is not highly controversial. In such a case, the General Assembly may call for a conference to formulate a convention on the basis of the Commission's draft.

In fact, sovereign immunity has been a controversial topic in the Sixth Committee of the General Assembly which is responsible for international law. This raises the possibility that the General Assembly may choose to recognize the Commission's work in the form of a resolution or a declaration, rather than calling for the adoption of an international treaty. Even if the project fails to receive the support of the Sixth Committee, the draft articles prepared by the Commission will be available as highly persuasive, authoritative evidence of the rules of international law on the subject. The fate of draft article 16 must await the completion of the state immunity project by the Commission and the judgment of either the United Nations General Assembly or a special conference called to consider its adoption.

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125. *See* ILC Report, *supra* note 5, at 163:

> Some members of the Commission expressed reservations concerning this article even with the safeguard contained in draft article 11, paragraph 2 [expropriation], proposed by the Special Rapporteur. They expressed the hope that the provisions of article 16, and particularly subparagraph (b), could be improved so as to take more fully into account the needs of developing countries for transfer of technology essential to their economic and social development.