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The Legal Leviathan: Anti-Suit Injunctions, the People's Republic of China, and Global FRAND Rates

Owen Crowley

Introduction[1]

Long before the rise of Silicon Valley, a different region enthralled the world. Centered on the Spice Islands, modern-day Malaysia and Indonesia, the desire for spices like pepper and cinnamon ushered in the Age of Discovery.[2] The trading empires of Spain and Portugal, using the pinnacle of 15th-century diplomacy, Papal Bulls, desperately sought to legitimize their dominion over these lands.[3] Caught between competing Papal Bulls of the malleable Renaissance Papacy,[4] the Iberian kingdoms sought a lasting solution in the Spanish town of Tordesillas.[5] The resulting Treaty of Tordesillas was a Solomonic compromise[6] that, building off recent Papal Bulls, cut the world in half.[7] This *lasting* solution ultimately proved fleeting as European conflicts over international trade ensued in the following centuries.[8]

International trade remains as vital and volatile today as it was 528 years ago. Treaties remain the favored course for resolution. Today, it is the trading "empires" of the United States ("US") and the People's Republic of China ("China") that battle for hegemony in international trade. Their conflict arises from a modern Age of Discovery, centered on technology rather than spices. The question is not who rules the Spice Islands but whose law governs global stan-

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1. First runner-up, 2022 Albert S. Pergam International Law Writing Competition; Executive Comments and Notes Editor, New York International Law Review; J.D. Candidate, St. John's University School of Law, 2023; B.A. The Catholic University of America, 2019. The author would like to thank the New York International Law Review staff for their help in publication and his family for encouraging him.

2. Mark Cartwright, *The Spice Trade & the Age of Exploration*, WORLD HISTORY ENCYCLOPEDIA (June 9, 2021), https://www.worldhistory.org/article/1777/the-spice-trade--the-age-of-exploration/.

3. *See* Robert J. Miller, *The Doctrine of Discovery: The International Law of Colonialism*, 5 INDIGENOUS PEOPLES' J.L., CULTURE & RESISTANCE 35, 36–37 (2019), https://escholarship.org/uc/item/3cj6w4mj#main.

4. *See* Francis Xavier Murphy, *Alexander VI*, ENCYCLOPEDIA BRITANNICA, (January 1, 2022), https://www.britannica.com/biography/Alexander-VI (Pope Alexander VI's papacy was notorious for corruption and debauchery. Alexander VI, born Rodrigo Borgia, was a Spaniard and granted Spain its Papal Bull).

5. *Miller*, *supra* note 3.

6. *See* 1 Kings 3:16–28 (New American Bible, Revised Edition).

7. Treaty between Spain and Portugal concluded at Tordesillas, Spain– Port., June 7, 1494, https://avalon.law.yale.edu/15th_century/mod001.asp ("[W]hatever part of the said one hundred and twenty leagues, even to the said poles, they that are found up to the said day shall pertain to and remain forever in the possession of the said King and Queen of Castile, Aragon, etc., and of their successors and kingdoms; just as whatever is or shall be found on the other side of the said three hundred and seventy leagues pertaining to their Highnesses, as aforesaid, is and must be theirs, although the said one hundred and twenty leagues are within the said bound of the said three hundred and seventy leagues pertaining to the said King of Portugal, the Algarves, etc., as aforesaid.").

8. The Editors of Encyclopedia Britannica, *Treaty of Tordesillas*, ENCYCLOPEDIA BRITANNICA, (January 30, 2023), https://www.britannica.com/event/Treaty-of-Tordesillas ("After Spain and Portugal agreed to the Treaty of Tordesillas in 1494, the other countries of Europe did not obey its terms. They instead pursued their own agendas regarding the colonization of the Americas.").

dard essential patents ("SEP") or fair, reasonable, and non-discriminatory ("FRAND") litigation. Instead of using Papal Bulls, nations use Anti-Suit Injunctions ("ASI") to assert jurisdiction over global trade.

"An anti-suit injunction is an order issued by a court or tribunal at the request of one party designed to prevent another party from commencing or maintaining a legal proceeding in another forum, particularly a foreign forum."[9] This remedy has endless potential thanks to countermeasures like the anti-anti-suit injunction ("AASI").[10] Without a solution, continued anti-suit injunction usage will cause a "race to the bottom" and destroy international concepts like comity.[11] While national courts pose the greatest threat, private corporations have also muddled the waters by forum shopping to jurisdictions with liberal anti-suit injunctions usage. As the stakes grow, the sustained usage of anti-suit injunctions threatens international law, international trade, and sovereignty. If this new Age of Discovery is to avoid the errors of Tordesillas, a durable international solution must be enacted in the form of an international agreement expanding the International Court of Justice's ("ICJ") jurisdiction to encompass SEPs and FRAND litigation.

Part I of this note examines the state of international patent law and the usage of anti-suit injunctions. Part II discusses the threats anti-suit injunctions pose, highlighting the relationship between the USA and China and the specific threat of Chinese anti-suit injunctions. Finally, Part III makes a case for implementing an international agreement to expand the International Court of Justice's authority to determine global FRAND rate for SEP.

Discussion

I. Age of Discovery

The modern Age of Discovery focuses on the technological innovations arising out of Silicon Valley and its supporting tech archipelago. Unlike the Spice Islands, whose geographic uniquity protected its spice trade from foreign duplication, Silicon Valley's triumphs are not isolated to the region. Silicon Valley's reach expands beyond the San Francisco metro area as a concept and a constituency. Therefore, questions around the law governing the property and disputes of Silicon Valley are not as smoothly resolved as more traditional products and services.

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9. George A. Bermann, *Anti-Suit Injunctions: International Adjudication* 1 (Oxford Public International Law 2019), https://opil.ouplaw.com/view/10.1093/law-mpeipro/e1222.013.1222/law-mpeipro-e1222?print=pdf. [hereinafter *ASI: International Adjudication*].

10. Jorge L. Contreras, *The New Extraterritoriality: FRAND Royalties, Anti-Suit Injunctions, and the Global Race to the Bottom in Disputes over Standards-Essential Patents*, 25 BU. J. SCI. & TECH. L. 251, 273 (2019) [hereinafter *The New Extraterritoriality*].

11. *Id.*

A. The Leviathan Surfaces: Anti-Suit Injunctions

An anti-suit injunction is an equity action "to restrain a litigant from pursuing foreign legal actions in situations where pursuit of such actions would be unjust."[12] There are several reasons for a court to issue an anti-suit injunction. A court may issue an injunction to protect its jurisdiction because public policy is threatened or "simply in the belief that maintenance of that litigation would be what is sometimes termed as 'oppressive or vexatious.'"[13]

The remedy "emerged from the English Court of Chancery's assertion in the sixteenth century of the authority to enjoin litigants from obtaining judgments that were contrary to principles of equity," and from the start there were "controvers[ies] and risks surrounding anti-suit injunctions."[14] *Love v. Baker*, a "seventeenth-century case . . . [noted that] issuing an injunction to restrain foreign proceedings" was "simply, 'dangerous.'"[15] From their very nature, anti-suit injunctions were considered "controversial."[16]

This danger and controversy arise from the threat anti-suit injunctions pose to judicial competency and comity. Judicial competency is the "presum[ption] that each court or tribunal determines for itself the existence and scope of its adjudicatory jurisdiction."[17] Anti-suit injunctions threaten judicial competency because they usurp a court's self-determination of its adjudicatory jurisdiction. Judicial comity has been defined as "the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws."[18] International comity "counsel[s] against any other court or tribunal interfering with" judicial competency.[19] For these reasons, "even courts that are willing to entertain requests for an anti-suit injunction emphatically assert that such orders should be issued under only the most exceptional and compelling circumstances."[20]

It has been said that the best defense is a good offense. No legal remedy embodies this maxim more than the "anti-anti-suit injunction" and its progeny.[21] An AASI aims not "to bar a parallel action in another court, but to prevent the blocking of that action, effectively permit-

12. Ved P. Nanda, David K. Pansius & Bryan Neihart, Litigation of International Disputes in U.S. Courts, § 16:15 (Patrick Fong ed., 2d ed. 2018) [hereinafter *Anti-Suits Generally*].

13. *ASI: International Adjudication*, *supra* note 9, para. 2.

14. *Id.* para. 5.

15. *Id.*

16. *Id.* para. 4.

17. *Id.*

18. Hilton v. Guyot, 159 U.S. 113, 164 (1895).

19. *ASI: International Adjudication*, *supra* note 9, para. 4.

20. *Id.*

21. *See* Contreras, Jorge L., *It's Anti-Suit Injunctions All The Way Down – The Strange New Realities of International Litigation Over Standards-Essential Patents*, *in* 26(4): 1-7 IP LITIGATOR, at 1, 7 (U. UTAH COLL. L. RSCH. Paper No. 386, 2020), https://ssrn.com/abstract=3647587 [hereinafter *All The Way Down*].

ting the parallel action to continue."[22] Generally, "AASIs are sought less frequently than ASIs, and there is no uniform framework defining when they will be granted."[23] Anti-suit injunctions are a legal hydra; issuing one has the potential to sprout another. This potential is most evident in the anti-anti-anti-suit injunction ("AAASI"), which is used to block AASI. While AAASI usage is rare, it is not entirely unknown.[24]

1. US Anti-Suit Injunction

In the US, "an anti-suit injunction is essentially an action in equity" to restrain a foreign legal action that would be unjust.[25] Anti-suit injunctions are evident in state and federal systems, but only the federal system will be examined for this paper. This concentration is because patent law, the area of law most threatened by ASI usage, is governed exclusively by federal law.[26] Anti-suit injunctions are disfavored in the US, and caselaw has been developed in the different circuit courts to justify their limited usage.[27]

Anti-suit injunctions must establish two threshold requirements "and five discretionary considerations."[28] The Supreme Court has never addressed anti-suit injunctions; therefore, US courts do not share a common approach beyond the two threshold requirements.[29] The two requirements are "(1) whether the parties are the same; and (2) whether a resolution of the US action (the enjoining court) is determinative (dispositive) of the foreign action."[30] Parties need only be "sufficiently similar," not identical.[31] Sufficiently similar means "the parties are sufficiently 'affiliated' so that their interests, as a practical matter, are fundamentally the same."[32] For deciding the second requirement, "a court is unlikely to find that an ASI is justified if the local action does not result in the resolution of the foreign action."[33]

Apart from the thresholds, the US circuit courts maintain three approaches to the five discretionary considerations: "(i) the 'conservative' approach, (ii) the 'liberal' approach, and (iii) an intermediate approach drawing on elements of both the conservative and the liberal approaches."[34] These five discretionary considerations are:

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22. *Id.* at 7.
23. *Id.*
24. *Id.* at 9.
25. *Anti-Suits Generally*, *supra* note 12.
26. *Intellectual Property*, LEGAL INFO. INST., https://www.law.cornell.edu/wex/intellectual_property (last visited Jan. 30, 2023, 10:04 PM).
27. *See Anti-Suits Generally*, *supra* note 12.
28. *Id.*
29. Haris Tsilikas, *Anti-Suit Injunctions for Standard-Essential Patents: The Emerging Gap in International Patent Enforcement*, 16 J. INTELL. PROP. L. & PRAC. 729,735 (2021). [hereinafter Tsilikas].
30. *Id.*
31. Robin Cherly Miller, Annotation, *Propriety of Federal Court Injunction Against Suit in Foreign Country*, 78 A.L.R FED. 831 (Originally published in 1986).
32. *Anti-Suits Generally*, *supra* note 12.
33. *All The Way Down*, *supra* note 21, at 3.
34. Tsilikas, *supra* note 29, at 730.

(1) whether the foreign action frustrates a policy of the United States;

(2) whether the foreign action is "vexatious";

(3) whether the foreign action is a threat to the rem or quasi in rem jurisdiction of the US court;

(4) whether the proceedings in the other forum prejudice other equitable considerations; or

(5) whether adjudication of the same issues in separate actions would result in delay, inconvenience, expense, inconsistency, or a race to judgment.[35]

A major differentiating factor between these approaches is the importance of the principle of international comity.[36] Under the conservative approach used by "the District of Columbia, First, Second, Third, Sixth and Eighth Circuits," anti-suit injunctions are only issued if (1) the "action in a foreign jurisdiction would prevent United States jurisdiction or threaten a vital United States policy, and (2) the domestic interests outweigh concerns of international comity."[37] In contrast, the liberal approach, true to its name and followed by the Ninth, Seventh, and Fifth circuits, is more permissive towards ASIs.[38] The liberal approach places modest concerns over comity and focuses "on judicial efficiency, deterring vexatious litigation, and avoiding conflicting judicial outcomes."[39] Ultimately, a U.S. court will only issue an ASI if international comity is not significantly impacted.[40]

2. Chinese Anti-Suit Injunction

Anti-suit injunctions are a new remedy for Chinese law.[41] However, it has been argued that they are "fundamentally incompatible with Chinese jurisprudence and its long-held diplomatic policy, which [emphasizes] the principle of sovereign equality and non-interference."[42] Likewise, "no Chinese law explicitly permits the courts to issue an ASI."[43] China's Supreme Court has "provided guidance to lower courts that might encounter claims to an anti-suit injunctive order."[44] Chinese courts consider the following in an anti-suit injunction inquiry:

> (i) the impact of the foreign ruling on relevant open cases pending before Chinese courts, (ii) the necessity of adopting an anti-suit interim injunction, (iii) the balance of hardship resulting from the entering of an anti-suit

35. *Anti-Suits Generally*, *supra* note 12.

36. *Id.*

37. *Id.*

38. *Id.*

39. Tsilikas, *supra* note 29, at 731.

40. *All The Way Down*, *supra* note 21, at 3.

41. Li Wu & Nick Liu, *China Begins Issuing Anti-Suit Injunctions in SEP Cases*, MANAGING IP (Dec. 9, 2020), https://www.managingip.com/article/b1plvjpjr9gyzg/china-begins-issuing-anti-suit-injunctions-in-sep-cases.

42. *Id.*

43. *Id.*

44. Tsilikas, *supra* note 29, at 735.

> interim order between plaintiff and defendant, (iv) the impact of the anti-suit order on public interest, and (v) the impact of the anti-suit injunction on international comity.[45]

Traditionally, factor (iii) had the most significant impact on Chinese determinations.[46] Factor (iii) is interpreted as "rather broad, including physical harms on materials and intangible harms on business opportunities, market and economic interests and litigation interests, both in China and foreign countries."[47] There have been several recent cases further defining factor (iii). For example, in *Huawei v Conversant*, the Court decided that irreparable harm would result because "Huawei would only have two choices – one is being forced to withdraw from [the] German market, and the other is being forced to accept Conversant's offer."[48] Similarly, anti-suit injunctions were issued in *Samsung v. Ericsson* and *Xiaomi v. IDC* because foreign injunctions threatened the plaintiff's market caps.[49] More recently, factor (v) has garnered particular attention from those analyzing Chinese determinations.[50] Factor (v) is focused on concerns around international comity and indicates the Chinese Supreme Court "intended to set up a high threshold to cross" for issuing ASIs.[51] However, lower Chinese courts have placed little attention on factor (v) and this has caused more controversy.[52] Factor (v) has been interpreted liberally because "[p]arallel foreign litigation in principle is not believed to be a conflict with Chinese courts."[53] Chinese courts, evident in *Huawei*, ignore comparable analysis about the nature of "parallel foreign proceeding[s]" and instead prospectively block proceedings "anywhere that may be deemed as detrimental to the proceeding pending before Chinese courts."[54] Ultimately, the Chinese court has become emboldened in their ASI usage, and their liberal usage could threaten international law.

3. UK and European Anti-Suit Injunction

In Europe, a divide exists between the competing common law and civil law jurisdiction over anti-suit injunctions. Above these competing systems flies the battle between national and supranational law, most evident by EU law. While anti-suit injunctions originated in the English Courts of Equity, much of the innovation around them developed on the Continent.[55]

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45. *Id.*
46. Guanyang Yao & Xiaoning Yu, *China Emerges as a Key Litigation Venue for Standard-Essential Patents*, MANAGING IP (Apr. 14, 2021), https://www.managingip.com/article/b1rczvmxcfts49/china-emerges-as-a-key-litigation-venue-for-standard-essential-patents.
47. Yao & Yu, *supra* note 46.
48. *Id.*
49. *Id.*
50. Wu & Liu, *supra* note 41.
51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.*
55. Tsilikas, *supra* note 29, at 732.

English courts have developed a test for granting an anti-suit injunction that depends "on whether the foreign claims 'were vexatious, in that they sought to obstruct, or could have had the effect of obstructing, pending proceedings before the English court; or of undermining or frustrating the performance of a judgment given by the English court.'"[56] English courts have shown a willingness to issue ASIs to determine global FRAND rates.[57]

Continental nations like Germany and France were traditionally "unwilling to enjoin a person in their jurisdiction from pursuing foreign actions."[58] Likewise, it is unlawful under EU law for one EU member state to use an anti-suit injunction to interfere "with court proceedings in another Member State."[59] However, EU members are free to interfere with courts outside the EU.[60]

Anti-suit injunction usage remains rare because civil law jurisdictions are "hostile to the idea of interfering with the jurisdiction of a foreign court."[61] Instead, EU nations have traditionally borne the brunt of US and UK ASIs. To combat ASIs, "courts in France and Germany have introduced the remedy of the 'anti-anti-suit' injunction, that is, a court order commanding the litigant who has filed for an anti-suit injunction in a foreign jurisdiction to withdraw his claim."[62] EU courts have developed the "cross-border injunctions act as a way for patent owners to enforce their patents internationally with a single court tract."[63] Cross-border injunctions contrast with the anti-suit injunction, which "forbids a party from suing in a foreign court or enforcing a foreign court's order."[64]

B. The Desolation of FRAND

At the heart of this note is the paradox of patent dispute resolution. "Patents are territorial rights" and are often held by multinational corporations.[65] Whereas a private corporation can enforce its rights in any jurisdiction it operates in, "the power of national courts to exercise authority . . . [is] confined to national borders."[66] Patent law was built on a bargain where "an inventor receives the reward of a time-limited monopoly of the industrial use of its invention in return for disclosing the invention and dedicating it to the public for use after the monopoly has expired."[67] As patents are "national in scope and are usually conferred by national govern-

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56. *The New Extraterritoriality*, *supra* note 10, at 273.
57. Tsilikas, *supra* note 29, at 732.
58. *Id.*
59. *Id.*
60. *Id.*
61. *Id.* at 733.
62. *Id.*
63. Tyler J. Dutton, *Jurisdictional Battles in Both European Union Cross-Border Injunctions and United States Anti-Suit Injunctions*, 27 EMORY INT'L L. REV. 1175, 1184 (2013) [hereinafter *Jurisdictional Battles*].
64. *Id.*
65. *Tsilikas*, *supra* note 29, at 729.
66. *The New Extraterritoriality*, *supra* note 10, at 253.
67. Unwired Planet International Ltd v. Huawei Technologies (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

ments, . . . [a]n inventor has to protect its invention by applying for patents to the national authorities of each of those states in which it seeks to obtain a monopoly."[68] Naturally, "[l]egal questions as to [a patent's] validity and their infringement are determined by the national courts of the state which has conferred the patent right."[69]

The development of global telecommunication markets requires the development of "infrastructure equipment and devices produced by competing manufacturers [who] need to communicate and inter-operate with one another."[70] There are two traditional attributes of patent law that conflict with this development.[71] First, by injunction, a patent owner may limit the use of their invention "within a national jurisdiction [which] has the potential to disrupt a global market for equipment using that invention."[72] Second, the national nature of patents forces patent holders down the difficult path of protecting their patents in individual national courts.[73] Pursuing patent protection can be "wholly impracticable, for a patent owner [whose] equipment [is] manufactured in another country, sold in many countries and used by consumers globally."[74] While individual patent holders may have "excessive power to disrupt an otherwise global market . . . and to exact excessive royalties for the use of their inventions," the global nature of patents "may enable implementers to avoid paying an inventor a proper price for the use of its invention internationally."[75] It may seem like individuals pose the greatest threat to patent law. However, national courts have recently begun to use patent law as a "vehicle[] for shaping the global business arrangements of private parties."[76] Courts, especially in China, have used ASIs to overcome the limitations traditionally evident in patent law to assert their power beyond their borders.[77] Since the fruits of Silicon Valley have the potential to propel national fortunes, the role of patents must be sufficient to reward innovators while not preempting the "follow-up inventions that use the patented features."[78]

1. Standard Essential Patents ("SEP")

Iconic inventions of the 21st century, "5G, Wi-Fi, Bluetooth, and USB" are the result of "hundreds, thousands, or tens of thousands of patents, 'so-called "standards-essential patents.'"[79] Much of today's "smart" technology requires something called an interoperability stan-

68. *Id.*

69. *Id.*

70. *Id.* at 4.

71. *Id.*

72. *Id.*

73. Unwired Planet International Ltd v. Huawei Technologies (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

74. *Id.* at [3].

75. *Id.*

76. *The New Extraterritoriality*, *supra* note 10, at 254.

77. *See Courting Influence: China is Becoming More Assertive in International Legal Disputes,* THE ECONOMIST (Sept.18, 2021), https://www.economist.com/china/2021/09/18/china-is-becoming-more-assertive-in-international legal-disputes.

78. Benjamin C. Li, *The Global Convergence of FRAND Licensing Practices: Towards Interoperable Legal Standards*, 31 BERKELEY TECH. L. J. 429, 434 (2016).

79. *All The Way Down*, *supra* note 21, at 1.

dard, which "allow 'two or more networks, systems, devices, applications or components to exchange information . . . and to use the information so exchanged.'"[80] As a result of the potential for "abuse by a patent owner of its monopoly rights and of the denial by implementers of the patent owner's legitimate rights," organizations called Standard Setting Organizations ("SSOs") were established.[81] SSOs enable patent holders to "bring their most advanced technologies, promot[e] standards using those technologies, and put[] in place contractual arrangements" to protect those technologies.[82] When an SSO adopts the standard, "the owner of that technology now owns an SEP."[83] If that SEP is used by "a market participant," the patent holder can charge a licensing fee.[84] The licensing fee can create a problem for further development or manufacturing because SEP holders "assert substantial market power over other market participants in determining licensing rates."[85] Likewise, "SEPs differ from other patents [because] a significant part of their value is derived from an industry-wide agreement to adopt the patented technology as part of the interoperable standard."[86] Traditionally, "only after SEP holders commit to a FRAND license" is a standard's adoption achieved.[87] Otherwise, "[a]n SEP holder could essentially monopolize" the market and demand non-SEP holders "either accept[] excessive licensing fees or withdraw[] from the technological area altogether."[88] The ultimate aim of SSOs is to "promote both technological innovation, . . . and competition between manufacturers, and thereby to benefit consumers through more convenient products and services, interoperability, lower product costs, and increased price competition."[89]

2. Fair, Reasonable, and Non-Discriminatory ("FRAND")

SEP holders can license their patent "royalty-free" or as "royalties that are fair, reasonable and non-discriminatory ('FRAND')."[90] FRAND is the source of litigation because its meaning "is not widely agreed" upon, causing disputes over royalties between SEP holders and non-SEPs users.[91] Such is further complicated by "royalty stacking."[92] As interoperable technologies involve thousands of patents, this can "lead to an accumulation of licensing fees."[93] Therefore,

80. Li, *supra* note 78, at 430.

81. Unwired Planet International Ltd v. Huawei Technologies (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

82. *Id.*

83. Li, *supra* note 78, at 431.

84. *Id.* at 431.

85. *Id.*

86. *Id.* at 434.

87. *Id.*

88. *Id.* at 434–35.

89. Unwired Planet International Ltd v. Huawei Technologies (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

90. *All The Way Down*, *supra* note 21, at 1–2.

91. *Id.* at 2.

92. Li, *supra* note 78, at 432.

93. *Id.*

a royalty that is reasonable on its own may be unreasonable and thus too expensive to market because it involves "several thousand separate royalties."[94]

A two-step analysis is required to determine whether the royalties are fair and reasonable.[95] A fair and reasonable determination requires the patent to be valued "relative to the value of the technology" as a whole and "in relation to the value of the entire portfolio."[96] In recent years, it has been argued that "royalty rates should be calculated based on the price of the end product" that used the patent.[97] Other courts have argued for royalty stacking consideration and therefore "that the licensing fee should be calculated based on the smallest saleable patent practicing unit."[98] Per the non-discriminatory requirement, SEP holders are "obligated to license its patent to all willing parties when it makes a FRAND commitment."[99] Additionally, under the patent exhaustion doctrine, if a SEP holder licenses its patents upstream in the supply chain, it "may no longer seek royalty fees from a downstream manufacturer."[100] Further, "a 'non-discriminatory' license prohibits [SEP holders] from refusing to license to upstream licensees that produce cheaper components."[101]

Ultimately, FRAND disputes face a potentially fatal dilemma.[102] Patents are issued under national law; therefore, their effect is limited to that jurisdiction.[103] Since these disputes often involve "multinational corporations," courts must decide whether to focus on their jurisdiction or the global business.[104] This dilemma has led courts to two avenues of resolution: National Royalty Determination and Global Royalty Determination.[105]

Traditionally, US Courts "have limited their analysis to the national patents before them," notably in *Microsoft v. Motorola*.[106] UK courts have evidenced a willingness, most notably *Unwired Planet v. Huawei*, "to fashion the terms of a global FRAND license between the parties, covering not only their national patents, but also foreign patents encompassed by the licensor's FRAND commitment."[107] China has also demonstrated this willingness, and the Supreme People's Court ("SPC") "ruled in *Sharp Corporation v. OPPO* . . . that in SEP licensing disputes, Chinese courts can adjudicate royalty rates worldwide based on 1. whether the parties are willing to reach a worldwide license and have negotiated this; and 2. there is a close

94. *Id.*

95. *Id.* at 432–33.

96. *Id.* at 432.

97. *Id.*

98. Li, *supra* note 78, at 432.

99. *Id.*

100. *Id.* at 433.

101. *Id.*

102. *All The Way Down*, *supra* note 21, at 2.

103. *Id.*

104. *Id.*

105. *The New Extraterritoriality*, *supra* note 10, at 255.

106. *All The Way Down*, *supra* note 21, at 12 ("In each of these cases, a US district court determined a FRAND royalty rate and awarded damages to the SEP holder based on the asserted US patents only.").

107. *Id.*

nexus to China."[108] Therefore, it is apparent that FRAND litigation is an area ripe for dispute, and one needing a lasting solution.

II. The Rise of the Red Dragon: China v. the US

Carl von Clausewitz, a Napoleonic era general, and philosopher, once described war "as nothing but the continuation of state policy with other means."[109] Such a description, best exemplified by The Cold War,[110] now describes the conflict between the United States and China. The goal today is not only political domination but economic and technological domination as well. As the importance of standard essential patents grows, and FRAND disputes increase, a legal arms race is developing to fight this new Cold War. The weapon of choice is the anti-suit injunction.

"Although anti-suit injunctions find their greatest utility in the international setting, it is also in that setting that they have their greatest capacity for mischief."[111] This capacity for mischief is because foreign relations are "more fragile than sister-state relations."[112] Intervention into foreign courts "strongly impl[y] and often actually create[] jurisdictional conflict rather than . . . jurisdictional cooperation."[113] Even though courts argue "anti-suit injunctions are addressed to private persons . . . rather than directly to the foreign court," the distinction "does not substantially lessen the element of conflict."[114] ASI usage poses a specific threat to international law, international trade, and sovereignty because anti-suit injunctions contradict concepts like international comity and judicial competency.[115] ASIs facilitate two "legal" races, race to the bottom and race to the courthouse.[116] Likewise, ASIs disrupt the policy goals behind patent law.[117]

China has recognized a need "to reduce its dependence on foreign technologies and to increase the production of indigenous technologies."[118] This call to arms, so to speak, "stems

108. Aaron Wininger, *China's Supreme People's Court Affirms Right to Set Royalty Rates Worldwide in OPPO/Sharp Standard Essential Patent Case*, THE NAT'L L. REV. (Sept. 5, 2021), https://www.natlawreview.com/article/china-s-supreme-people-s-court-affirms-right-to-set-royalty-rates-worldwide.

109. CARL VON CLAUSEWITZ, ON WAR 87 (Michael Howard & Peter Paret eds., trans., Princeton University Press 1976) (1832).

110. The Editors of Encyclopedia Britannica, *Cold War*, ENCYCLOPEDIA BRITANNICA (Mar 1. 2021), https://www.britannica.com/event/Cold-War (Political conflict between the United States and the Soviet Union. The Cold War was notable in the absence of actual conflict between the major nations but was fought almost entirely by proxy wars that facilitated national and political interests).

111. George A. Bermann, *The Use of Anti-Suit Injunctions in International Litigation*, 28 COLUM. J. TRANSNAT'L L. 589, 606 (1990) [hereinafter *ASI in International Litigation*].

112. *Id.*

113. *Id.* at 589.

114. *Id.*

115. *See ASI: International Adjudication*, *supra* note 9, at 2.

116. *The New Extraterritoriality*, *supra* note 10, at 280, 283.

117. *See* Li, *supra* note 71, at 434–35.

118. D. Daniel Sokol & Wentong Zheng, *FRAND in China*, 22 TEX. INTELL. PROP. L. J. 71, 81 (2013) [hereinafter *FRAND in China*].

from the stark reality that royalty fees paid by Chinese firms to foreign patent holders impose a high burden" on Chinese manufacturing.[119] The Chinese recognize the threat foreign courts pose to this goal; with "China's most senior intellectual property judge suggest[ing] that China needs 'strong countermeasures against foreign parallel litigation.'"[120] The Chinese government has taken this further, outlining a need to "strengthen the construction of a legal system for foreign-related matters" in the Party's Five Year Plan.[121] These statements outline a growing sense that China is "using its legal system to safeguard and advance China's interests."[122] Such has caught the eye of European and American governments as well.

In July 2021, "the European Union filed a request with the WTO that China be more transparent about" cases involving anti-suit injunctions.[123] This request was submitted because Chinese "rulings are often not made public," *and* Chinese judicial authorities tend to "view these cases as important guideposts for future rulings."[124] The US Trade Representative has also highlighted this phenomenon of Chinese law.[125] The US emphasized "broader concerns" that the continued "interventions by local government officials, party officials, and powerful local interests" have "undermined China's judicial system and rule of law."[126] Further, China has "fall[en] short of the full range of fundamental changes needed to improve the IP landscape in China."[127] As of 2018, the USTR reported: "that China pursues a range of unfair and harmful acts, policies, and practices related to technology transfer, IP, and innovation."[128] Chinese officials have expressed the necessity of developing "'indigenous' innovation."[129] Likewise, these same officials have stressed: "that IP rights should be linked to national security and [that] the 'external transfer' of IP rights in certain technologies should be prevented."[130] These statements, coupled with "long-standing problems such as bad faith trademarks and counterfeiting" and the emergence of "worrying developments such as broad anti-suit injunctions issued by

119. *Id.* at 81–82.

120. *All The Way Down*, *supra* note 21, at 10.

121. *Outline of the People's Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035*, XINHUA NEWS AGENCY (promulgated by Nat'l People's Cong., March 12, 2021, Ben Murphy, ed., Etcetera Language Group trans., May 12, 2021), https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf [hereinafter Five-Year Plan].

122. *Courting Influence, supra* note 77 ("At a Politburo meeting last November Mr. Xi called for greater assertiveness in cross border disputes, saying China should 'promote the extraterritorial application' of its intellectual-property laws.").

123. *Id.*

124. *Id.*

125. OFF. OF U.S. TRADE REP., 2021 SPECIAL 301 REPORT 1, at 40 (2021) [hereinafter USTR] ("Chinese judicial authorities continue to demonstrate a lack of transparency, such as by publishing only selected decisions rather than all preliminary injunctions and final decisions.").

126. *Id.* at 42.

127. USTR, *supra* note 125, at 40.

128. *Id.* at 41. ("These include investment and other regulatory requirements that require or pressure technology transfer, substantial restrictions on technology licensing terms, direction or facilitation of the acquisition of foreign companies and assets by domestic firms to obtain cutting-edge technologies, and conducting and supporting unauthorized intrusions into and theft from computer networks of US companies to obtain unauthorized access to IP.").

129. *Id.* at 40.

130. *Id.*

Chinese courts," have placed US-China relations on ice.[131] These problems intensify concerns about forced "technology transfer and whether IP protection and enforcement will appl[ied] fairly to foreign right holders in China."[132]

These fears are further compounded by a general "lack of procedural transparency" that permeates China's legal system due to operating under the Chinese political system.[133] As the USTR warns, the Chinese "judiciary must uphold the absolute leadership of the Chinese Communist Party and do its part to ensure Chinese ownership of technologies critical to China's development."[134] Therefore, the Chinese judiciary "dress[es] up [Chinese] decisions to make them appear as if they are based on sound competition law principles when in fact the decisions were driven by other considerations, including industrial policy, to provide the decisions with a veneer of legitimacy."[135] Besides the lack of publicly available documents, there are several procedural hurdles in Chinese courts.[136] Non-Chinese lawyers are excluded from attending hearings, "there [is] a lack of access to information, and" a lack of "assurance that [confidential business] information [will] not be disclosed to [the foreign party's] Chinese customers and competitors."[137] Yet, what is most disturbing is the "influence of the government over judges in China," raising the "possibility that in China, ultimately it is the Chinese government that determines FRAND rates (rather than judges)."[138] Ultimately, Chinese courts' lack of transparency and independence renders Chinese law nothing but the continuation of state policy by other means. This lack of transparency and independence is the backbone of the threat Chinese ASI usage poses to the global world.

A. Threat to International Law

As the pillar of 21st-century national dispute resolution, international law relies on two fundamental concepts, mutual trust and judicial competency.[139] Because of globalization, disputes are crossing borders at an unprecedented rate.[140] Anti-suit injunctions have become the tool to shepherd these disputes back into national courts. However, this is not sustainable because nations like China have begun to use ASIs to "vie for jurisdictional authority in global

131. USTR, *supra* note 125, at 40–41.

132. *Id.* at 41.

133. *FRAND in China*, *supra* note 118, at 75.

134. USTR, *supra* note 125, at 40–41.

135. *FRAND in China*, *supra* note 118, at 75.

136. *Id.* at 91.

137. *Id.*

138. *Id.*

139. Jonas Steinle & Evan Vasiliades, *The Enforcement of Jurisdiction Agreements Under the Brussels I Regulation: Reconsidering the Principle of Party Autonomy*, 6 J. PRIV. INT'L L. 565, 573–74 (2010) ("[A]nti-suit injunctions are incompatible with the Regulation because they would interfere with the competence of the foreign court and would be contrary to the established principle of mutual trust between Member State courts.").

140. Austen L. Parrish, *Duplicative Foreign Litigation*, 78 GEO. WASH. L. REV. 237, 238 (2010) ("Transnational litigation is here to stay. Cross-border and trans-boundary cases are simply a feature of a globalized, interconnected world. As a result, duplicative foreign proceedings will become more common. In short, litigants increasingly have a choice of where to battle: here, abroad, or in both places.").

battles over standard-essential patents."[141] However, scholars like Jorge Contreras, a University of Utah law professor and a leading scholar on anti-suit injunctions, have argued that "despite the complexity that [ASI] introduce on the international litigation stage, there is nothing inherently improper about the use or issuance of anti-suit measures in cases like these."[142] That may technically be so, but their continued usage will erode the mutual trust and judicial competency necessary for a functioning international law system.

Mutual trust is a bedrock of international law. It is inconceivable that nations can negotiate, enter, or operate international agreements and organizations without mutual trust. Specifically, civil law jurisdictions have highlighted that anti-suit injunctions run "counter to the principle of mutual trust."[143] The World Intellectual Property Organization noted that a healthy global SEP disputes system relies on trust that foreign courts will not deal with the disputed issues in an inappropriate manner.[144] Such is not the case for Chinese ASIs. With their signature lack of transparency and procedural hurdles, Chinese anti-suit injunctions erode trust in a way comparable global ASIs do not.[145] As international trust continues to erode, the legitimacy of international law will suffer.

China issued its first anti-suit injunction in a SEP case in August 2020 and less than a month later issued a second broader anti-suit injunction in *Xiaomi v. InterDigital*.[146] The foreign court, New Delhi High Court, in *Xiaomi* responded with an immediate anti-anti suit injunction.[147] The Indian court had stressed, "that the anti-suit injunction by the Wuhan Intermediate People's Court appears to have been granted ex parte and not in adversarial proceedings."[148] Such actions erode the mutual trust between the two nations that foreign litigation is fair.

Likewise, the ASI issued in *Sharp Corporation v. OPPO* presents additional erosion of mutual trust. Sharp, a Japanese company, sued Oppo, a Chinese mobile phone company, in Japan "for infringing some of its patents for the technology behind wireless local area networks in January 2020."[149] Oppo responded with a "countersued in a Chinese court in Shenzhen,

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141. Contreras, Jorge L., and Yu, Yang, *Will China's New Anti-Suit Injunctions Shift the Balance of Global FRAND Litigation?* PATENTLY-O, BLOG (Oct. 22, 2020), https://ssrn.com/abstract=3725921.

142. *All The Way Down, supra* note 21, at 10.

143. World Intellectual Property Organization, *2020 WIPO Intellectual Property Judges Forum: Promoting Transnational Dialogue Among Judiciaries* (Nov. 18–20, 2020), https://www.wipo.int/edocs/mdocs/govbody/en/wipo_ip_ju_ge_20/wipo_ip_ju_ge_20_report.pdf [hereinafter 2020 WIPO].

144. *Id.*

145. *Courting Influence*, *supra* note 77 (while the British were the first to issue a global anti-suit injunction, Chinese "courts have become much more activist than others in claiming this authority.").

146. Wu, *supra* note 41.

147. Tsilikas, *supra* note 29, at 735; *see also* Josh Zumbrun, *China Wields New Legal Weapon to Fight Claims of Intellectual Property Theft*, THE WALL ST. J. (Sept. 27, 2021) https://www.wsj.com/articles/china-wields-new-legal-weapon-to-fight-claims-of-intellectual-property-theft-11632654001 (In *Xiaomi*, the "Chinese court in Wuhan issued an injunction barring InterDigital from pursuing its case against Xiaomi—in China or anywhere else" punishable by a $1 million fine a week. This injunction is an example of how "China disregards the patents, copyrights and trade secrets of foreign companies.") [hereinafter *China Wields New Legal Weapon*].

148. Tsilikas, *supra* note 29, at 735.

149. *China Wields New Legal Weapon*, *supra* note 147.

which took jurisdiction and said it would determine the price that Oppo should pay to use Sharp's patents."[150] Sharp responded in a Japanese court, but the Chinese court "issued an anti-suit injunction, and said it would penalize Sharp roughly $1 million a week if it [did not] drop its lawsuits."[151] Sharp sought action in Germany "to block the anti-suit injunction with an anti-anti-suit injunction."[152] The Oppo case went as high as the Supreme Court of China, which, in 2021, affirmed the Shenzhen court.[153] The SPC decided that because parties expressed a willingness to reach a global SEP license and a majority of OPPO's sales were in China, China should determine the global license on the standard-essential patent.[154] This ruling completely disregarded the foreign actions and overvalued Oppo's interest in the litigation. The SPC failed to consider the SEP's global usage and the interest of the foreign party. These are essential considerations for mutual trust because they play into the expectation that foreign courts are not inappropriately dealing with SEPs.[155] In addition, subverting the AASI issued by Germany points to Chinese mistrust of the German judicial system. Based on the Chinese ruling in *Xiaomi* and *Oppo*, it is evident that ASIs threaten a collapse in mutual trust between nations. The deadlock they produce will weaken international law.

Next, ASI usage generally threatens international law because it disregards judicial competency. It is a foundation of international law that "each court or tribunal determines for itself the existence and scope of its adjudicatory jurisdiction."[156] Courts are concerned that they might offend the foreign jurisdiction and hamper relations between the two nations. For this reason, courts traditionally limited ASIs to "only the most exceptional and compelling circumstances."[157] Fears about offending judicial competency are why "anti-suit injunctions are disfavored in the US," because US courts would rather "parallel litigation . . . proceed simultaneously, with all the resultant inefficiencies, than to intrude into a foreign court's jurisdiction."[158]

China does not share these concerns. For example, in *Huawei v. Samsung*, Huawei and Samsung tried to negotiate the license of Huawei patents to Samsung, but they could not "agree on the terms of a cross-license" of the patent and instead chose "combat in piecemeal litigation around the globe."[159] Huawei first brought the action in a US court and then sought action in a Chinese court.[160] Moving faster than the American court, the Chinese court found

150. *Id.*

151. *Id.*

152. *Id.* ("Supreme People's Court of China praised the case in a report highlighting significant intellectual property cases, citing it as an example of how China is changing from a 'follower of property rights rules' to a leader in the field.").

153. Wininger, *supra* note 108.

154. *Id.*

155. *See 2020 WIPO*, *supra* note 143.

156. *ASI: International Adjudication*, *supra* note 9, at 2.

157. *Id.*

158. *Anti-Suits Generally*, *supra* note 12.

159. Huawei Techs., Co. v. Samsung Elecs. Co, Ltd., 340 F. Supp. 3d 934, 942 (N.D. Cal. 2018).

160. *The New Extraterritoriality*, *supra* note 10, at 275.

for Huawei and issued an injunction against Samsung.[161] In response, the US court issued an anti-suit injunction because "the Chinese injunction posed a significant commercial risk to Samsung, 'not just in China, but with impacts percolating around the world.'"[162] The US court was worried that "the Chinese injunctions would likely force [Samsung] to accept Huawei's licensing terms, before any court ha[d] an opportunity to adjudicate the parties' breach of contract claims."[163] The Chinese injunction would interfere "with 'equitable considerations' by compromising the court's ability to reach a just result in the case before it free of external pressure on [Samsung] to enter into a 'holdup' settlement before the litigation is complete."[164] The threat to judicial competence posed by the Chinese action was central to the US court determination.

Sustained ASI usage is corroding mutual trust and insulting judicial competency. Protecting international law is essential for a healthy society. ASI usage must be curtailed, and a lasting solution must be sought for global FRAND rates to protect international law.

B. Threat to International Trade

In 1979, the United States and China normalized relations after the decades-long estrangement following the Chinese Civil War.[165] Part of that normalization saw the People's Republic of China absorb the international standing once held by the Republic of China (Taiwan). Being ostracized by the international world meant China joined international agreements and organizations, "it had no hand in writing, after years during which the Communist Party was either hostile to such institutions or" maintaining a policy of isolation from international affairs.[166] Now, China has a very active role in international trade, especially in SEPs, where Chinese ownership has "soared from less than 10% to over 30% of all declared SEPs."[167] The anti-suit injunction is a tool for China to preserve and expand this field of trade. However, anti-suit injunction usage contradicts patent policy and fosters drawbacks for international trade, like race to the bottom and race to the courthouse.

The policy behind patent law is a desire to reward investors while allowing the public domain to build off access to patented technology.[168] For states that want to develop via "IP theft and forced technology transfer[s]," anti-suit injunctions offer a way to subvert the policy goals of patent law.[169] China has been the chief user of this threatening strategy. In recent years, "court filings by US companies against Chinese enterprises for IP theft have fallen dramati-

161. *Id.*

162. *All The Way Down*, *supra* note 21, at 7; *see also* Huawei Techs., Co. v. Samsung Elecs. Co., No. 3:16-CV-02787-WHO, 2018 WL 1784065, at *10 (N.D. Cal. Apr. 13, 2018).

163. *Huawei Techs*, 2018 WL 1784065, at *10.

164. *Id.*

165. *U.S. Relations With China 1949–2022*, COUNCIL ON FOREIGN RELATIONS, https://www.cfr.org/timeline/us-relations-china (last visited April 28, 2022).

166. *Courting Influence*, *supra* note 77.

167. Yao & Yu, *supra* note 46.

168. Jorge Contreras & Richard Gilbert, *A Unified Framework for RAND and Other Reasonable Royalties*, 30 BERKELEY TECH. L. J. 1453, 1496 (2015).

169. *China Wields New Legal Weapon*, *supra* note 147.

cally" because "companies have either concluded they will lose in court, or don't want to risk reprisals from China."[170] China uses the anti-suit injunction, the corresponding fines, and punishments to "weaponize[e] the judiciary . . . so that [China] (rather than foreign courts) can decide how much Chinese firms should pay in royalties to the holders of patents that their products use."[171] China's weaponization of the judiciary threatens international trade because it will pressure companies to avoid certain jurisdictions. Such is much harder for foreign companies in China because China has "leverage over the foreign parties in these cases."[172] Companies there face the dilemma: either manufacture and sell goods in China and accept Chinese rulings or face hefty penalties.[173] The decision would be easier if it were not so that "Chinese courts typically grant a fraction of what might be ordered by a Western court."[174]

Huawei v. InterDigital exemplifies the fair, reasonable and non-discriminatory rates granted by Chinese courts.[175] In *Huawei*, the court ordered, "without explanation, that the royalties to be paid . . . should not exceed 0.019% of the actual sales price of each Huawei product."[176] Industry experts have noted that such a rate is "'orders of magnitude lower than the single-digit percentage demands' one commonly finds for large portfolio SEPs in the telecommunications industry," and likely indicates that what is fair, reasonable, and non-discriminatory is being "based on industrial policy."[177] Equally, China's rate determination was based on the understanding that "the rates offered to Huawei were significantly higher than those offered to Apple and Samsung" and therefore "InterDigital's action was discriminatory and . . . excessive."[178] However, such a determination is problematic because the Chinese court's FRAND calculations were not disclosed.[179] Instead, it seems "industrial policy concern[s] [over] low royalty rates for the purpose of improving Huawei's position as a telecommunications equipment manufacturer" played a more critical role.[180] As Chinese ASI usage increases, the policy goals behind patent law will be further threatened. Policy fears are further warranted because "what happens in China on FRAND will impact decision making in the boardrooms of Silicon Valley."[181] China is a jurisdiction where a lower rate set by its court will cause market forces to globalize that rate.[182] With ASIs as a new weapon to enforce FRAND rates globally, patent law faces danger.

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170. *Id.*
171. *Courting Influence*, *supra* note 77.
172. *Id.*
173. *Id.*
174. *Id.*
175. *FRAND in China*, *supra* note 118, at 89.
176. *Id.*
177. *Id.* at 88–89.
178. *Id.* at 89.
179. *Id.* at 90–91.
180. *FRAND in China*, *supra* note 118, at 91.
181. *Id.* at 73.
182. *Id.*

A race to the bottom is a "well-documented phenomenon in which jurisdictions intentionally adapt their rules, procedures and substantive outlook to attract litigants."[183] There is nothing sinister about a race to the bottom on its face; US states do it all the time regarding taxes or regulations.[184] There are several reasons to engage in a race to the bottom, including: first, a genuine feeling that a jurisdiction's rules and procedures are more fair, efficient, or competent; second, a feeling that other jurisdictions mistreat foreign citizens; and finally, that they can "attract business to their jurisdiction," by adjusting their rules regarding "consumer protection, worker rights, and product safety."[185]

Jurisdictions may establish low or high global FRAND rates to attract litigants.[186] Jurisdictions like the UK and Germany are patentee friendly, while Chinese courts are not considered patent friendly.[187] Jorge Contreras has argued that "jurisdictional races are costly for markets and market participants" because they distort "judicial and administrative rulemaking, substituting national desires to attract business for just and evenhanded application of the law."[188] This distortion of the judicial system in favor of national desires threatens international trade because it pits nations against each other over control of private enterprises.

The race to the bottom began when the British court in *Unwired Planet v. Huawei* recognized the potential anti-suit injunctions had in asserting jurisdiction over foreign patents.[189] Unwired commenced this action in England in response to alleged infringement by Huawei and others on 6 UK patents held by Unwired.[190] Unwired settled with the other parties, but Huawei sued them in China after failed negotiations.[191] Unwired sought an injunction in response to the Chinese action.[192] In 2020, the UK Supreme Court held that a UK court can "grant an injunction to restrain the infringement of a UK patent where the patented invention is an essential component in an international standard of telecommunications equipment, which is marketed, sold and used worldwide."[193] The backbone of the Court's reasoning was a fear that "if the patent-holder were confined to a monetary remedy, implementers who were infringing the patents would have an incentive to continue infringing until, patent by patent,

183. Jorge L. Contreras, *Anti-Suit Injunctions And Jurisdictional Competition In Global FRAND Litigation: The Case For Judicial Restraint*, 11 N.Y.U. J. INTELL. PROP. & ENT. L. 171, 174 (2021).

184. *The New Extraterritoriality*, *supra* note 10, at 280 ("For example, US states such as Delaware have adopted rules streamlining the processes for incorporating entities and minimizing the potential liability of corporate directors . . . .").

185. *Id.* at 281.

186. *Id.* at 282.

187. *FRAND in China*, *supra* note 118, at 73 ("The operation of market forces will result in globalization of the lowest rate set by a court or agency for a particular patent or patent portfolio in a major jurisdiction. China is such a jurisdiction.").

188. *The New Extraterritoriality*, *supra* note 9, at 286; *see also All The Way Down*, *supra* note 21, at 1.

189. *See Unwired Planet International Ltd v Huawei Technologies* (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

190. *Id.* at 7.

191. *Id.* at 7–8.

192. *Id.* at 8.

193. *Id.* at 1.

and country by country, they were compelled to pay royalties."[194] Therefore, "an injunction is likely to be a more effective remedy, since it does not merely add a small increment to the cost of products which infringe the UK patents, but prohibits infringement altogether."[195]

China joined the race with the landmark decision in *Xiaomi v. InterDigital*. Following a breakdown in negations over patent usage, Interdigital, a US corporation, decided to sue Xiaomi for patent infringement.[196] Xiaomi, however, sought an ASI from "the Wuhan Intermediate Court (Wuhan Court)" that ordered "InterDigital to withdraw its [India] injunction request [and] prohibit[ed] InterDigital from seeking any further injunctive relief in China or any other jurisdictions.[197] The order also "prohibit[ed] InterDigital from asking any other courts to determine the FRAND rate relating to the 3G/4G SEPs at issue in the case."[198] Backing up this order was a threat that if InterDigital continued its suit, it would face a "roughly $1 million [fine] a week."[199]

Even though "[b]oth the Indian and German courts sided with InterDigital[,] InterDigital and Xiaomi reached a settlement in August, dropping all their legal actions in exchange for undisclosed licensing terms."[200] The ASI issued in *Xiaomi* was "not limited to the country in which InterDigital sought injunctive relief (India), but extend[ed] to all jurisdictions in the world."[201] The issue here was not that China issued a global anti-suit injunction, "courts in the US and UK have, for several years, sought to resolve global FRAND disputes being litigated on the international stage," instead, the issue is that China's injunction is more sweeping than those issued by Western courts.[202] US and UK courts must determine whether the domestic and foreign action "address the same matter and whether the resolution of the domestic action would dispose of the foreign action."[203] This procedure contrasts with Chinese ASIs, which are "not directed to a particular foreign action, but prospectively prohibits any attempt to seek an injunction anywhere in the world" and therefore disregard such analysis.[204]

Ultimately, continued usage of anti-suit injunctions will sustain this race to the bottom. No nation is innocent. UK courts and Chinese courts, along with others, contribute to this global race to the bottom. Only a lasting solution can solve this problem. A race to the bottom

194. *Id.* at 38.

195. Unwired Planet International Ltd v. Huawei Technologies (UK) Co Ltd, [2020] UKSC 37, 2020 WL 05027328, [2] (appeal taken from Eng.).

196. *China Wields New Legal Weapon*, *supra* note 147 ("Xiaomi, the world's biggest smartphone maker, has sold millions of handsets using InterDigital patents since 2013, under industry practice that allows companies to do so while licensing fees are being negotiated.").

197. Wu & Liu, *supra* note 41.

198. *Id.*

199. *China Wields New Legal Weapon*, *supra* note 147 ("InterDigital went to courts in both India and Germany seeking to overturn the Wuhan ruling. InterDigital never took its case to a US court because Xiaomi doesn't have a significant presence here.").

200. *Id.*

201. Wu & Liu, *supra* note 41.

202. Yu & Contreras, *supra* note 141, at 4.

203. *Id.* at 5.

204. *Id.*

is bad for international trade because it conflicts with the concept of the limited monopoly that is central to patent law. Courts are conforming to ever-smaller SEP license rates. While such encourages legal innovation, it discourages technological innovation, which is why patents are awarded in the first place. A continued race to the bottom, while perhaps suitable for consumers and manufacturers in the short term, is bad for innovation and international trade in the long term. Closing the international innovation gap must be achieved by less controversial means.

The race to the bottom encourages litigants to, as quickly as possible, seek the most favorable jurisdiction possible "to foreclose a later suit in a less favorable jurisdiction."[205] As a result, private corporations have started a "race to the courthouse."[206] A natural result of the race to the bottom, a race to the courthouse, is when a party seeks "litigation [first] rather than negotiation or settlement."[207] Anti-suit injunctions have become a powerful tool for private corporations in the battle for FRAND. Consequently, "foreign companies have begun to note the willingness of the Chinese courts to claim more authority in matters beyond their borders."[208] One of these companies is Samsung.

Using wisdom from the *Huawei* case, Samsung exhibited a textbook race to the courthouse in its recent dispute with Ericsson. Following stalled negotiations over patents Ericsson owned but Samsung wanted to use, Samsung sued Ericsson in the ill-reputed Wuhan court.[209] Ericsson responded with action in Texas.[210] After the Texas action, the Wuhan court issued an anti-suit injunction at Samsung's request.[211] Ericsson requested an anti-anti-suit injunction, not to "prevent the Chinese Action from proceeding," but to prevent Samsung's ASI from interfering with the Texas court's jurisdiction.[212] Ericsson's injunction was granted because "[w]ithout notice or an opportunity to be heard, Ericsson found itself enjoined from exercising its right to enforce legitimate causes of action under United States law pertaining to its 4G and 5G SEPs in the United States."[213] Nevertheless, the action did not stop there because the Wuhan court's original ruling contained an anti-anti-anti suit injunction.[214] As a result, "Samsung and Ericsson agreed on a global settlement" because the Wuhan court's injunction "strengthened Samsung's negotiating position."[215] Samsung effectively resolved its global dispute with Ericsson by being the first to sue and suing in China. However, such a strategy is not in the best interest of international trade.

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205. *The New Extraterritoriality*, *supra* note 10, at 283.

206. *Id.*

207. *Id.*

208. *Courting Influence*, *supra* note 77.

209. *Id*.

210. Ericsson Inc. v. Samsung Elecs. Co., No. 2:20-CV-00380-JRG, 2021 WL 89980, at *1 (ED Tex. Jan. 11, 2021).

211. *Courting Influence*, *supra* note 77.

212. *Ericsson*, 2021 WL 89980, at *4.

213. *Id.* at 5.

214. *Courting Influence*, *supra* note 77.

215. *Id.*

Corporations racing to the courthouse rather than negotiating is contrary to the principles behind fair, reasonable, and non-discriminatory rates. Furthermore, forum shopping to liberal ASI jurisdiction will only place corporations and national courts in an adversarial position. This position will foster protectionism and facilitate a slowdown in global trade. Continued ASI usage and the concurrent races to the courthouse cannot be maintained, and a lasting international solution must be reached.

Whether it is patent law policy considerations, race to the bottom, or race to the courthouse, ASI usage in FRAND disputes threaten international trade. As scholars have noted, "litigation and jurisdictional races are costly for markets and market participants."[216] Such will result in substituting "national desires to attract business for just and evenhanded application of the law" and would only "distort the processes and motivations behind" international legal frameworks.[217] The adversarial nature of ASI will only further "incentivize litigation 'first strikes' when negotiation or compromise might [have] be[en] more appropriate and efficient."[218]

C. Threat to Sovereignty

The world order, developed in the aftermath of the Second World War, was grounded in the concept of national sovereignty.[219] National Sovereignty is "the undivided power of a people and their government within a territory, inherent in which are the overarching rights of the nation to defend itself from outside threats, to act in relation to other nations, and to secure its territory and assets."[220] Within this definition is the understanding that a sovereign state has rights and duties.[221] A sovereign state has rights like "plenary territorial and personal jurisdiction within one's territorial boundaries; the presumption of legality of one's sovereign acts; constitutional and organizational autonomy including self- determination; and the protection of one's *domaine réservé*."[222] Sovereign states are guaranteed independence from subordination to other states but are still under international law.[223] With great rights come great responsibilities; the corresponding sovereign duties to rights are "immunity of other States and State agents before one's jurisdiction; respect for international law and duty to cooperate; prohibition of intervention; [and] duty of peaceful dispute settlement."[224] The concept of international comity is at the core of this marriage between rights and duties.

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216. *The New Extraterritoriality*, *supra* note 10, at 286.

217. *Id.*

218. *Id.*

219. Samantha Besson, *Sovereignty*, MAX PLANCK ENCYCLOPEDIAS OF INT'L L. para. 42 (OXFORD PUB. INT'L L.) https://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e1472?print=pdf (last updated Apr. 2011).

220. 44B AM. JUR. 2d *International Law* § 49(2023).

221. Besson, *supra* note 219, para. 122. (A state's *Domaine réservé* is the "freedom from external interference and intervention. According to Art. 2 (7) UN Charter, sovereign States are protected against United Nations' or other States' interventions in matters which are essentially within their domestic jurisdiction.")

222. *Id.* para. 118.

223. *Id.* para. 119.

224. *Id.* para. 123.

Courts have recognized that "comity serves our international system like the mortar which cements together a brick house. No one would willingly permit the mortar to crumble or be chipped away for fear of compromising the entire structure."[225] Comity is not a legal obligation but rather is "based on the principle that a foreign court will enforce [a court's] decision with the expectation that [that] court will reciprocate when the situation reverses in the future."[226] Since anti-suit injunctions often deal with foreign courts, they are not an issue of jurisdiction but comity.[227] Concerns about comity are so vital to anti-suit injunction doctrine that "even in the USA—the jurisdiction most willing to issue anti-suit injunctions—courts place a strong emphasis [on] comity."[228]

In *Microsoft v. Motorola*, comity concerns were essential in the US court's determination to issue an ASI.[229] The court found that comity concerns did not bar the ASI because the German action was not initiated until six months after the American action.[230] Likewise, "because the suit was primarily a US dispute lacking significant foreign issues, permitting the German injunction to stand could itself harm international comity."[231] In *Apple v. Qualcomm*, a US court denied a request for an ASI because "enjoining Apple's foreign actions 'would effectively deprive the relevant foreign courts of [their] jurisdiction'" and is "a result intolerable to international comity."[232]

Chinese ASIs also consider principles of comity. Like in *Microsoft*, the Chinese court in *Conversant v. Huawei* granted an ASI because the "imposition of the ASI [did] not affect international comity, as the Chinese actions were brought before the German action."[233] Therefore, the "ASI [would] not affect the subsequent trial in the German case or detract from the legal validity of the German judgment."[234] The SPC's ruling regarding comity was not followed in *Xiaomi v InterDigital*.[235] The Wuhan court issued an ASI because India's injunction was "a bad-faith intention to interfere and impede legal proceedings in China."[236]

Even in cases like *Xiaomi*, where the party seeking the injunction started proceedings first, comity can be threatened. As evidenced by the Chinese Five-Year Plan, China desires a foreign legal system centered on China.[237] ASIs are a tool for this goal. The comity concerns and restraints outlined by the Supreme People's Court in *Huawei* have been ignored by other Chi-

225. Laker Airways, Ltd. v. Sabena, Belgian World Airlines, 731 F.2d 909, 937 (D.C. Cir. 1984).

226. *Jurisdictional Battles*, *supra* note 63, at 1209.

227. E. & J. Gallo Winery v. Andina Licores S.A., 446 F.3d 984, 989 (9th Cir. 2006).

228. Tsilikas, *supra* note 29, at 736.

229. *All The Way Down*, *supra* note 21, at 4.

230. *Id.*

231. *Id.*

232. *Id.* at 5.

233. Yu & Contreras, *supra* note 141, at 3.

234. *Id.*

235. Wu & Liu, *supra* note 41.

236. Yao & Yu, *supra* note 46.

237. *See* Five-Year Plan, *supra* note 121.

nese courts and represent a break in rank between China and other civil law jurisdictions.[238] Traditionally, civil law nations have "looked upon [ASIs] with great disfavour, as contrary to fundamental notions of international comity."[239] ASIs have been so disfavored as an affront to the "sovereignty of the State whose courts are targeted" that civil law jurisdictions have refrained from issuing them.[240] Civil law jurisdictions spearheaded the development of the anti-anti-suit injunction and anti-anti-anti-suit injunction to counter common law jurisdictions' injunctions.[241] Scholars have argued that ASIs are "fundamentally incompatible with Chinese jurisprudence and its long-held diplomatic policy, which puts emphasis on the principle of sovereign equality and non-interference."[242] However, the actions of the Wuhan court speak louder than words. As Chinese law stands, continued ASI usage will weaken comity and affect national sovereignty.

As national sovereignty remains the bedrock of the postwar order, concepts like comity must preserve their significance and deference. However, sovereignty has lost meaning if one nation can rule another via a legal injunction. A lasting solution is necessary if courts cannot maintain restraint in ASI usage.

III. Slaying the Leviathan: St. George and the International Agreement

The threat of nuclear war clouded the world in the second half of the 20th century.[243] To address this threat, the US and USSR, in the "crowning achievement of the Nixon-Kissinger strategy of détente," reached an agreement "to limit the number of nuclear missiles in their arsenals" in the strategic arms limitations talks (SALT).[244] This historic agreement is a precursory solution to the anti-suit injunction dilemma. Nevertheless, as established, continued ASI usage threatens to destroy international law, trade, and sovereignty. To slay this legal leviathan, the international community must act. There are several options and one ultimate solution for the would-be St. George to save the international legal world.[245]

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238. Wu & Liu, *supra* note 41 ("Normally, under US and UK law, a court considering an ASI request will always need to compare the domestic action with the parallel foreign action and determine whether they address the same matter within the same scope and whether the resolution of the domestic action would dispose of the foreign one. Consequently, an ASI of the range as broad as that in *Xiaomi v InterDigital* may not be possible. However, under the current Chinese ASI scheme established in *Huawei v Conversant*, the aforesaid analysis is not relevant, because here the ASI is not directed to a parallel foreign proceeding but prospectively prohibits any actions anywhere that may be deemed as detrimental to the proceeding pending before Chinese courts.").

239. *ASI: International Adjudication*, *supra* note 9, at 6.

240. *Id.*

241. *Id.*

242. Wu & Liu, *supra* note 41.

243. *Strategic Arms Limitations Talks/Treaty (SALT) I and II*, U.S. DEP'T. OF STATE, OFF. OF THE HISTORIAN, https://history.state.gov/milestones/1969-1976/salt (last visited Mar. 20, 2022).

244. *Id.*

245. The Editors of Encyclopedia Britannica, *St. George*, ENCYCLOPEDIA BRITANNICA (Sept. 23, 2020), https://www.britannica.com/biography/Saint-George (A Roman soldier and Christian martyr famous for allegedly rescuing a "Libyan king's daughter from a dragon and then slaying the monster in return for a promise by the king's subjects to be baptized.").

A. Options

The international world has three options to address the danger of anti-suit injunction usage: enact an international agreement around global FRAND rates, expand the International Court of Justice jurisdiction to include FRAND disputes, or preserve the status quo and do nothing. Each of these options has its benefits and weaknesses, but only one of them is the road to lasting success.

1. International Agreement

At the heart of international dispute resolution is the international agreement or treaty.[246] This concept reaches far back into antiquity. For example, the Romans had three kinds of treaties by which states concluded friendships:

> One, when in time of war terms were imposed upon the conquered; . . . the second, when states that are equally matched in war conclude peace and friendship on terms of equality . . . according to the rules of traditional law or the convenience of each party; [and] the third exists when states that have never been at war come together to pledge mutual friendship in a treaty of alliance.[247]

The Vienna Convention codified much of the customary international law behind treaties.[248] The Convention defined treaty as "an international agreement concluded between States in written form and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its particular designation."[249] There has yet to be an international agreement negotiated or enacted concerning ASIs, but several agreements regarding judgments and patents hint at what can be done for ASIs.

First, the Hague Conference on Private International Law offers a possible route via international agreement out of the ASI crisis.[250] The Hague Conference has resulted in dozens of international agreements.[251] However, there has not been a Hague Conference agreement regarding intellectual property or anti-suit injunctions.[252] In a recent Hague Conference agree-

246. Vienna Convention on The Law of Treaties, opened for signature May 23, 1969, 1155 U.N.T.S 331 (entered into force Jan. 27, 1980) [hereinafter VCLT].

247. TITUS LIVIUS (LIVY), THE HISTORY OF ROME, BOOK XXXIV, 7–9 (William Heinemann trans., 1935) http://www.perseus.tufts.edu/hopper/text?doc=Perseus%3Atext%3A1999.02.0164%3Abook%3D34%3Achapter%3D57.

248. *Report of the International Law Commission to the General Assembly*, 77 U.N. GAOR Supp. No. 10, at 232, U.N. Doc. A/73/10 (2018), https://legal.un.org/ilc/reports/2018/english/a_73_10_advance.pdf ("The International Court of Justice had noted that articles 65 to 67 of the 1969 Vienna Convention "if not codifying customary law, at least generally reflect customary international law and contain certain procedural principles which are based on an obligation to act in good faith.").

249. VCLT, *supra* note 246, at art. 2.

250. Statute of the Hague Conference on Private International Law, July 15, 1955, 220 U.N.T.S. 123.

251. *Conventions and Other Instruments*, HCCH, https://www.hcch.net/en/instruments/conventions (last visited Mar. 20, 2022).

252. Id.

ment, *Convention on Choice of Court Agreements*, 37 nations, including the US, UK, China, and EU, signed an agreement "on jurisdiction and on recognition and enforcement of foreign judgments in civil or commercial matters."[253]

This agreement, reached in 2005, excludes intellectual property and does not discuss ASIs.[254] An agreement to recognize foreign judgments on intellectual property or ASI usage is unlikely because the Hague Conference has struggled to get this weaker 2005 agreement to be respected.[255] ASI usage has already eroded international law too much for a Hague Conference-style agreement to solve the problem.

Next, the European Union has offered a solution in the form of an international patent application system.[256] The European Patent Convention is a "unified patent application system that consists of a centralized filing and granting procedure for European patents."[257] To process applications, the EPC "examines whether the subject matter is patentable, and grants a European patent."[258] However, the name "European patent" is misleading because a "European patent" does not result in a single patent but "a bundle of separate national patents in the EU Member States that the patent owner designated on the application."[259] The goal of the EPC was easing the ability to gain patents in multiple countries.[260] EU courts have struggled with post-issuance enforcement, which has caused the issuance of cross-border injunctions to limit proceedings.[261] So while the EU route seems attractive, it has its limitations.

Scholars like Todd Dickinson and John Barton have argued for a global patent system.[262] A global patent system could provide benefits such as "reduced costs for inventors and for their assignees, dramatically simpler protection, and uniformity of that protection throughout the world."[263] With such benefits, there seems to be "little excuse for maintaining parallel national patent systems in a world of international trade."[264] However, some scholars have questioned such a system's worth.[265] John Duffy has argued that a single patent system "would impoverish the field; it would be mass extinction of legal species. Diversity has its own worth; it permits competition and breeds innovation."[266]

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253. Convention on Choice of Court Agreements, June 30, 2005, 44 I.L.M. 1294.

254. *See generally id.*

255. *See generally id.* (not all 37 contracting nations have signed the Convention on Choice of Court Agreements. China, the USA, and the EU have signed it. Only the EU and UK have ratified the agreement).

256. *Jurisdictional Battles*, *supra* note 63, at 1178.

257. *Id.*

258. *Id.*

259. *Id.* at 1178–79.

260. *Id.* at 1179.

261. *Id.*

262. *The New Extraterritoriality*, *supra* note 10, at 289.

263. Q. Todd Dickinson, *The Long-Term International View of Patents and Trademarks*, 4 INT'L INTELL. PROP. L. & POL'Y 14-1,14-2 (2000).

264. John H. Barton, *Issues Posed by a World Patent System*, 7 J. INT'L ECON. L. 341, 344 (2004).

265. *The New Extraterritoriality*, *supra* note 10, at 289.

266. John F. Duffy, *Harmony, and Diversity in Global Patent Law*, 17 BERKELEY TECH. L. J. 685, 726 (2002).

While a global system would eliminate the need for national courts to decide patent royalties and perhaps be the most effective solution, such a system relies on a functioning global order.[267] A functioning global order would rely heavily on healthy international standards around trust and comity. Yet, as the US Trade Representative noted, problems in China's IP system remain, and the emergence of ASI usage has not dissuaded negative Western opinions.[268] ASI usage has exposed the flaws in the global order that limit a successful worldwide patent system. [269] While a global patent system may be a practical solution, it is apparent that the levels of trust and respect needed for such a system are lacking globally. Therefore, implementing such a system is not realistic now.

Lastly, there is a potential solution in a bilateral agreement over FRAND rates. This solution may be more practical than the others discussed because it is narrower in development and execution. After a three-year trade war, the US and China agreed to a trade agreement in 2020.[270] This agreement established several things: protections for trade secrets, mechanisms for patent dispute resolution, frameworks for bilateral cooperation on intellectual property protection, protections against unfair technology transfers, and standards of legal due process and transparency.[271] While these protections and standards seem like a diplomatic success, the treaty has failed.[272] The agreement lapsed in December 2021, and before its lapse, the US Trade representative noted that China's "steps toward reform require effective implementation" and have so far fallen "short of the full range of fundamental changes needed to improve the IP landscape in China."[273] The failures of the Phase One agreement exhibit the obstacles facing any potential international agreement over FRAND and ASIs. The stakes are too high, and the levels of trust and comity too low for any effective treaty drafting.

2. International Court of Justice

The UN Charter obligates member states to "settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered."[274] The UN has established systems like the International Court of Justice to mediate problems and prevent conflicts.[275] The ICJ is "the principal judicial organ of the United Nations."[276] The UN Charter directs that all member states are "*ipso facto* parties to the Statute

267. *See The New Extraterritoriality*, *supra* note 10, at 289.

268. USTR, *supra* note 125, at 40.

269. *Id.* at 42 ("the absence of adequate and effective protection of United States intellectual property rights" is seriously impeding "the economic interests of the United States.").

270. *See* Josh Zumbrun, *Beijing Fell Short on Trade Deal Promises, Creating Dilemma for Biden*, THE WALL ST. J. (Dec. 31, 2021), https://www.wsj.com/articles/beijing-fell-short-on-trade-deal-promises-creating-dilemma-for-biden-11640946782 [hereinafter *Beijing Fell Short*].

271. *Economic and Trade Agreement Between the United States of America and The People's Republic of China* (2020), https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf.

272. *Beijing Fell Short*, *supra* note 270.

273. USTR, *supra* note 125.

274. U.N. Charter art. 2, ¶ 3.

275. *Id.* at art. 92.

276. *Id.* at art. 92

of the International Court of Justice" and, therefore, must comply with ICJ decisions or face recourse from the Security Council.[277]

The ICJ was organized under this statute as a "body of independent judges, elected regardless of their nationality."[278] In order to preserve neutrality and independence, there are several restrictions on the judges, including a ban on "exercise[ing] any political or administrative function, or engag[ing] in any other occupation of a professional nature."[279] Currently, "only states may be parties in cases before the Court."[280] The ICJ has explicit jurisdiction over "all cases which the parties refer to it and all matters specially provided for in the Charter of the United Nations or in treaties and conventions in force."[281] Likewise, at the request of state parties, the Court may have jurisdiction over "all legal disputes concerning: the interpretation of a treaty; any question of international law; the existence of any fact which, if established, would constitute a breach of an international obligation; the nature or extent of the reparation to be made for the breach of an international obligation."[282]

Although FRAND disputes are a product of private international law, their effect on public international law necessitates a public response. While there are limited examples of private companies contributing to the problems caused by ASI usage, it is fundamentally an issue resulting from state meddling. The ICJ Statute is amended "by the same procedure as is provided by the Charter of the United Nations for amendments to that Charter."[283] The ICJ can propose amendments and present them to the Secretary-General.[284] Per the UN Charter:

> Amendments to the present Charter shall come into force for all Members of the United Nations when they have been adopted by a vote of two-thirds of the members of the General Assembly and ratified following their respective constitutional processes by two-thirds of the Members of the United Nations, including all the permanent members of the Security Council.[285]

Now, questions may arise as to why an amendment to the ICJ would succeed where an international agreement would fail. Preserving international law, trade, and national sovereignty is in the interest of all UN states but most especially permanent members of the Security Council. Of the five permanent UNSC members, China, the US, the UK, France, and Russia, four have a vested interest in ending the uncertainty around FRAND disputes and the instability that ASIs cause. The remaining UN states, like India, Japan, South Korea, and Germany, would also benefit from an end to this issue.

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277. *Id.* at art. 93.

278. DEPT. OF STATE, *International Court of Justice, Selected Documents Relating to The Drafting of The Statute* (1946) [hereinafter, *ICJ Statute*].

279. *Id.* at art. 16.

280. *Id.* at art. 34.

281. *Id.* at art. 36. ¶ (1).

282. *Id.* at art. 36, ¶ (2).

283. *Id.* at art. 69.

284. *ICJ Statute*, *supra* note 278.

285. U.N. Charter art. 108.

3. Status Quo

There is another option if an international agreement or an expansion of the ICJ jurisdiction is not adopted. Simply continue the status quo and do nothing. Jorge Contreras has highlighted that perhaps "there is nothing inherently improper about [using or issuing] anti-suit measures."[286] Because of FRAND's value and polarizing nature, forum shopping mechanisms like ASI may be the natural product of multijurisdictional litigation.[287] It is possible that threats to international law, trade, and sovereignty are overblown. Nevertheless, the level of scrutiny the EU and US Trade Representative have placed on Chinese ASI usage, combined with the Chinese Five-Year Plan and the nature of global FRAND, means preserving the status quo will not defuse the situation.[288] What is required is a lasting solution.

A. Solution

Justinian's Code established the maxims of law: "to live honestly, to hurt no one, to give everyone his due."[289] In order to save international law, trade, and sovereignty, it will be essential to follow these maxims. As discussed earlier, China is a member of multiple organizations created without China's input and by parties openly hostile to China at the time. Perhaps there is distrust in international law within the Chinese ruling class for fair reasons.[290] For a solution to be successful, it will have to be a compromise that accommodates China's history and the interests of other nations. Compromise is where an amendment to the ICJ comes into play.

At the heart of anti-suit injunction usage is distrust in foreign courts over FRAND disputes and, in some, a sense of opportunism that their usage can turn the technological tide. This note aims not to address what fair, reasonable, and non-discriminatory rates should be, but how to address the role of anti-suit injunctions in global FRAND disputes. For brevity, the interests of the five permanent UNSC members will be the focal point for amending the ICJ. Russia's impact on FRAND and ASI is minimal and will not be addressed further. The US and UK, both common law jurisdictions, are interested in ending ASI abuse because, as innovative states, they stand to lose their technological edge. Western ASI usage is not detrimental because of the safeguards employed, but they should accept Chinese input for fairness. France, representing the EU by proxy and the civil law jurisdictions at large, has consistently disfavored ASI

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286. *All the Way Down*, *supra* note 21, at 10.

287. *Id.*

288. *See generally Courting Influence*, *supra* note 77; *see also* USTR, *supra* note 125; *see also* Five-Year Plan, *supra* note 121.

289. CAESAR FLAVIUS JUSTINIAN, THE INSTITUTES OF JUSTINIAN (527–565 A.D.), *reprinted in* 3 THE LIBRARY OF ORIGINAL SOURCES VOL. III: THE ROMAN WORLD, 100, 100 (Oliver J. Thatcher, ed., 1915).

290. *Courting Influence*, *supra* note 77; *see* Alison A. Kaufman, *The "Century of Humiliation" and China's National Narratives* Testimony before the U.S.-China Econ. and Sec. Rev. Comm'n (2011) ("the 'Century of Humiliation' – a period between 1839 and 1949 when China's government lost control over large portions of its territory at the hands of foreigners – is a key element of modern China's founding narrative.") [hereinafter Kaufman]; *see generally* Kenneth Pletcher, *Opium Wars*, ENCYCLOPEDIA BRITANNICA (Feb 5, 2022), https://www.britannica.com/topic/Opium-Wars (last updated Jan. 6, 2023) (A series of conflicts where "foreign powers were victorious and gained commercial privileges and legal and territorial concessions in China. The conflicts marked the start of the era of unequal treaties and other inroads on Qing sovereignty that helped weaken and ultimately topple the dynasty in favor of republican China in the early 20th century.").

usage. France would likely support an amendment because ASIs are contrary to civil law principles and because it would benefit French sovereignty over their patents.

Finally, China, a civil law jurisdiction, would also have its interest served by an amendment because such would help restore Western faith in dealing with China. Chinese courts have zero credibility in the West and continued bad faith antics could see Western companies shift their manufacturing to another country. Nations like China have indeed ignored international rulings in the past.[291] Such actions are a threat equal to anti-suit injunction usage. However, here is where an amendment to the ICJ would succeed, where others would fail. A nation may be able to ignore such rulings early on, but as a continued practice, that nation would only damage itself in the eyes of the international world. At the core of this note is the idea of a compromise. Amending the ICJ is a compromise that will benefit all parties involved equally. Comity and mutual trust have endured such abuse that nations must rebuild almost from scratch. China would be as vital as the US or UK in this reconstruction.

As of 2011, "few Chinese advocate total non-involvement in the international system."[292] Many still "express discomfort about engaging substantially in the global arena" founded by the same Western powers responsible for the Century of Humiliation.[293] Western distrust is ripe in the Chinese ruling class because "in their view the West remains committed to aggressive competition, and China remains vulnerable."[294] China has not seen and does not expect a significant change in the international system.[295] This pessimistic view is persistent in a belief that either "international relations are inherently characterized by a competitive, usually conflictual dynamic between nations of unequal status, or . . . Western powers – particularly the United States – have a vested interest in retaining this system even if another way is imaginable."[296] Such a viewpoint has resulted in a defensive China.[297] This defensive strategy "caution[s] that engagement is highly risky, . . . because the current international system reflects Western interests," and will only "allow China to engage [in] a way [that] protect[s] the Western-dominated status quo."[298] To China, attempts to dictate how China should act are "simply more sophisticated ways of making 'unequal demands' on China."[299] All of this reflects "China's insistence on a multilateral approach (particularly through the UN) to global challenges . . . 'so that future matters in the world cannot be dictated by one single country or group of countries.'"[300]

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291. Tom Phillips, Oliver Holmes, & Owen Bowscott, *Beijing Rejects Tribunal's Ruling in South China Sea Case*, THE GUARDIAN (July 12, 2016, 1:21 PM), https://www.theguardian.com/world/2016/jul/12/philippines-wins-south-china-sea-case-against-china.

292. Kaufman, *supra* note 290, at 6.

293. *Id.*

294. *Id.*

295. *Id.*

296. *Id.*

297. *Id.*

298. Kaufman, *supra* note 290, at 6.

299. *Id.*

300. *Id.* at 8 (citing former Foreign Minister Li Zhaoxin, quoted in "China denounces unilateralism [*sic*], external interference in its internal affairs," *Renmin Ribao* (English edition) (7 March 2004)).

Unlike prior international agreements and organizations, China would have adequate representation on the court. Such representation should dispel suspicions in China and the West over ICJ rulings. Therefore, it is in China's best interest to support expanding ICJ jurisdiction.

As such, it is in the best interest of the five permanent UNSC members to amend the International Court of Justice statute. Amending the ICJ statute would make it so that nations, rather than issuing an ASI, can seek an independent court to determine what should be the FRAND for the standard-essential patent in dispute. The ICJ would only operate as a referee between national interests rather than supplanting their sovereignty. Such a solution is in the best interest of national courts and would most likely be implemented and endure because it is a true compromise.

Conclusion

When Churchill made his famous speech at Westminster College in Missouri, the Iron Curtain had already descended upon Europe. As the second Age of Discovery spreads and China's global influence continues to grow, it is becoming more apparent that a new Iron Curtain is descending upon the globe. A new blockade has contributed to it, anti-suit injunctions. Anti-suit injunctions threaten international law, international trade, and national sovereignty. Their unrestricted usage will destroy international comity and facilitate global races to the bottom and races to the courthouse. They incentivize forum shopping, weaken mutual trust, and betray judicial competency. Their usage in FRAND disputes is contrary to fundamental patent law policy. If nothing is done, this is the prognosis the world faces.

Nevertheless, there is still hope for a solution. It is in the best interest of the US, China, UK, EU, and other global players to negotiate a compromise. An amendment of the Statute of the ICJ to include jurisdiction over global FRAND rate would render ASI usage in the field moot. By removing jurisdiction over the destination, FRAND, the avenue for abuse, ASI, would be stopped. Such a compromise is essential because it is in each of the relevant jurisdictions' best interests and, therefore, would likely result in a lasting compromise. The International Court of Justice's jurisdiction must be expanded, and global anti-suit injunction usage must be eliminated.

South Africa's Dormant Emergency Clause and the Value of an Emergency Constitution

Ian Maddox[1]

Introduction

In 458 B.C.E., the Roman Senate appointed Lucius Quinctius Cincinnatus temporary dictator of the Republic to save a Roman army "besieged by enemy forces" from the Aequi tribe.[2] Cincinnatus, a former farmer and patrician, "'marche[d] off and reache[d] the seat of war [at] about nightfall, and during the night [he] surround[ed] the [enemy] with a palisade.'"[3] Immediately after his victory, and within fifteen days after his appointment as dictator, "Cincinnatus stepped down, relinquished all his special powers, and returned to work his land."[4] Cincinnatus's willingness to give up his emergency powers "has been quoted often as a sign of virtue, leadership, and trustworthiness by whose measure other leaders were considered."[5] Cincinnatus's story is also one of the most famous examples of the successful invocation of an "emergency constitution," an ancient legal instrument that has remained in use well into the twenty-first century.

An emergency constitution is a constitution that includes explicit provisions outlining a legal "regime for a limited state of emergency."[6] For instance, the Roman Republic's constitution detailed "a system in which an emergency institution was a recognized and regular instrument of government built into a constitutional framework."[7]Throughout a state of emergency, "substantial protection[s of] a Roman citizen's individual liberties and privileges . . . could . . . be suspended" by decree.[8] Today, roughly ninety percent of nations have emergency constitutions reminiscent of the Roman model.[9] Famous examples include the French "state of siege" and the Spanish "degrees of emergency" (emergency, alarm, exception, and siege); these constitutions grant special, temporary powers to the executive and permit the limited suspension of

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1. Winner, 2022 Albert S. Pergam International Law Writing Competition; J.D. Candidate, University of North Carolina School of Law, 2023; B.A., Johns Hopkins University, 2018. Many thanks to Professor Holning Lau for helpful feedback and comments.

2. OREN GROSS & FIONNUALA NÍ AOLÁIN, LAW IN TIMES OF CRISIS 25 (2006).

3. *Id.* (quoting 1 WILLIAM EVERTON HEITLAND, THE ROMAN REPUBLIC para. 106 (1909)).

4. *Id.* at 25–26.

5. *Id.* at 26.

6. Bruce Ackerman, *The Emergency Constitution*, 113 YALE L.J. 1029, 1030 (2004);

7. GROSS & NÍ AOLÁIN, *supra* note 2, at 17, 19 ("The main thrust of [the Roman] emergency institution was its constitutional nature."); *see also* John Ferejohn & Pasquale Pasquino, *The Law of the Exception: A Typology of Emergency Powers*, 2 INT'L J. CONST. L. 210, 211 (2004) ("The Roman Constitution was exceptionally complex and contained a very elaborate system of checks on the exercise of executive authority.").

8. David J. Bederman, *The Classical Constitution:Roman Republican Origins of the Habeas Suspension Clause*, 17 S. CAL. INTERDISC. L.J. 405, 406–07 (2008).

9. *See Topics: Emergency Provisions*, CONSTITUTE, https://constituteproject.org/ (last visited Mar. 20, 2022). (showing that 179 out of 193 constitutions in force have emergency provisions—92% as of 2020).

rights during emergencies.[10] Emergency provisions are also found within the constitutions of Germany, Russia, Argentina, India, and China.[11] Nevertheless, several countries continue to resist the trend, including the United States, Canada, Australia, and Japan.[12]

Scholarly debate over the effectiveness of these provisions is a persistent issue.[13] Although the International Law Association and the International Commission on Jurists have recommended including emergency provisions in modern-day constitutions,[14] many scholars view emergency constitutions skeptically.[15] For instance, in response to a post-9/11 proposal by Professor Bruce Ackerman to implement an "emergency constitution" in the U.S.,[16] Professors Laurence H. Tribe and Patrick O. Gudridge forcefully asserted that Ackerman's proposal was nothing more than "an interesting thought experiment—a useful reminder of the reasons for not following the sirens that beckon us in times of crisis to set the Constitution aside and to live by another code altogether."[17]

According to Professors Eric A. Posner and Adrian Vermeule, one underlying reason for the general mistrust of emergency constitutions is psychological: "During an emergency, people panic, and when they panic they support policies that are unwise and excessive. Relaxation of constitutional protections would give free rein to the panicked reaction when what is needed is constraint."[18] Nevertheless, even if emergency constitutions are "tricky business . . . the self-conscious design of an emergency regime may well be the best available defense against a panic-driven cycle of permanent destruction."[19] The panic arising out of the COVID-19 pandemic

10. *See* 1958 CONST. arts. 16, 36 (Fr.); Constitución Española [C.E.], B.O.E. n. 311 arts. 55, 116, Dec. 29, 1978 (Spain).

11. CONSTITUTE, *supra* note 9.

12. *Id.*

13. *See* e.g., Adrian Vermeule, *Self-Defeating Proposals: Ackerman on Emergency Powers*, 75 FORDHAM L. REV. 631, 631 (2006) (citing BRUCE ACKERMAN, BEFORE THE NEXT ATTACK: PRESERVING CIVIL LIBERTIES IN AN AGE OF TERRORISM (2006)) ("We do not learn much about emergencies and law by reading Bruce Ackerman's new book on the subject . . . .).

14. Linda Camp Keith & Steven C. Poe, *Are Constitutional State of Emergency Clauses Effective? An Empirical Exploration*, 26 HUM. RTS. Q. 1071, 1072 (2004); INT'L COMM'N JURISTS, STATES OF EMERGENCY: THEIR IMPACT ON HUMAN RIGHTS 459 (1983) ("The constitution should clearly state and limit the effects of states of emergencies on legal rights and on the powers of the branches of government."); Richard B. Lillich, *The Paris Minimum Standards of Human Rights Norms in A State of Emergency*, 79 AM. J. INT'L L. 1072, 1072 (1985) ("[T]he 61st Conference of the International Law Association, held in Paris from August 26 to September 1, 1984, approved by consensus a set of minimum standards governing the declaration and administration of states of emergency . . . .").

15. *See e.g.*, Laurence H. Tribe & Patrick O. Gudridge, *The Anti-Emergency Constitution*, 113 YALE L.J. 1801 (2004).

16. *See* Ackerman, *supra* note 6, at 1030.

17. Tribe & Gudridge, *supra* note 15, at 1804; *see also* Vermeule, *supra* note 13, at 631.

18. *See* Eric A. Posner & Adrian Vermeule, *Accommodating Emergencies*, 56 STAN. L. REV. 605, 609 (2003) (footnote omitted) (referring to this phenomenon as the "panic theory").

19. Ackerman, *supra* note 6, at 1030.

has reinvigorated this debate on emergency constitutions.[20] Some holdout countries, including Japan, are even considering amending their constitutions to introduce emergency clauses.[21]

South Africa's constitution serves as a model for the modern-day emergency constitution. South Africa's emergency constitution is frequently admired by scholars for its detailed approach to the regulation of states of emergency.[22] Professor Ackerman views South Africa as a "genuine breakthrough," lauding its "elaborate . . . structural mechanisms for disciplining emergency powers."[23] Similarly, Professor Kim Lane Scheppele calls South Africa's approach to a state of emergency "exemplary," noting that its regulation of the suspension of rights provides some of the "strongest protections among recently drafted constitutions."[24] As Scheppele

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20. Tom Ginsburg & Mila Versteeg, *The Bound Executive: Emergency Powers During the Pandemic*, 19 INT'L J. CONST. L. 1498, 1499 (2021) ("[T]he pandemic response has produced massive debates about the role of government power during times of crisis, one of the oldest topics in constitutional and political theory."); Avi Weiss, Note, *Binding the Bound: State Executive Emergency Powers and Democratic Legitimacy in the Pandemic*, 121 COLUM. L. REV. 1853, 1857–58 (2021) ("In times of emergency, citizens trade off the value of democratic participation for the increased responsiveness of centralized, immediate, technocratic decisionmaking."); *Two centuries of law guide legal approach to modern pandemic*, A.B.A. (Apr. 2020), https://www.americanbar.org/news/abanews/publications/youraba/2020/youraba-april-2020/law-guides-legal-approach-to-pandemic/ ("[A]re there legal limits on government actions during a health emergency? Never have state and federal powers been tested to the extent that we are seeing today.").

21. *Japan divided over adding emergency clause to Constitution, survey finds*, JAPAN TIMES (Apr. 29, 2020), https://www.japantimes.co.jp/news/2020/04/29/national/survey-japan-divided-emergency-clause-constitution/ ("Japan is divided over whether it should amend its Constitution, introducing an emergency clause to give more power to the Cabinet at a time of a major disaster at the risk of restricting people's rights, a recent survey has found."); *see also* Gabriele Gratton & Barton Lee, *Governments Were Forced to Restrict Civil Liberties to Deal With Covid-19. More Flexible Constitutions Could Prevent That From Becoming the New Normal*, PROMARKET (Oct. 20, 2021), https://www.promarket.org/2021/10/20/governments-restrict-civil-liberties-covid-19-constitution-democracy (arguing that "[t]he ability to partially restrict civil liberties during emergencies within a tight constitutional framework is vital to the survival of liberal democracies").

22. *See e.g.*, Ackerman, *supra* note 6, at 1055; Kim Lane Scheppele, *Law in A Time of Emergency: States of Exception and the Temptations of 9/11*, 6 U. PA. J. CONST. L. 1001, 1079 (2004); Laura Conn, Comment, *The Enumeration of Vital Civil Liberties Within A Constitutional State of Emergency Clause: Lessons from the United States, the New Democracy of South Africa, and International Treaties and Scholarship*, 10 U. PA. J. CONST. L. 791, 809 (2008) ("[T]he drafting process and ultimate language of South Africa's Constitution provide the most recent and advanced thinking about the issue [of constitutional emergency provisions and the suspension of rights]."); Julie Debeljak, *Balancing Rights in a Democracy: The Problems with Limitations and Overrides of Rights Under the Victorian Charter of Human Rights and Responsibilities Act 2006*, 32 MELB. U. L. REV. 422, 459, 461 (2008) (emphasis in original) ("[South Africa's emergency] provisions go beyond that required by the minimum international and regional human rights standards . . . . The deplorable and regrettable apartheid era of South Africa produced important lessons for the South African people that are reflected in the *South African Bill of Rights*."); *see also* Jeremy Sarkin, *The Drafting of South Africa's Final Constitution from a Human-Rights Perspective*, 47 AM. J. COMP. L. 67, 75, 85–86 (1999) ("The . . . Constitution further entrenches human rights as a cornerstone of South African democracy. While the drafting process has been hailed not only as unique but also as one of the most democratic and inclusive constitution-making exercises in history, the process followed and the substance of the text are not unflawed.").

23. Ackerman, *supra* note 6, at 1055. More specifically, Ackerman admires South Africa's "supermajoritarian escalator" model of emergency declaration renewal. *Id.* Under this model, renewal of an emergency declaration requires a ten percent upward shift in the requisite Parliamentary "supporting vote" percentage. *Id.*

24. Scheppele, *supra* note 22, at 1079 n.298.

points out, South Africa's constitution "allows a state of emergency to exist, but protects basic human rights and requires constant parliamentary review of related executive decisions."[25]

Although South Africa's emergency constitution has been studied by many theorists, its provisions have yet to be tested in practice; Parliament has never officially declared a "State of Emergency."[26] Even in the COVID-19 pandemic, South Africa has resisted invocation of its emergency provisions.[27] In other words, South Africa's emergency constitution has remained "dormant." The dormancy of South Africa's emergency clause presents an obstacle for the study of its overall effectiveness. Nevertheless, the practical effects of the clause are still worth studying; although this emergency constitution has remained uninvoked, its effects on South African constitutional jurisprudence are tangible and far-reaching.

Scholars have not focused on the impact of dormant emergency constitutions on constitutional jurisprudence. Scholarly analysis of South Africa's dormant emergency constitution focuses mainly on theory and hypotheticals.[28] While many scholars have assessed South Africa's approach to emergency response both during the COVID-19 pandemic and earlier crises, these analyses focus primarily on "States of Disaster," a statutory disaster management model that has no direct effect on the constitutional order.[29] Yet, South African courts have frequently made explicit references to the emergency clause's treatment of individual rights, and the clause's presence seems to have substantially influenced courts' reasoning in resolving numerous constitutional questions. In sum, courts' recognition of the outer boundary set by these dor-

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25. *Id.* at 1079; *See also* Ackerman, *supra* note 6, at 1039 n.23 (stating that South Africa is "notable for the broad range of fundamental rights it expressly protects against infringement during emergencies"); *see also* Conn, *supra* note 22, at 809 ("[South Africa] serves as perhaps the greatest counter-example to America's lack of emergency protection.").

26. Ciara Staunton, Carmen Swanepoel & Melodie Labuschaigne, *Between a Rock and a Hard Place: COVID-19 and South Africa's Response*, 7 J.L. & BIOSCIENCES 1, 4 (2020) ("A State of Emergency has not been declared since the establishment of a democratic South Africa in 1994").

27. *Id.*; *see also* Jean-Jacques Cornish, *South Africa: Ramaphosa resists calls to declare a state of emergency*, RADIO FR. INTERNATIONALE (July 14, 2021, 11:26 AM), https://www.rfi.fr/en/africa/20210714-south-africa-ramaphosa-resists-calls-to-declare-a-state-of-emergency ("South African President Cyril Ramaphosa is resisting calls to declare a state of emergency as the nation counts the cost of days of looting and violence."); Pierre de Vos, *South Africa is in a state and there is an emergency, but declaring a dtate of emergency is not the magic bullet*, DAILY MAVERICK (July 14, 2021), https://www.dailymaverick.co.za/article/2021-07-14-south-africa-is-in-a-state-and-there-is-an-emergency-but-declaring-a-state-of-emergency-is-not-the-magic-bullet/ ("While such a declaration may be warranted in circumscribed circumstances, it is an extreme and potentially dangerous path to follow."); John Eligon, *South Africa's Government Shifts to Rebuilding After Disastrous Flooding*, N.Y. TIMES (Apr. 26, 2022), https://www.nytimes.com/live/2022/04/19/world/south-africa-floods (declaring a statutory State of Disaster, rather than a constitutional State of Emergency, after deadly floods in April 2022).

28. *See, e.g.*, Ackerman, *supra* note 6, at 1055; Scheppele, *supra* note 22, at 1079; Conn, *supra* note 22, at 792–93, 809; MARTIN VAN STADEN, CIVIL LIBERTY DURING A STATE OF DISASTER OR EMERGENCY IN SOUTH AFRICA: THE CASE OF THE CORONAVIRUS PANDEMIC 1–2 (1st ed. 2020) (surveying the constitutionality of pandemic regulations by distinguishing between emergency and nonemergency statuses without analyzing South African constitutional jurisprudence).

29. *See, e.g.*, Staunton, Swanepoel & Labuschaigne, supra note 26, at 7, 11 (critiquing the State of Disaster imposed during the pandemic); Jackie Dugard, *Water Rights in a Time of Fragility: An Exploration of Contestation and Discourse Around Cape Town's "Day Zero" Water Crisis*, 13 WATER 1, 12–14 (2021) (analyzing States of Disaster imposed during water crises); Dewald van Niekerk, *A Critical Analysis of the South African Disaster Management Act and Policy Framework*, 38 DISASTERS 858, 858–859 (2014) (focusing on South Africa's Disaster Management Act and States of Disaster).

mant emergency provisions has continuously influenced South African constitutional jurisprudence ever since the constitution's founding in 1996.

Using South Africa as a case study, this paper suggests that dormant emergency clauses matter. Although these clauses may seem irrelevant during peacetime, their provisions have substantial effects on constitutional jurisprudence. First, courts draw on emergency constitutions to emphasize distinctions between emergency and nonemergency powers. Second, courts invoke these emergency provisions to highlight the importance of a particularly fundamental constitutional right. Third, courts use these provisions to set boundaries for limitations clause analyses, in which the courts engage in balancing tests to determine whether rights' infringements are justified under the circumstances.

South Africa's experience suggests that the jurisprudential influence of emergency constitutions has structural implications on the balance of power between the governing branches. More specifically, since emergency provisions can act as tangible reference points to better define the scope of constitutional protections, courts can more readily strike down impermissible rights deviations arising out of peacetime legislation. On the other hand, courts must also adhere to the boundaries circumscribed by the emergency constitution, which limits judicial discretion in any peacetime rights-limitation analysis. Moreover, litigants can use emergency provisions to more thoroughly detail allegations of fundamental rights impingements, which can help citizens hold the government accountable for disaster-related overreaching.

South Africa's experience with emergency is valuable for countries considering adopting or revising their constitutions in the post-pandemic era. Emergency clause dormancy suggests that a country may feel its emergency clause's effects shortly after adoption. Further, South Africa's case demonstrates that well-drafted clauses can improve structural accountability. Specifically, such clauses can force courts to draw bright lines between emergency and non-emergency constitutional states when analyzing the constitutionality of government decrees promulgated during times of peace.

This paper proceeds in four parts. Part I provides a background on emergency constitutions and places South Africa's emergency provisions within this broader literature. Part II analyzes how South African caselaw is influenced by its emergency provisions. Finally, Part III presents potential implications of this analysis, while Part IV highlights potential objections to these findings.

I. Emergency Constitutions and South Africa's Provisions

South Africa's constitution implements the "derogation model" of constitutional emergency powers. Under this model, "restrictions on rights [are] imposed during [the] emergency rule."[30] However, these emergency provisions "d[o] not purport to change the constitutional order but only to provide a temporary immunity from its normal operation."[31] In other words,

30. Ginsburg & Versteeg, *supra* note 20, at 1507.

31. David Dyzenhaus, *States of Emergency*, *in* THE OXFORD HANDBOOK OF COMPARATIVE CONSTITUTIONAL LAW 442, 459 (Michel Rosenfeld & András Sajó eds., 2012).

certain rights, those deemed "derogable" by the constitution, can be violated during emergency, whereas other "non-derogable" rights are inflexibly safeguarded.[32] The derogation approach applies the doctrine of proportionality to derogating measures, and also holds that "[all] measures are subject to judicial review."[33] In sum, "the principle of legality is left intact."[34]

The derogation approach is distinguishable from twentieth century philosopher Carl Schmitt's theory of the "state of exception," where executive empowerment during emergency transcends the rule of law.[35] According to Schmitt, "Sovereign is he who decides on the [state of] exception. . . . He decides whether there is an extreme emergency as well as what must be done to eliminate it."[36] Thus, the Schmittean approach assumes that emergency power is purely political: "emergency power is exercised by that single organ which stands at the top of state hierarchy; it is implemented through the sovereign decisions of men, and not through implementation of constitutional rules."[37] Under Schmitt's approach, the protection of rights is a political exercise, and "the rule of law is reduced to a regime of delegations of authority in which the constraints are purely formal."[38] In contrast, the derogation model imposes changes from within the constitutional order while maintaining legality and constitutional supremacy.

The derogation model has been utilized in practice, and several empirical studies detail the practical effects resulting from the adoption of these constitutional provisions.[39] Professors Linda Camp Keith and Steven C. Poe conducted a study assessing the period from 1977–1996 and concluded that, when tested under an extreme emergency, emergency provisions were effective in reducing human rights abuses: "Constitutional provisions for lists of nonderogable rights . . . have quite a large negative effect on the levels of human rights abuses during civil war."[40] Nevertheless, "when governments are faced with violent or nonviolent rebellions short of civil war, [such] provisions . . . are found to be associated with worse human rights abuse."[41]

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32. *See id.* This model comports with the "Kantian, principled stance that the rule of law can and should control politics even in times of great political stress," as well as the Lockean theory "that [emergency] response can be on liberal terms since the executive should be guided by the supreme law of nature—the safety of the people." *See id.* at 443–44.

33. *Id.* at 459.

34. *Id.*

35. *See id.* at 444.

36. CARL SCHMITT, POLITICAL THEOLOGY: FOUR CHAPTERS ON THE CONCEPT OF SOVEREIGNTY 5, 7 (George Schwab trans., Univ. Chi. Press 2005).

37. Venelin I. Ganev, *Emergency Powers and the New East European Constitutions*, 45 AM. J. COMP. L. 585, 610 (1997). Accordingly,"the sovereign's authority is not ultimately constituted by law[; i]t resides in a political, not a legal constitution." Dyzenhaus, *supra* note 31, at 444 ("Schmitt's position presupposes that sovereignty is a prelegal idea . . . .").

38. Dyzenhaus, *supra* note 31, at 444.

39. Christian A. Davenport, *"Constitutional Promises" and Repressive Reality: A Cross-National Time-Series Investigation into Why Political and Civil Liberties Are Suppressed*, 58 J. POL. 627, 648–49 (1996). As a general matter, emergency constitutions do seem to affect disaster management. *Id.* at 648. In a cross-national study covering 1948–1982, Professor Christian Davenport concluded that emergency constitutions seemed to influence regime behavior. *Id.* ("[W]hen national constitutions explicitly mention states of emergency and political conflict takes place, the regime is . . . less likely to use censorship and political restrictions.").

40. Keith & Poe, *supra* note 14, at 1096.

41. *Id.*

A follow-up on Keith and Poe's study drew similar conclusions but focused solely on natural disaster-based emergencies.[42] Analyzing the period of 1990–2011, Professors Christian Bjørnskov and Stefan Voigt assessed the correlation between physical integrity rights abuses and "benefits" conferred by the constitution upon the executive, where "benefits" included the ability to "legally . . . compromise various human rights" via derogation.[43] Bjørnskov and Voigt concluded that "physical integrity rights are repressed more substantially in more serious disasters in countries with [emergency constitutions] that offer more benefits to the executive."[44] The authors suggested that one "concrete way of redesigning emergency constitutions" is to "limit the power . . . to suspend property and basic human right[s]."[45]

South Africa's emergency constitution has taken this approach. By enumerating a broad range of non-derogable rights and expressly providing for a limited number of derogable rights, South Africa has concretely outlined a protective constitutional regime that governs during a State of Emergency. South Africa's emergency provisions were adopted in its 1996 Constitution, and the framers likely had lessons from the Apartheid-era experience with emergency in mind.[46] In the 1980s, President PW Botha had enacted a partial state of emergency "that extended to the entire country . . . permitting the . . . President to rule by decree, detain citizens without trial, restrict the freedom of movement, and give the police and military considerable powers."[47] In light of South Africa's historical record, politicians are careful not to declare a State of Emergency in the post-Apartheid era.[48]

Section 37 of the 1996 Constitution contains all of South Africa's emergency provisions.[49] Upon declaration of emergency, legislation "may derogate from the Bill of Rights,"[50] but only to the extent that such derogation is "proportional to the emergency."[51] Moreover, "[n]o derogation from s 37 itself is permissible, and all the requirements are justiciable."[52] Derogations under Section 37 are distinguishable from rights limitations permitted during a time of nonemergency, which are governed by Section 36. Under Section 36, rights may only be "limited" by an appropriate government justification; in contrast, Section 37 permits outright suspension of constitutional rights during emergency.[53] While it is true that both clauses involve a proportionality analysis, the Section 37 analysis focuses on the necessity arising out of the emer-

42. Christian Bjørnskov & Stefan Voigt, *Emergencies: On the Misuse of Government Powers*, 190 PUB. CHOICE 1, 9–10, 18 (2022).

43. *See id.* at 8–11.

44. *Id.* at 18.

45. *Id.* at 21.

46. *See* Sarkin, *supra* note 22, at 68 ("South Africa's dire record of human rights under apartheid thus forms the backdrop to any discussion of the drafting of the 1996 Constitution, which established constitutional supremacy and a bill of rights.").

47. Staunton, Swanepoel & Labuschaigne, *supra* note 26, at 4.

48. *See, e.g.,* Cornish, *supra* note 27.

49. S. AFR. CONST., 1996 § 37.

50. *Id.* § 37(4).

51. *See* Witwatersrand Afr. Taxi Owners Ass'n v. MEC for Rds. & Transp. 2010 (12454) ZAGPJHC 1 (S. Guateng High Ct.) at 26 para. 19.1 (S. Afr.); S. AFR. CONST., 1996 § 37(4)(a).

52. *Witwatersrand* (12454) ZAGPJHC at 26 para 19.1; S. AFR. CONST., 1996 § 37(5)(b)–(c).

53. *See* S. AFR. CONST., 1996 §§ 36(1), 37(4).

gency,[54] while Section 36 requires a court to account for various "relevant factors," such as whether the limitation is justified in an "open and democratic society."[55]

Section 37 classifies constitutional rights on the basis of derogability during a State of Emergency. Derogable rights include the right to privacy;[56] "freedom of religion, belief and opinion;"[57] freedom of expression, assembly, and association;[58] political rights,[59] freedom of movement, trade, and labor rights;[60] rights to property, housing, environment, education, health care, food, water, and social security;[61] cultural and linguistic freedom;[62] and rights to information, access to courts, and administrative actions.[63]

Non-derogable rights are enumerated in a chart, which indicates that discrete deviations of some rights are permissible. Rights that are "entirely" non-derogable include the right to human dignity and the right to life.[64] "Freedom and security of the person" is only non-derogable to the extent that torture, "cruel, inhumane or degrading" punishment, and nonconsensual scientific experiments remain prohibited.[65] The rights of arrested, detained, and accused persons are generally non-derogable; however, derogations are permitted with respect to the government's obligations to provide a reasonably prompt trial, to charge or inform a detainee of the reason for detention, and to release a detainee "if the interests of justice permit, subject to reasonable conditions."[66] Equality rights are only non-derogable "[w]ith respect to unfair discrimination solely on the grounds of race, colour, ethnic or social origin, sex, religion or language," which excludes gender, pregnancy, marital status, sexual orientation, age, disability, religion, conscience, belief, culture, language, and birth.[67]

Though South Africa has never declared a constitutional State of Emergency, Section 37 is frequently invoked by courts. Courts use Section 37 to define the scope of a constitutional right at issue by referencing the derogation table and the text of Section 37, paragraphs 1 to

54. *Id.* § 37(4)(a) (requiring that "the derogation is strictly required by the emergency"). Section 37(4) also requires that the legislation is consistent with international obligations, does not permit or authorize indemnification "in respect of any unlawful act," and does not derogate from Section 37 itself; further, the government must publish the legislation in the Government Gazette. §§ 37(4)–(5).

55. *See id.* § 36(1). Other factors include "the nature of the right," "the importance of the purpose of the limitation," "the nature and extent of the limitation," "the relation between the limitation and its purpose," and "less restrictive means to achieve the purpose." § 36(1)(a)–(e).

56. S. AFR. CONST., 1996 § 14.

57. *Id.* § 15.

58. *Id.* §§ 16–18.

59. *Id.* §§ 19–20.

60. *Id.* §§ 21–23.

61. *Id.* §§ 24, 27, 29.

62. S. AFR. CONST., 1996 §§ 30, 31.

63. *Id.* §§ 32–34.

64. *Id.* § 37 (Table of Non-Derogable Rights).

65. *Id.* §§ 12, 37.

66. *Id.* §§ 35, 37.

67. *Id.* §§ 9, 37.

4.[68] Moreover, courts reference Section 37 to broadly distinguish between emergency and nonemergency constitutional statuses.[69] This distinction is particularly important in situations where the government invokes a "State of Disaster," which is a distinct statutory provision that streamlines disaster relief but has no constitutional effect on rights derogations.[70] In such cases, courts emphasize that the only way to derogate from constitutionally protected rights is via invocation of Section 37, which has yet to occur.[71]

II. The Influence of Section 37 on South African Case law

South African courts reference the emergency constitution for a variety of reasons, but one underlying objective is to distinguish between the constitutional institutions of emergency and nonemergency. By drawing this distinction, courts can better define the scope of the constitutional rights at stake. Further, courts can use Section 37 to underline the importance of a particular constitutional right. For instance, by highlighting a right's non-derogability, a court can emphasize that the framers' intended to safeguard that enumerated right, even during times of crisis. Section 37 also influences case law due to its status as the outer boundary of permissible constitutional limitations. More specifically, when a court assesses the extent to which fundamental rights may be limited by legitimate government objectives in a nonemergency,[72] any resulting limitation is circumscribed by Section 37. Thus, Section 37 is negatively implicated in any limitations clause analysis, since a permissible fundamental rights limitation during nonemergency cannot exceed those derogations outlined in Section 37.

In sum, Section 37 appears to influence South African courts in at least three different ways. First, courts draw on the emergency constitution to emphasize distinctions between emergency and nonemergency powers. Second, courts invoke emergency provisions to highlight the importance of particularly fundamental constitutional rights. Finally, courts use Section 37 to set boundaries for limitations clause analyses.

A. Distinguishing Between Emergency and Nonemergency

South African courts use Section 37 to distinguish between rights protections under an emergency and a nonemergency, which involves judicial refutation that "special" circum-

68. S. AFR. CONST., 1996 § 37 paras. 1–4.

69. *Id*.

70. *See* Disaster Management Act 57 of 2002 § 1. "Disaster" is not limited to natural disasters, but also includes human-made disasters. *See id.* (including "natural or human-caused occurrence[s]" in its definition of "disaster").

71. *See id*; S. AFR. CONST., 1996 §37.

72. *See* S. AFR. CONST., 1996 § 36. ("Limitations Clause" of the South African constitution).

stances, other than a State of Emergency, justify deviations from the constitutional order.[73] For instance, in *Witwatersrand African Taxi Owners Association*,[74] the South Guateng High Court held that government regulations forcing the closure of taxi routes for twenty-three days were unconstitutional, arbitrary deprivations of property.[75] The court refuted assertions by the defendant that "violence, unrest or instability" along the routes "warrant[ed] special measures," since "[t]here [was] no credible evidence of unrest and instability."[76] The court also invoked Section 37 to further justify its rejection of the defendant's argument: "[i]n our democratic state, a state of emergency, which may be followed by exceptional measures necessary to restore peace and order, may only be declared by the State President in terms of s 37."[77] Further, "[f]rom these provisions it is abundantly clear that the resort to emergency measures, as in the case of the [defendant] in the present matter, is not a light and trivial matter."[78]

The distinction between an "emergency" and a "nonemergency" is especially pronounced in cases dealing with statutory States of Disaster.[79] For instance, in *Freedom Front Plus*,[80] the North Guateng High Court upheld the constitutionality of various COVID-19 lockdown provisions promulgated during a State of Disaster.[81] Plaintiffs argued, among other things, that the statutory scheme permitting declarations of States of Disaster was unconstitutional because, unlike the emergency provisions in the constitution, the statutory scheme did not include sufficient procedural safeguards, such as a guarantee of the competency of courts to rule on the validity of disaster-related regulations.[82]

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73. *See* Witwatersrand Afr. Taxi Owners Ass'n v. MEC for Rds. & Transp. 2010 (12454) ZAGPJHC 1 (S. Guateng High Ct.) at 26 para. 19.1 (S. Afr.); *see also* Exec. Council of the W. Cape Legis. v. President of the Republic of S. Afr. 1995 (10) BCLR 1289 (CC) at 97–98 para. 150 (S. Afr.) (Ackerman, J., concurring) (using the 1994 version of the emergency provisions to draw the same disctinction between special circumstances and emergencies, stating "[T]he Constitution provide[s] for the proclamation of a state of emergency . . . . In paragraph [62], [the majority] poses the hypothetical possibility that 'circumstances short of war or states of emergency will exist from which a necessary implication can arise that Parliament may authorize urgent action to be taken out of necessity. . . .' We would, with all due respect, desist from any comment on such a possibility . . . . The postulation of such a possibility, however qualified, runs the risk of causing uncertainty as to the nature of our present Constitution.").

74. Witwatersrand Afr. Taxi Owners Ass'n v. MEC for Rds. & Transp. 2010 (12454) ZAGPJHC 1 (S. Guateng High Ct.) (S. Afr.).

75. *Id.* at 1–2, 45–46, paras. 1, 34–35.

76. *Id.* at 3–4, 45–46 paras. 4, 34.-

77. *Id.* at 26 para. 19.1. It should be noted that this passage is actually referencing the State of Emergency Act 64 of 1997, but this statute codifies Section 37 of the constitution. *See id; see also* State of Emergency Act 64 of 1997 § 1.

78. *Witwatersrand*, (12454) ZAGPJHC at 26 para. 19.1. ("[T]he jurisdiction of the Courts, unlike the pre-Constitution era, cannot be excluded during emergencies.").

79. *See* Freedom Front Plus v. President of the Republic of S. Afr. 2020 (3) All SA 762 (N. Guateng High Ct.) at 2, 22–24 paras. 1, 65, 68, 70 (S. Afr.); *see also* S. Afr. Breweries (Pty) Ltd. v. Minister of Corp. Governance & Traditional Affs. 2021 (3) All SA 723 (W. Cape High Ct.) at 1–2, 13–14, 37 paras. 1–2, 26, 93 (S. Afr.) (upholding the ban on alcohol imposed during the COVID-19 lockdown and rejecting assertions by plaintiff beverage company that the State of Disaster failed to comply with Section 37(2)(a)'s requirement of "National Assembly . . . approval or extension, as required in a state of emergency.").

80. Freedom Front Plus v. President of the Republic of S. Afr., 2020 (3) All SA 762 (N. Guateng High Ct.) (S. Afr.).

81. *Id.* at 2, 23–24 paras. 1, 68, 70.

82. *Id.* at 9, 22 paras. 20, 65.

The court rejected this reasoning, emphasizing that a State of Disaster always leaves justiciability intact, since a disaster "does not permit a deviation from the normal constitutional order."[83] Instead, a State of Disaster merely "permits the executive to enact regulations or issue directions."[84] Executive directions during a disaster may "limit fundamental rights."[85] However, "fundamental rights remain intact in the sense that any limitation is still subject to being tested against s36 of the Constitution."[86] In contrast, "under states of emergency, the Constitution actually permits all rights to be suspended, save for the prescripts in the Table of Non-Derogable Rights."[87] Thus, the court concluded: "Once the fundamental distinction between a state of emergency and a state of disaster is understood, [Plaintiff's] complaint loses its force."[88]

In sum, *Witwatersrand* and *Freedom Front Plus* provide examples of judicial distinctions between an emergency and a nonemergency during times of peace. In both cases, the court used such distinctions to bolster claims that constitutional rights were impinged, per *Witwatersrand*, or unimpeded, per *Freedom Front Plus*. In either case, Section 37 has found its way into South African constitutional jurisprudence despite its lack of invocation. The degree to which Section 37 influences the final orders issued by courts is difficult to measure. In *Freedom Front Plus*, the court necessarily had to confront Section 37, since the constitutional attack on the State of Disaster legislation was premised on the plaintiff's analogy to State of Emergency provisions. In contrast, *Witwatersrand*'s discussion of Section 37 was not absolutely essential to the court's analysis, since the court already rejected that the defendant's claims of "violence" or "unrest" were supported by any credible evidence. Nevertheless, the court seemed compelled to emphasize that the defendant's argument that "special circumstances" warranted different constitutional treatment was "not a light and trivial matter."

B. Emphasizing the Importance of Non-Derogable Rights

South African Courts also invoke the emergency constitution to highlight the significance of certain non-derogable rights. In *Malan*,[89] the Constitutional Court cited Section 37 to frame the importance of the "right to human dignity."[90] The Court noted that "Section 1 provides that the Republic of South Africa is founded on values that include human dignity. Section 37 provides that the right to human dignity is entirely non-derogable, even in a state of emergency."[91] Similarly, in *South African Police Service*,[92] the Constitutional Court invoked section 37 to emphasize the non-derogability of the constitutional prohibition on torture: "A state's duty to prevent impunity, which can be defined as the exemption from punishment, is

83. *See id.* at 22 para. 65.

84. *Id.*

85. *Id.*

86. Freedom Front Plus v. President of the Republic of S. Afr. 2020 (3) All SA 762 (N. Gauteng High Ct.) at 22 para. 65 (S. Afr.).

87. *Id.* at 21–22 para. 63.

88. *Id.* at 23 para. 68.

89. Malan v. City of Cape Town 2014 (11) BCLR 1265 (CC) (S. Afr.).

90. *Id.* at 24 para. 51.

91. *Id.*

92. Nat'l Commm'r of the S. Afr. Police Serv. v. S. Afr. Hum. Rts. Litig. Ctr. 2014 (12) BCLR 1428 (CC) (S. Afr.).

particularly pronounced with respect to those norms, such as the prohibition on torture, that are widely considered peremptory and therefore non-derogable—even in times of war or national emergency . . . ."[93]

Protections on the rights of detainees are more thoroughly outlined and emphasized by courts through the invocation of Section 37.[94] In *Lawyers for Human Rights*,[95] the Constitutional Court struck down immigration legislation that violated the constitutional rights of detainees.[96] In its reasoning, the court underscored the significance of the right through reference to South Africa's emergency constitution:

> [E]ven where there is a derogation from the right[s of detainees] during a state of emergency, section 37 of the Constitution requires that a court must review the detention as soon as reasonably possible but not later than 10 days from the date the person was detained. [The Court then quotes section 37(6) of the Bill of Rights.] This provision reveals that the Constitution regards judicial oversight to be crucial to detention of individuals, even during a state of emergency. . . . There can be no justification for not applying [section 37(6)'s] guidelines and allowing judicial review during normal and peaceful times.[97]

Here, the court referenced Section 37's non-derogable safeguards to give prominence to the rights of detainees.[98] The court quoted Section 37(6) at length, then concluded that these guidelines must always apply, in emergency and nonemergency situations.[99]

In these cases, South African courts' invocation of Section 37 was used to emphasize the weightiness of a particular non-derogable constitutional right. The analysis consists of comparing the treatment of the right during times of peace versus emergencies. The result is the application of Section 37's provisions during nonemergency; as the *Lawyers for Human Rights* court states, "[t]here can be no justification for not applying [non-derogable rights] guidelines and allowing judicial review during normal and peaceful times."[100] Although the invocation of Section 37 is not strictly required to perform this analysis, since the non-derogable protections in the emergency provisions merely refer to nonemergency provisions in neighboring sections, the court's deliberate decision to include an explicit Section 37 analysis is significant.

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93. *Id.* at 4 n.2.

94. *See* Laws. for Hum. Rts. v. Minister of Home Affs. 2017 (10) BCLR 1242 (CC) at 15 paras. 35–37 (S. Afr.); De Lange v. Smuts NO 1998 (7) BCLR 779 (CC) at 22 para. 27 (S. Afr.) (footnote omitted) ("Even where a derogation from . . . [the] right[s of detainees] has validly taken place in consequence of a state of emergency . . . detailed and stringent provisions are made for the protection of the detainee . . . History . . . emphasises how important the right not to be detained without trial is . . . .").

95. Laws. for Hum. Rts. v. Minister of Home Affs. 2017 (10) BCLR 1242 (CC) (S. Afr.).

96. *Id.* at 25–26 para. 73.

97. *Id.* at 15 paras. 35–37.

98. *Id.*

99. *Id.* at 15 paras. 36–37.

100. *Id.* at 15 paras. 35–37.

C. Setting Boundaries for the Limitations Clause

South African courts also reference Section 37 to define the scope of the Limitations Clause under Section 36.[101] Section 36 provides that the state may "limit" constitutional rights,[102] while Section 37 provides that a state may "derogate"—or entirely suspend—rights during an emergency.[103] Thus, any constitutionally permissible "limitation" in a nonemergency cannot be so excessive that it is, in effect, a derogation.

This distinction is highlighted by the Constitutional Court in *De Lange*.[104] In this case, the Court struck down legislation that authorized a non-magistrate presiding officer to issue various warrants, reasoning that the legislation violated the constitutional rights of detainees.[105] The court noted that any limitations imposed on a right during nonemergency, governed by Section 36, cannot logically exceed those deviations permitted during a State of Emergency: "It is difficult to imagine [how any infringement of the constitutional rights of detainees that] . . . is not constitutionally sanctioned [permitted] under the state of emergency provisions of section 37, could properly be justified under section 36."[106] This statement indicates that a violation under Section 37 can inform a court's limitations clause analysis under Section 36.

The distinction between a "limitation" and a "derogation" is particularly valuable for litigants seeking accountability for constitutional violations in a time of crisis, where the scope of potentially justifiable limitations under Section 36 is at its peak.[107] In *De Beer*,[108] the plaintiffs made this argument to support their proposition that the pandemic lockdown measures were unconstitutional: "The regulations are unlawful in that s 37 of the Constitution only allows a restriction of the Bill of Rights when there is a State of Emergency in the country, which is currently not the case."[109] Although the court did not reach the merits of this argument,[110] *De Beer* indicates that litigants are likely aware that rights limitations which violate Section 37 inherently violate Section 36.

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101. *See* Freedom Front Plus v. President of the Republic of S. Afr. 2020 (3) All SA (CC) at 21–22 paras. 63–65 (S. Afr.) ("[F]undamental rights remain intact [in a nonemergency] in the sense that any limitation is still subject to being tested against s36 of the Constitution.").

102. S. AFR. CONST., 1996 § 36.

103. *Id.* § 37(4) ("Any legislation enacted in consequence of a declaration of a state of emergency may derogate from the Bill of Rights only to the extent that . . . .").

104. De Lange v. Smuts NO 1998 (7) BCLR 779 (CC) (S. Afr.).

105. *Id.* at 2–3 paras. 1–2, 94–95 paras. 108–109.

106. *Id.* at 22, para 27.

107. *See* S. AFR., CONST., 1996 § 37. While it is true that the difference between a "limitation" and a "derogation" is not always clear when dealing with non-derogable rights that permit partial deviations (e.g., the rights of detainees), the accompanying text and non-derogable rights table contained within Section 37 still provides further detail for courts engaging with this type of analysis. *See id.*

108. Minister of Coop. Governance & Traditional Affs. v. De Beer 2021 (95) ZASCA 1 (SCA) at 7 para. 6(vii) (S. Afr.).

109. *Id.*

110. *See id.* at 66 para 116. The Court dismissed the claim due to the lower court's improper application of the "rationality" test (a standard frequently applied in South African administrative law), meaning that the Court did not reach the merits of the plaintiffs' argument. *See id.*

The unique relationship between Sections 36 and 37 raises the question of whether courts are invoking Section 37 implicitly in their Section 36 analyses, particularly during nonemergency "disasters." In such scenarios, a court would have to confront the argument that "special circumstances" warrant excessive limitations, which would direct the court to the boundaries set by Section 37. In *Esau*,[111] the Supreme Court of Appeal seemed to engage in this type of analysis by emphasizing that the pandemic lockdown regulations did not amount to an absolute suspension, but a qualified limitation.[112]

In *Esau*, the court upheld lockdown regulations that prohibited citizens from leaving their homes, which infringed upon rights to movement, trade, occupation, and profession.[113] The court acknowledged that the "seriousness and the magnitude of the threat" may have warranted "[d]rastic measures," and the court asserted that such drastic measures justified rights derogations.[114] The court highlighted the stay-at-home order's exceptions: "The effect of [the lockdown measures] must be considered as a whole. [They] restricted everyone to their residences but then provided for a series of exceptions and exemptions."[115] The court's analysis evidenced an implicit distinction between a partial restriction (a § 36 "limitation") and an absolute suspension (a § 37 "derogation") of constitutional rights: "[W]hile [the stay-at-home order] infringed the fundamental right to freedom of movement, [regulatory exemptions], by qualifying that infringement, reduced its impact."[116] In sum, the court emphasized that these exceptions "had the effect of ameliorating the [regulations'] harsh effects."[117]

As is illustrated by *De Lange* and *De Beer*, Section 37 influences courts' limitations analyses. A limitation that is effectively a derogation violates both Sections 36 and 37. To be clear, it is difficult to assess the implicit influence of emergency provisions on such analyses where the court does not cite to Section 37, as in *Esau*. Proving Section 37's negative implication would require data on the unwritten reasoning underlying each limitations inquiry. Further, additional research would need to assess the extent to which any perceived correlation is the result of other interpretive factors, such as an independent set of constitutional norms. In any case, even if Section 37's implicit influence is difficult to measure, Section 37's presence cements these limitations analyses.

III. Potential Implications

South Africa's interaction with its emergency constitution provides several implications for countries considering adopting, adapting, or revoking emergency constitutional provisions. First, South Africa provides evidence that a nation's emergency provisions can influence constitutional jurisprudence even without a declaration of emergency. This phenomenon is signifi-

111. Duwayne Esau v. Minister of Coop. Governance & Traditional Affs. 2020 (9) ZASCA 1 (SCA) at 50 para. 135–137 (S. Afr.).

112. *See id.* at 50–52 paras. 135–137, 141.

113. *Id.* at 51 para. 141.

114. *Id.* at 51–52 paras. 51, 140–42.

115. *Id.* at 49 para. 133.

116. *Id.*

117. Duwayne Esau v. Minister of Coop. Governance & Traditional Affs. 2020 (9) ZASCA 1 (SCA) at 50 para. 137.

cant not only for countries seeking to analyze how their emergency provisions have affected case law, but also for countries considering adopting such provisions. Second, South Africa's experience suggests that dormant emergency constitutions have structural implications on the balance of power between the governing branches. In some ways, the judiciary is empowered by the presence of a dormant emergency constitution; the enumerated boundaries of these emergency provisions enhance judicial capacity to monitor impermissible rights deviations. Nevertheless, all government actors, including the courts, are bound by the confines of the permissible rights derogations set out in the emergency provisions.

A. Direct Effects on Constitutional Jurisprudence

First, South Africa provides evidence that dormant emergency clauses can influence case law. South African courts invoke Section 37 to distinguish between derogable and non-derogable rights, to emphasize the weightiness of a particular right, and to define the scope of justifiable constitutional limitations. In countries that already have emergency clauses, South Africa's case counsels towards an investigation of emergency clauses' jurisprudential side effects on constitutional law. Further, for countries that have never invoked their emergency provisions, such as Germany,[118] South Africa indicates that an emergency clause's impact may already have manifested in constitutional jurisprudence. Finally, for countries considering adopting emergency provisions, such as Japan,[119] South Africa's experience demonstrates that the ramifications of such an amendment could have immediate jurisprudential effects.

Countries should expect their dormant emergency clauses to impact jurisprudence by serving as the outer boundary of rights protections. As outlined in *De Lange* and *Lawyers for Human Rights*, an emergency constitution defines the absolute limits of constitutional deviation during any disaster. This is an important consideration for countries contemplating adoption of an emergency clause; as countries apply scrutiny under limitations clauses, as under Canada's *Oakes*[120] test or the U.S.'s multi-tiered system of scrutiny,[121] government justifications are necessarily bound by an emergency constitution's permissible rights derogations. Further, any analysis of non-derogable rights requires closer scrutiny, since enumeration of such rights indicates that a country is unwilling to suspend such protections, even in a State of Emergency.

Countries should note that the exact degree to which a dormant emergency clause influences constitutional jurisprudence remains indeterminate. South African courts reference the clause and interpret its provisions; however, the clause is formally "uninvoked" and serves only as persuasive authority in courts' analyses. In several of the cases discussed above, including *Lawyers*

118. Ben Knight, *What is a state of emergency in Germany?*, DW (Mar. 19, 2020), https://www.dw.com/en/what-is-a-state-of-emergency-in-germany/a-52846653 ("[T]he federal government in Germany has the option of declaring a nationwide state of emergency [under the Constitution], which has never happened in the country's post-war history.").

119. *Japan divided over adding emergency clause to Constitution, survey finds*, *supra* note 21.

120. *See generally* R. v. Oakes, [1986] 1 S.C.R. 103 (Can.).

121. *See generally* Tara Leigh Grove, *Tiers of Scrutiny in a Hierarchical Judiciary Symposium: Is the Rational Basis Test Unconstitutional*, 14 GEO. J.L. & PUB. POL'Y 475, 486 (2016).

for Human Rights[122] and *Witwatersrand*,[123] courts' references to the emergency constitution were not essential to arrive at the courts' holdings. These cases may suggest that the degree of influence is minor; the courts are using the clause as illustrative dicta. Nevertheless, these cases may also suggest that the clause is exceptionally influential; these judges find it necessary to invoke an "unnecessary" dormant provision because it is highly persuasive authority. In any case, dormant emergency clauses seem to have a real influence on constitutional jurisprudence.

B. Structural Implications

South Africa's case also demonstrates that dormant emergency clauses have structural implications on a nation's separation of powers. More specifically, the clause provides the judiciary with additional analytical tools for evaluating the legitimacy of government actions that restrict constitutional rights. By bounding rights limitations within a derogation framework, courts are better equipped to strike impermissible deviations.[124] Nevertheless, the emergency constitution restricts all government actors, including the judiciary; courts cannot exercise judicial discretion to create peacetime exceptions that amount to wartime derogations.

Countries contemplating adopting or revising their emergency provisions should account for this structural shift, which tends to empower the judiciary. These structural considerations are particularly relevant in Japan, where recent proposals by the Liberal Democratic Party to adopt an emergency constitution have sparked widespread debate.[125] Absent from this debate is consideration of how such a clause would impact constitutional jurisprudence and the separation of powers during peacetime. Japan's Supreme Court is notable for its judicial passivism and "very conservative, noninterventionist constitutional jurisprudence;"[126] the Court "almost

122. Laws. for Hum. Rts. v. Minister of Home Affs. 2017 (10) BCLR 1242 (CC) (S. Afr.) at 15, 22–23 paras. 35–37, 59–63 (S. Afr.).

123. Witwatersrand Afr. Taxi Owners Ass'n v. MEC for Rds. & Transp. 2010 (12454) ZAGPJHC 1 (S. Guateng High Ct.) at 1–4, 25–26, 45–46 paras. 1, 2, 4, 19.1, 34–35 (S. Afr.).

124. *See, e.g., id.* at 1–2, 45–46 paras. 1, 34–35; *see also* De Lange v. Smuts NO 1998 (7) BCLR 779 (CC) at 1–3, 94–95, paras. 1–2, 108–109 (S. Afr.).

125. Linda Sleg, *Japan ruling MPs seek emergency clause for constitution amid pandemic response discontent*, REUTERS (June 8, 2021, 3:47 AM), https://www.reuters.com/world/asia-pacific/japan-ruling-mps-seek-emergency-clause-constitution-amid-pandemic-response-2021-06-08/.

126. Shigenori Matsui, *Why Is the Japanese Supreme Court So Conservative?*, 88 WASH. UNIV. L. REV. 1375, 1375 (2011).

never challenges the government."[127] Adoption of an emergency clause in Japan could empower the Court by allowing it to better monitor rights deviations during peacetime.[128]

On the other hand, countries contemplating adopting or revising their emergency constitutions should also consider that such provisions necessarily restrict the overall flexibility of the government to respond to nonemergency disasters. More specifically, since emergency provisions clearly delineate which deviations are permissible under each applicable constitutional state, a court's peacetime proportionality analysis is explicitly bounded by these terms. During severe disasters that do not rise to the level of an "emergency," countries may feel restrained in their ability to provide relief. Courts may be tempted to ignore the limits imposed by an emergency constitution during peacetime. Nevertheless, contravening the emergency constitution not only risks the creation of inconsistent case law but also raises doubts as to the functionality of the emergency constitution during a "true" emergency.

The structural implications of dormant emergency constitutions are not limited to effects on the allocation of power between the governing branches. South Africa's experience demonstrates that emergency constitutions can also serve as useful tools for individual litigants seeking to hold the state accountable. By invoking the emergency constitution to distinguish between rights protections under both constitutional states, litigants can emphasize the scope of the alleged constitutional infringement. In *Freedom Front Plus*, litigants invoked South Africa's emergency constitution to highlight the excessiveness of the constitutional infringement, which required the court to interact with its dormant emergency provisions.[129] *Lawyers for Human Rights* revealed that courts are particularly receptive to attacks on rights infringements involving non-derogable rights; in that case, the court focused on the emergency constitution to further justify its decision to uphold the rights of detainees.[130] Thus, an emergency constitution can provide additional support for a constitutional attack on state legislation.

IV. Potential Objections

There are several potential objections to the implications discussed above. First, the utility of South Africa's experience may be diminished by its uniqueness. More specifically, the trans-

127. David S. Law, *The Anatomy of a Conservative Court: Judicial Review in Japan*, 87 TEX. L. REV. 1545, 1546–47 (2009) ("Since its creation in 1947, the court known in Japanese as the Saiko Saibansho has struck down only eight statutes on constitutional grounds.").

128. *See supra* notes 118–124 and accompanying text. Nevertheless, it is possible that safeguarding such empowerment requires further reform from within the Japanese court system. *Id.* As Professor Shigenori Matsui highlights, "[t]he most disturbing factor behind judicial passivism has been the failure of many judges to treat the Constitution as law to be enforced by the courts." Matsui, *supra* note 126, at 1413. Matsui explains that "the language of the Constitution is rather general and abstract" such that "[m]any of the constitutional provisions can be seen as embodying [political] principles and not [legal] rules." *Id.* Accordingly, empowering the courts will require an institutional change in perspective; the Court will need to view the emergency constitution as a source of enforceable positive law. *See id.* Drafting a clause that is specific and bright lined, rather than "general and abstract," could aid in achieving this shift in perspective. *Id.*

129. Freedom Front Plus v. President of the Republic of S. Afr. 2020 (3) All SA 762 (N. Guateng High Ct.) at 9, 21–24, paras. 20, 63, 65, 68, 70 (S. Afr.) ("The essence of the attack on the [Disaster Management Act] is . . . that it permits a state of disaster . . . without the same safeguards that apply in a state of emergency . . . .").

130. Laws. for Hum. Rts. v. Minister of Home Affs. 2017 (10) BCLR 1242 (CC) (S. Afr.) at 15, 20 paras. 35–37, 73 (S. Afr.).

ferability of the implications following from South Africa's experience may be limited by South African social and historical context.[131] A second potential limitation relates to South Africa's derogation model approach: it seems that South Africa is a case involving influence from a non-derogation clause rather than an emergency clause accompanied by a non-derogation clause. From this view, a constitution that does not distinguish between emergency and nonemergency, and instead, simply includes a list of non-derogable rights, would arguably have similar effects on constitutional jurisprudence. Though these objections are compelling, they are not entirely supported by the facts of South Africa's case, and do not substantially detract from South Africa's overall utility for comparative study.

A. The Uniqueness of the South African Experience with Emergency

How unique is South Africa's experience, and does this uniqueness detract from its utility for comparativists? South Africa's emergency constitution is the partial result of its experience with Apartheid.[132] More specifically, South Africa is sensitive to the danger of granting the government supra-constitutional status during times of crisis. Moreover, South African citizens are weary of the dangers of a State of Emergency, which may explain the political resistance to invoking this clause. The resultingclause is not only highly protective and elaborate, but also more likely to be viewed as legitimate. In this way, South Africa's emergency constitution is molded by non-legal contextual factors, suggesting that the accompanying influence of its emergency provisions is intertwined with courts' cognizance of such factors.

Nevertheless, the jurisprudential influence of South Africa's emergency provisions seems to arise predominantly from the text of these emergency provisions, rather than from historical or socio-cultural context. For instance, in *Lawyers for Human Rights* and *Freedom Front Plus*, the court quotes Section 37 at length and interprets its provisions.[133] The *Lawyers for Human Rights* Court states, "Section 37(6) . . . provides: [The Court quotes § 37(6)(e)–(h)]. This provision reveals that the Constitution regards judicial oversight to be crucial to detention of individuals, even during a state of emergency."[134] While it is true that the *De Lange* court remarked that "history" emphasized the importance of the rights of detainees, this statement was preceded by a textual analysis of emergency provisions: "Even where a derogation from . . . [the] right[s of detainees] has validly taken place in consequence of a state of emergency . . . detailed and stringent provisions are made for the [detainee's] protection . . . ."[135]

Moreover, any contextual factors considered by South African courts are not so particular as to detract from the value of South Africa's case for comparativists. More specifically, although

131. *See, e.g.,* Vermeule, *supra* note 13, at 645 n.57 ("South Africa is not comparable to the United States on many or any of the political, economic, or strategic dimensions relevant to the law of emergency powers.").

132. *See* Sarkin, *supra* note 22, at 68.

133. *Laws. for Hum. Rts.* (10) BCLR at 15 paras. 35–37; *Freedom Front Plus*, (3) All SA at 17–19 paras. 48–53.

134. *Laws. for Hum. Rts.* (5) SA at 15 paras. 36–37.

135. De Lange v. Smuts NO 1998 (7) BCLR 779 (CC) at 22 para. 27 (S. Afr.) (footnote omitted).

South African courts reference broad constitutional principles,[136] practical considerations,[137] and historical context[138] throughout Section 37 analyses, these contextual factors are not so unique. South Africa, like many other nations, is weary of its past abuses with emergency powers. Germany and Spain have similar fears of repeating history,[139] and these countries likely adopted emergency provisions with this context in mind. Further, like South Africa, Germany's provisions have never been invoked, which seems attributable to fears arising out of the clause's history.[140]

Moreover, the practical considerations of addressing emergency management are likely familiar to all countries. For instance, though the United States does not have an emergency constitution, its jurisprudence has recognized the constitutional pressures imposed by an emergency. Justice Jackson considered this phenomenon in his concurrence in *Youngstown*:[141]

> [The Framers] knew what emergencies were, knew the pressures they engender for authoritative action, knew, too, how they afford a ready pretext for usurpation. . . . Aside from suspension of the privilege of the writ of habeas corpus . . . they made no express provision for exercise of extraordinary authority because of a crisis. I do not think we rightfully may so amend their work, and, if we could, I am not convinced it would be wise to do so, although many modern nations have forthrightly recognized that war and economic crises may upset the normal balance between liberty and authority.[142]

South Africa recognizes those same pressures that emergencies engender but has instead chosen to "forthrightly recognize[] that . . . crises may upset the normal balance between liberty and authority." Like the U.S., South Africa recognizes the risks associated with express emergency provisions; South African courts view the emergency constitution as "undoubtedly an extraordinary constitutional measure and not one that is intended to be used lightly."[143]

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136. *See Laws. for Hum. Rts.* (5) SA at 15 paras. 35–37 ("Judicial control or oversight ensures that appropriate procedural safeguards are followed. That is why even where there is a derogation from the right during a state of emergency, section 37 of the Constitution requires that a court must review the detention as soon as reasonably possible . . . .").

137. *See* Witwatersrand Afr. Taxi Owners Ass'n v. MEC for Rds. & Transp. 2010 (12454) ZAGPJHC 68 (S. Gauteng High Ct.) at 26 para. 19.1 (S. Afr.) ("From these [emergency] provisions it is abundantly clear that the resort to emergency measures . . . is not a light and trivial matter.").

138. *De Lange*, (7) BCLR at 22 para. 27; *Witwatersrand*, (12454) ZAGPJHC at 26 para. 19.1 ("[T]he jurisdiction of the Courts, unlike the pre-Constitution era, cannot be excluded during emergencies.").

139. *See* Dyzenhaus, *supra* note 31, at 446 ("The constitutional design of models of emergency power is haunted by two historical experiences—in countries with written constitutions that of Article 48 of the Weimar Constitution and in common law countries that of martial law."); Raymond Carr et al., *Franco's Spain, 1939–75*, BRITANNICA (2022), https://www.britannica.com/place/Spain/Francos-Spain-1939-75 ("Throughout Franco's rule, his authoritarian regime was based on the emergency war powers granted him as head of state and of the government by his fellow generals in 1936.").

140. Knight, *supra* note 118.

141. Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 650 (1952) (Jackson, J., concurring).

142. *Id.*

143. Freedom Front Plus v. President of the Republic of S. Afr. 2020 (3) All SA 762 (N. Guateng High Ct.) at 21 para. 62.

B. Utility of a Non-Derogation Clause Versus an Emergency Clause

Is South Africa a case involving influence from a "non-derogation" clause, rather than an "emergency" clause?[144] It seems arguable that the jurisprudential effects presented in this analysis could be achieved by inserting a non-derogation clause indicating that an array of rights are non-derogable, without any mention of nonemergency and emergency status. Nevertheless, the analysis leaves out several unanticipated consequences of excluding references to "emergency" constitutional status.

Without any reference to an emergency, a non-derogation clause becomes immediately invocable since its applicability is not contingent on a State of Emergency. Accordingly, the apparent influence of such a provision is far more direct and substantial than a dormant clause. Further, the value of the distinction between emergency and nonemergency status is lost since the constitution defines no clear boundary between either constitutional state. Thus, courts will approach disasters on a case-by-case basis, and litigants will need to persuade the courts that the circumstances are sufficiently disastrous. The lack of a constitutional definition of emergency necessarily requires courts to analyze the scope of the disaster; in effect, the courts will "declare" the emergency for the litigants instead of Parliament or the Executive.

In other words, the non-derogation clause approach seems to cede the power to declare a State of Emergency to the judicial branch. Some countries may view this arrangement as desirable, particularly where the courts have demonstrated an institutional capacity to engage in investigative activities.[145] Nevertheless, other countries may view the executive and legislative branches as better situated for such political decisions; these countries would likely prefer an emergency clause over a non-derogable rights list. An emergency clause would assign the power of declaration to the executive and legislative branches, while allowing the court to retain its capacity to monitor rights deviations.

Conclusion

Unlike Ancient Rome, South Africa has yet to invoke its emergency constitution. Nevertheless, the impact of such emergency provisions on South African constitutional law are tangible. By enumerating a derogation regime applicable only in times of emergency, South Africa's emergency constitution has set an outer boundary for constitutional rights infringements that has repercussions during nonemergencies. Just as Cincinnatus did during times of war in 458 B.C.E., the South African courts now recognize that—even during times of peace—the constitutional limits established by an emergency constitution are absolute. Regardless of whether

144. A non-derogation clause enumerates a list of non-derogable rights applicable under any constitutional state, whereas an emergency clause enumerates a list of rights while distinguishing between emergency and nonemergency constitutional states. See Keith & Poe, *supra* note 14, at 1073–76 (describing existing scholarship on non-derogation clauses and emergency clauses).

145. *See* David Landau, *Political Institutions and Judicial Role in Comparative Constitutional Law*, 51 HARV. INT'L L.J. 319, 319–20 (2010). The Colombian Constitutional Court is an example of this. *Id.* (In the 1990s, to address a mortgage crisis, the Court "held legislative-style hearings to which it invited homeowners' groups, bankers, economists, and state agencies, and it received a myriad of reports from these actors." Further, "[a]lthough its approach was interactive and the final housing bill was largely drafted by the president, the Court itself had a dominant hand in shaping the details of housing policy.").

restrictions are imposed during emergency or nonemergency, the "the principle of legality is left intact."[146]

The influence of South Africa's dormant emergency clause is apparent in its constitutional jurisprudence. Courts invoke these emergency provisions to distinguish between the scope of rights under both constitutional statuses, to emphasize the non-derogability of a constitutional right, and to detail the extent to which a right can be limited. South Africa's experience with emergency demonstrates that dormant emergency clauses matter, and countries should expect such uninvoked provisions to mold their constitutional jurisprudence. The resulting effects seem largely positive; a dormant emergency constitution empowers courts and individual litigants to strike impermissible rights deviations during peacetime. While South Africa's experience does not yet provide insight into the effects of such provisions during an official State of Emergency, South Africa's case suggests that such dormant provisions still influence courts' interpretations of constitutional rights protections, even during times of peace.

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146. Dyzenhaus, *supra* note 31.

AI Inventorship: It's Time to Cache In The Latest Challenge to Patentability in the Modern Era

Jessica A. Caso[1]

Introduction

Artificial intelligence ("AI") is at the forefront of modern technology. Since the 1950s, AI has operated behind the scenes to accomplish amazing feats.[2] As AI has evolved, these achievements have broadened. The latest machine learning algorithms are constantly pushing boundaries, processing information at speeds inconceivable to mankind.[3] Consequently, AI has become a prevalent part of our everyday lives. From smart assistants[4] to self-driving cars[5] and world champion chess players,[6] AI has effectively integrated into our contemporary world. In recent years, however, AI has transformed from a practical tool to an arguably sentient machine:[7] Facebook® chatbots recently invented their own language;[8] Google Home® speakers have engaged in allegedly heated debates;[9] and human android BINA48 even asserted world domination.[10] AI has established a central role in our lives, and it's likely too late to pull the plug.[11] The rapid transformation of technology begs the question: what defines a "natural person" in the modern age?[12] Is personhood merely skin-deep, defined by our molecular composition? Can AI be considered "conscious" in the legal sense?[13] This dilemma has sparked intense controversy in the patent arena.

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10. *Id.*
11. *See* Lincoln, *supra* note 5.
12. Ryan Abbott, *The Artificial Inventor Project*, WIPO MAG. (Dec. 2019), https://www.wipo.int/wipo_magazine/en/2019/06/article_0002.html [hereinafter *AI Project*].
13. *DABUS Described*, *supra* note 6.

The patent system has amassed a long, rich history, ranging from Sybaris in the fifth century B.C. to Article I, Section 8, of the U.S. Constitution in 1787.[14] With time, society and its technology have evolved; so, too, has the patent system. As autonomous AI produces novel inventions, their owners now seek proper legal protections.[15] Such efforts, however, have produced varying results. While some countries accede to patent protection for AI inventors,[16] others are quick to deny it.[17] Recently, the United States weighed in by upholding a denial from the United States Patent and Trademark Office ("USPTO") stating that AI is not a "natural person."[18] As this note will discuss, however, the court's interpretations in *Thaler v. Hirschfield* and *Thaler v. Vidal* were based on flawed comparisons and unrelated incentives.[19] Thus, despite these rulings, AI is in fact capable of the "conception" required under the U.S. patent law.[20]

This note argues that purely AI-generated inventions deserve patents and should list AI as their inventor; AI is aptly an inventor because, unlike traditional tools, AI is "functionally inventing."[21] There are numerous justifications for AI inventorship motivated by monetary, ethical, and international concerns.[22] Further, this note argues that, based on recent international summit reports, harmonization of patent requirements is achievable through uniform patent definitions and treatments.[23] Based on prior successful efforts, the World Intellectual Property Organization ("WIPO") is the ideal forum to address patent issues and enact policy on AI inventorship.[24] Overall, a broad, utilitarian approach to international patent law will stimulate creative solutions for international IP harmonization.

In addition, this note discusses that purely AI-generated inventions necessitate meticulous standards to address financial and procedural concerns. For example, AI may produce laborious, costly application disclosures, which make it difficult to meet current requirements.[25] Further, the test under the "skilled person" standard[26] must carve out a category for AI to ensure

14. Giles Sutherland Rich, *The "Exclusive Right" Since Aristotle*, 14 FED. CIR. BAR J. 217, 217 (2004).

15. *AI Project*, *supra* note 11.

16. Thaler v Commissioner of Patents, (2021) 160 IPR 72 (Austl.).

17. Thaler v. Comptroller General of Patents Trade Marks and Designs [2021] EWCA (Civ) 1374 (Eng.).

18. Thaler v. Hirshfeld, 558 F.Supp.3d 238, 249 (E.D. Va., 2021); Thaler v. Vidal, 43 F.4th 1207, 1213 (Fed Cir. 2022).

19. *See generally Vidal*, 43 F.4th at 1212 (finding that only a natural person can be an inventor, thus excluding AI).

20. *See* 35 U.S.C. § 101 (1952).

21. *Infra* Part III.

22. *See DABUS Described*, *supra* note 7.

23. World Intellectual Property Organization [WIPO], *WIPO Conversation on Intellectual Property (IP) and Artificial Intelligence (AI)*, at 4, 8–9, WIPO/IP/AI/3/GE/20/INF/5 (Jan. 8, 2021), https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_ai_3_ge_20/wipo_ip_ai_3_ge_20_inf_5.pdf.

24. *See Inside WIPO*, WORLD INTELL. PROP. ORG., https://www.wipo.int/about-wipo/en/ (last visited Oct. 27, 2022).

25. *See* Mehdi Poursoltani, *Disclosing AI Inventions*, 29 TEX. INTELL. PROP. L.J. 41, 56–57, 63 (2021).

26. *See* 35 U.S.C. § 103 (1952).

that the "obviousness" assessment by a human inventor remains unaffected; without a new standard for AI, everything will become obvious and stifle creation for the lay creator.[27] Thus, any proposal must include specific restrictions tailored to AI-generated work.[28]

Part I of this note provides a history of patent law and the legalities of inventorship in the United States, United Kingdom, European Union, Australia, and other WIPO members. Part II reviews recent treatment of AI inventorship, including legal victories in Australia and South Africa, rejection in the United Kingdom and the European Patent office, and the United States DABUS appeal. Part III discusses economic, moral, and legal justifications for AI inventorship. Part IV reviews prior harmonization efforts and proposes a modern framework of procedural requirements. Part V examines additional concerns with AI inventorship including the transformation of the skilled person standard.

I. The Current State of Patent Law

A. History

"The present is theirs; the future, for which I really worked, is mine."[29] The vision of inventive credit dates back thousands of years.[30] Early Greek literature indicates that pseudo-patents were granted on articles of cuisine as early as the third century B.C.[31] By 500 B.C., the government of Sybaris, Greece declared that "encouragement was held out to all who should discover any new refinement in luxury, the profits arising from which were secured to the inventor by patent for the space of a year."[32] In England, a similar system later emerged in the form of letter patents through royal grants.[33] Comparable rights trickled down to Venice, Italy, where artisans and craftsmen were granted patents for their creative works.[34] Shortly thereafter, the first statutory patent system began with the adoption of the Venetian Patent Statute of March 19, 1474, which scholars portray as the legal basis for the modern patent system.[35] The English soon followed suit, enacting the 1624 Statute of Monopolies less than two centuries later.[36]

Americans later enshrined intellectual property rights within their written charter of government: Article I, Section 8, Clause 8 of the United States Constitution grants Congress the

27. *See generally* Ryan Abbott, *Everything is Obvious*, 66 UCLA L. REV. 2, 8–10, 47 (2019) (discussing the need for an evolving "skilled person" standard).

28. *Id.* at 37.

29. MARGARET CHENEY & ROBERT UTH, TELSA MASTER OF LIGHTNING 73 (Jim Glenn ed., 2019).

30. Ryan Whalen, *Complex Innovation and the Patent Office*, 17 CHI.-KENT J. INTELL. PROP. 226, 229 (2018).

31. Liza Vertinsky & Todd M. Rice, *Thinking About Thinking Machines: Implications of Machine Inventors For Patent Law*, 8 B.U. J. SCI & TECH. L. 574, 582 (2002).

32. Whalen, *supra* note 30.

33. Craig A. Nard & Andrew P. Morriss, *Constitutionalizing Patents: From Venice to Philadelphia*, 2 REV. OF L. AND ECON. 223, 258 (2006).

34. *Id.* at 257.

35. *See* Michael Witty, *Athenaeus Describes the Most Ancient Intellectual Property*, 35 Prometheus 137, 138 (2017).

36. Nard & Morriss, *supra* note 33, at 258.

power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[37] From the beginning of the Republic, the Founding Fathers embraced innovation and technological advancement; Jefferson, an inventor himself, argued for inventor protection to encourage the dissemination of vital ideas.[38] His vision was realized in the Patent Act in 1793, which created a utilitarian-based system that offered limited monopolies to inventors of new and useful inventions.[39] This act and its 1836 revision provided a general framework for the 1952 Act (the "pre-AIA Act"), codified in Title 35, Section 102 of the U.S. Code as the product of two centuries of Supreme Court precedent.[40] Later, in 2013, the America Invents Act ("AIA") provided further assurances in its new "first-to-file" system, which encouraged inventor documentation and disclosure.[41] Overall, the American patent system was founded on principles of property, integrity, and utilitarianism; it was designed to both protect the inventor and support their ingenuity.[42]

B. The United States and the USPTO

Inventorship is the cornerstone of patentability. Under Section 102(f) of the pre-AIA act, a person shall be entitled to a patent unless "he did not invent the subject matter sought to be patented."[43] Following the enactment of the AIA, this requirement persisted under Section 101, which indicated that "whoever invents or discovers any new, useful [invention] may obtain a patent therefor…"[44] Invention is a two-step process: Conception of the idea or subject matter, encapsulated in the claim or claims; and reduction to practice, or making an actual or constructive embodiment of the invention.[45] The determination of inventorship focuses primarily on conception, which has been defined as "the formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention."[46] When multiple inventors contribute to conception, joint inventorship filing is required; contribution to just a single claim is sufficient, regardless of the distribution of efforts.[47] When filing, inventors in the

37. U.S. CONST. art. I, § 8, cl. 8.

38. Vertinsky & Rice, *supra* note 31, at 584.

39. Patent Act of 1793, Ch. 11, 1 Stat. 318–23 (February 21, 1793).

40. *See* 35 U.S.C. § 102(a) (2011).

41. 35 U.S.C. § 102(g)(2) (2011) (Providing that a person is "entitled to a patent unless . . . before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it.").

42. *See* Vertinsky & Rice, *supra* note 31, at 585.

43. 35 U.S.C. § 102(f) (2011).

44. 35 U.S.C. §101 (2011).

45. Solvay S.A. v. Honeywell International Inc., 742 F.3d 998, 1000 (2014) ("Making the invention requires conception and reduction to practice.")

46. MPEP § 2138.04 (8th ed. Rev. 7, Sept. 2008).

47. MPEP § 2109.01 (9th ed. Rev. 10, June. 2020) ("A person who shares in the conception of a claimed invention is a joint inventor of that invention." (citing In re VerHoef, 888 F.3d 1362, 1366–67 (Fed. Cir. 2018)); 35 U.S.C. § 116(a) (2012) ("Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.").

U.S. are subject to a strict duty of disclosure:[48] If inventorship is wrong, a patent may be invalidated.[49]

C. The United Kingdom, European Patent Office, and Australian Patent Office

While the U.S. places great importance on inventorship requirements, other countries avoid a bright-line definition. Under Section 7 of the United Kingdom's Patents Act of 1977 ("UK Patents Act"), a patent may be granted "primarily to the inventor or joint inventors" of an invention.[50] Moreover, an inventor is the "actual deviser of the invention."[51] An individual may be a deviser of an invention if they contributed to the "heart of the invention,"[52] including conception, devising experiments or products, contributing to solving practical difficulties, or providing insightful interpretations of the results.[53] Further, under Section 13 of the UK Patents Act, where an applicant is not the sole inventor they must indicate "the derivation of his or their right to be granted the patent."[54] Based on numerous references to "the" inventor, the broad assumption persists that where a patentable invention exists, there is also an inventor.[55]

The European Patent Convention ("EPC") offers a similar definition with numerous references to "the" inventor.[56] The EPC provides a wholesale grant of inventorship—without qualification—where the requirements of patentability are met: if a patent exists, it was logically devised by an "inventor."[57] This broad definition has become a source of heated litigation.[58] Regarding inventor designations, Article 81 states generally that "[t]he European patent application shall designate the inventor. If the applicant is not the inventor or is not the sole inventor, the designation shall contain a statement indicating the origin of the right to the European patent."[59] Noticeably, the UK Patents Act and the EPC share one key feature: their provisions discussing patent rights and inventorship are requirements of procedure and ownership, not requirements of patentability.[60]

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48. 37 C.F.R. § 1.56 (2012) ("Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office . . .").

49. 35 U.S.C. § 102(f) (2002) (West, Westlaw through Pub. L. No. 107-273), *repealed by* 35 U.S.C. § 102 (2015) (West, Westlaw through Pub. L. No. 117-214) ("A person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented.").

50. Patents Act , 1977, c. 37, § 7(2)(a) (UK), https://www.legislation.gov.uk/ukpga/1977/37/section/7.

51. Patents Act, 1977, c.37, § 7(3) (UK), https://www.legislation.gov.uk/ukpga/1977/37/section/7.

52. *Inventorship and Ownership*, MEWBURN ELLIS, https://www.mewburn.com/law-practice-library/inventorship-and-ownership (last visited Oct. 27, 2022).

53. *Id.*

54. Patents Act, 1977, c. 37, § 13(2)(b) (UK).

55. *See generally* Patents Act, 1977 (UK) (describing how an individual may qualify as "the inventor").

56. *See generally* Convention on the Grant of European Patents, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter EPC]; *see, e.g., id.* at Art. 60(1) ("The right to a European patent shall belong to the inventor or his successor in title.").

57. *See id.*; Robert Jehan, *Should An AI System be Listed as an Inventor?*, THE ARTIFICIAL INVENTOR PROJECT (Aug. 24, 2019), https://artificialinventor.com/should-an-ai-system-be-credited-as-an-inventor-robert-jehan.

58. Jehan, *supra* note 57.

59. EPC, *supra* note 56, at Art. 81.

60. Jehan, *supra* note 57; Patents Act, 1977, c. 37, §§ (1–3) (UK); EPC, supra note 56, at Art. 60.

The Australian Patent Act of 1990 ("Australian Patent Act") offers even less clarification, lacking a definition of "inventorship" entirely.[61] Under Section 15 of the Act, a patent may be granted to an inventor, an assignee, a legal representative, or someone who derives title to the invention.[62] Moreover, regarding the application process, "[a] person may apply for a patent for an invention by filing, in accordance with the regulations, a patent request and such other documents as are prescribed."[63] Thus, while patent ownership is generally allocated to a human, the nature of the actual inventor is left broadly to interpretation.

D. South Africa's Legal System

South Africa's patent system enjoys a significant point of departure: The underlying policy environment clearly enables innovation.[64] The Patents Act of 1978 ("South African Patents Act") begins with an unmistakable intent "to provide for the registration and granting of letters patent for inventions and for matters connected therewith."[65] Under this Act, an invention is patentable "provided that it is new, inventive and is capable of use or application in trade or industry or agriculture."[66] While the South African Patents Act only imposes a formal examination,[67] requirements such as novelty and non-obviousness may be addressed in validity hearings thereafter, expediting the process of a patent grant. [68] Clearly, South Africa observes a patent-friendly approach to patent regulation. But what is the true purpose of a patent grant under South African law?

While the statutory language is sparse, South Africa's Intellectual Property Policy suggests that IP is "an important policy instrument in promoting innovation, technology transfer, research and development (R&D), creative expression, consumer protection, industrial development and more broadly, economic growth."[69] In recent years, South Africa's policies have shifted towards fostering innovation.[70] This initiative began with the Intellectual Property Policy of the Republic of South Africa Phase I of 2018.[71] Following this policy, three additional

61. Patent Act 1990 s. 15 (Act No. 83/1990) (Austl.).

62. *Id.*

63. *Id.* at s. 29(1).

64. Meshandren Naidoo, *In A World First, South Africa Grants A Patent To An Artificial Intelligence System*, QUARTZ AFRICA (Aug. 9, 2021), https://qz.com/africa/2044477/south-africa-grants-patent-to-an-ai-system-known-as-dabus.

65. Patents Act 1978, 57, § 34 (S. Afr.).

66. *Id.* § 25(1).

67. *See id.* § 34. ("The registrar shall examine in the prescribed manner every application for a patent and every complete specification . . . and if it complies with the requirements of this Act, he shall accept it.").

68. Steven Shape, *South Africa And Australia Tackle AI Inventorship In Patents*, DENNEMEYER: IP BLOG (Nov. 24, 2021), https://www.dennemeyer.com/ip-blog/news/south-africa-and-australia-tackle-ai-inventorship-in-patents.

69. Intellectual Property Policy of the Republic of South Africa, Phase 1, 2018, GN 518 of GG 41870 (31 August 2018).

70. Naidoo, *supra* note 64.

71. *Id.*

instruments were published from 2019 to 2021, which demonstrated a clear intent to resolve socioeconomic issues through lucrative innovation.[72]

Based on the vast financial potential of AI, it seems natural that South Africa would favor AI inventorship. Moreover, the South African Patents Act—like the Australian Patents Act—does not defines inventorship or limit proof of title/authority to assignment by the inventor.[73] Thus, both Acts contemplate a broad interpretation of personhood as applied to an inventor that could permit non-human inventorship.[74]

II. DABUS: The AI Engine That Could

Many AI inventors have attracted hot debate. However, one has recently caused a viral sensation: DABUS. Short for "Device for the Autonomous Bootstrapping of Unified Sentience,"[75] DABUS is the brainchild of Stephen Thaler, who created DABUS to generate novel inventions.[76] And, in 2017, DABUS did just that.[77] Through the Artificial Inventor Project, Thaler sought patent protection for two of these AI-generated inventions, which disclosed a food container ("fractal container") and a flashing beacon ("neural flame").[78] In all of the applications, Thaler listed DABUS as the sole inventor.[79] This designation was met with international praise, peculiar rejections, and extraordinary controversy.

A. The ABCs of DABUS

DABUS is an advanced, artificial intelligence system.[80] Like other modern developments, the tech of DABUS has evoked a sea of contemporary AI terminology ranging from neural networks to machine self-awareness. But, what really *is* AI? Through algorithmic intellect, AI is designed to mimic human reasoning and responses.[81] AI offers a host of advanced technologies, including machine vision, natural language processing, speech recognition, and deep learning.[82] The most prominent of these is deep learning, which is dubbed the pinnacle of modern

72. *Id.* Three additional instruments include: the Department of Science and Technology's White Paper on Science, Technology, and Innovation; the Presidential Commission on the Fourth Industrial Revolution; and the proposed National Data and Cloud Policy in terms of the Electronic Communications Act 36 of 2005. *Id.*

73. Donrich Thaldar & Meshandren Naidoo, *AI Inventorship: The Right Decision?*, 117 S. AFR. J. SCI. 1, 2 (2021).

74. *See id.*

75. *Frequently Asked Questions*, THE ARTIFICIAL INVENTOR PROJECT, https://artificialinventor.com/frequently-asked-questions (last visited Oct. 27, 2022).

76. *Id.*; *see DABUS Described*, *supra* note 7.

77. Juristische Beschwerdekammer, Dec. 12, 2021, J 0008/20 – 3.1.01, EPO (Ger.) https://www.epo.org/law-practice/case-law-appeals/recent/j200008eu1.html.

78. *Id.* Ryan Abbott, *Patents and Applications,* THE ARTIFICIAL INVENTOR PROJECT, https://artificialinventor.com/patent-applications/ (last visited Oct. 27, 2022).

79. Juristische Beschwerdekammer, *supra* note 77. For example, the PCT application lists that "[t]he invention was autonomously generated by an artificial intelligence DABUS." WIPO Patent Application No. WO2020/079499A (filed Sep. 17, 2019).

80. *DABUS Described*, *supra* note 7.

81. Bob Lambrechts, *May It Please The Algorithm*, 89 J. KAN. BAR. ASS'N 36, 38 (2020).

82. *Id.*

AI.[83] In essence, deep learning uses complex neural networks, which emulate the human brain and nervous system to process data at lightning speeds.[84] These deep learning algorithms train AI to develop optimal solutions to designated problems.[85] In doing so, AI is effectively able to "learn" and autonomously create without human intervention.[86]

Stephen Thaler, Founder and Chief Executive Officer of Imagination Engines, Inc., began experimenting with artificial intelligence in the early '90s.[87] His initial work in neural network architecture led to the birth of the Creativity Machine ("CM").[88] This breakthrough system modeled human cognition based on "confabulation generation," which created unique patterns of memory unlike anything the network had previously learned; it literally created artificial memories.[89] Notable inventions under Thaler's previous AI included sheet music and a cross-bristle toothbrush designs.[90] A patent was filed for the latter—naming Thaler, not AI, as the inventor—which was granted, proving that AI can actually invent patentable products.[91]

In 2019, Thaler debuted his newest AI, DABUS.[92] Like CM, DABUS builds on deep learning technologies, instead uses "chaining neural nets."[93] These nets each represent linguistic or visual concepts that layer and produce unique memories; the concept diverges from prior AI, which relied on a combination of networks to find solutions based on predetermined patterns of data.[94] At a high level, while CM invented through a trial-and-error evaluation of neural memories, DABUS actually comprehends chains of events, or "consequence chains" to produce *new* memories.[95] Thus, DABUS can autonomously adapt to new environments without human intervention, providing novel ideas. These ideas may then be converted into long-term memories used for future inventions and discoveries, which have significant utility: [96] for example, Thaler discussed potential uses of DABUS in the field of medical technology.[97] The ability of DABUS to seamlessly adapt to environments emanates a truly autonomous, con-

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83. *Id.*

84. *Id.*

85. *Id.*

86. *Id.*

87. *Stephen L. Thaler, Ph.D*, IMAGINATION ENGINES INC., https://imagination-engines.com/founder.html (last visited Oct. 27, 2022).

88. *See* U.S. Patent No. 5,659,666 (filed Oct. 13, 1994); U.S. Patent No. 7,454,388 (filed May 8, 2006).

89. *Building Synthetic Brains Capable Of Human Level Discovery And Invention*, IMAGINATION ENGINES INC., https://neuro.bstu.by/my/Tmp/2010-S-abeno/Papers-3/AI-and-Conscious/Not-related/Confabulation%20in%20Computational%20Intelligence%20and%20Machine%20Consciousness.htm (last visited Oct. 27, 2022).

90. *IEI History*, IMAGINATION ENGINES INC., https://imagination-engines.com/history.html (last visited Oct. 27, 2022).

91. *Id.*

92. *Id.*

93. *DABUS Described, supra* note 7.

94. *Id;* Shape, *supra* note 68.

95. *DABUS Described, supra* note 7.

96. Shape, *supra* note 68.

97. *IEI History, supra* note 90.

scious act similar to that of a human inventor.[98] Accordingly, when applying for patents on DABUS-generated inventions, Thaler chose to designate DABUS as the sole inventor, providing the simple designation under "inventor" that "[t]he invention was autonomously generated by an artificial intelligence DABUS."[99] The widely disparate treatment of these patent applications is detailed below.

B. Artificial Justice in the European Union and the United Kingdom

On November 25, 2019, following a non-public hearing, the European Patent Office ("EPO") refused Thaler's two patent applications[100] designating DABUS as the sole inventor.[101] In doing so, the EPO simply stated that the applications "do not meet the requirement of the European Patent Convention (EPC) that an inventor designated in the application has to be a human being, not a machine."[102] Referring to Article 81 and Rule 19 of the EPC, the convention chose to reject the applications on formalistic discrepancies.[103] Recently, on July 6, 2022, the EPO Legal Board of Appeals affirmed the decision of the EPO.[104] However, this denial conceded key legal points raised by the DABUS application.[105] First, the Board admitted that Article 52(1) of the EPC is not actually limited to human inventions: how an invention is made is not factored into the EPC, thus, AI-generated inventions are patentable.[106] Moreover, there was no substantive issue of patentability; an applicant's burden to name a human inventor is merely formalistic.[107] As the Board stated, "[i]t would be disproportionate to deny protection to patentable subject-matter for failing to fulfil such a formal requirement."[108] The Board even recommended that a patent owner may overcome this issue by naming themselves instead and offering a statement regarding inventive contribution.[109]

On September 21, 2020, the United Kingdom's High Court affirmed a 2019 decision of the UK Intellectual Property Office ("UKIPO"), which withdrew Thaler's applications[110] based on failure to comply with Section 13(2) of the UK Patents Act.[111] The judge stated that

98. *Id.*

99. U.S. Patent Application No. 16/524,350 (filed Jul. 29, 2019); U.S. Patent Application No. 16/524,532 (filed Jul. 29, 2019).

100. E.P. Patent Application No. EP/3564144 (filed Oct. 17, 2018); E.P. Patent Application No. EP/3563896 (filed Oct. 7, 2018).

101. James Nurton, *EPO and UKIPO Refuse AI-Invented Patent Applications*, IPWATCHDOG,(Jan. 7, 2020), https://www.ipwatchdog.com/2020/01/07/epo-ukipo-refuse-ai-invented-patent-applications/id=117648/.

102. *Id.*

103. *Id.*

104. Robert Jehan, Commentary, *Commentary on the Points Made By the Legal Board of Appeals*, WILLIAMS POWELL, 1, 1 (2022).

105. *Id.*

106. Juristische Beschwerdekammer, *supra* note 77, at ¶ 4.6.2.

107. *Id.* at ¶ 4.6.3.

108. *Id.*

109. *Id.* at ¶ 4.6.6.

110. GB. Patent Application No. GB1816909.4 (Filed 17 Oct. 2018). Patent Application No. GB1818161.0 (Filed 07 Nov. 2018).

111. Thaler v. Comptroller-General of Patents Trade Marks and Designs, [2020] EWHC 2412 (Pat) [29.4] (Eng.).

only a person could hold and transfer inventive property, therefore, inclusion of AI would be "an unlikely construction of the 1977 Act."[112] A year later, the Court of Appeals dismissed the case, claiming that patent rights could not be owned by a machine.[113] The Court proffered three main reasons for this decision. First, analyzing the origin of the term "actual deviser" and the language of the UK Patents Act, they derived an intention to only allow a human inventor.[114] Second, Justices Arnold and Laing LJJ concluded that Section 13(2) of the Act required Thaler to identify the inventor and his derivation of rights to the patent.[115] Third, in response to that requirement, Thaler had failed to identify an inventor within the meaning of the Act and did not identify how he subsequently derived his own rights as the applicant.[116]

However, this was not a unanimous decision: the judges heatedly disagreed on the proper application of Section 13(2) of the Act. Most notable was Justice Biriss's dissent, which argued that the Act never imposed an obligation on the Comptroller to ratify factual assertions of patent entitlement.[117] Rather, according to Biriss, the purpose of Section 13(2) was the creation of a public record regarding inventorship and derivation of title.[118] Moreover, the Act already provided mechanisms to challenge factual assertions by the Applicant via pre- and post-grant challenges.[119] Thus, on its face, Thaler complied with all requirements under the Act and the Comptroller had no grounds to refuse his application.[120] Consequently, a machine inventor was no impediment to granting Thaler's application.[121] The Biriss dissent added fuel to the fire, exposing an arguable point of law concerning how Section 13(2) should be construed.

The above decisions, however finite, simply rejected Thaler's applications on formal filing deficiencies. These formal filing requirements adhered to strict, textualist interpretations of the laws, which failed to consider the innovative nature of patents, especially in the age of AI. Overall, the EU and the UK failed to address any substantive patentability concerns in their rulings.

C. Victories in Australia and South Africa

Despite prior rejections, DABUS eventually scored big wins. On June 24, 2021, Thaler's application was issued a notice of acceptance by South Africa's Companies and Intellectual

112. *Id.* at ¶ [45.4] ("The problem that [Thaler] has is that there is nothing to be transferred to him and nobody capable of transferring it.") *Id.* at ¶ [49.2].

113. Thaler v. Comptroller-General of Patents Trade Marks and Designs, [2021] EWCA (Civ) 1374 [18]–[22] (Eng.).

114. *Id.* at ¶¶ [52], [54].

115. *Id.* at ¶¶ [104], [140]–[142].

116. *Id.* at ¶¶ 105, 143, 144.

117. *Id.* at ¶¶ 70, 71.

118. *Id.* at ¶ 68.

119. Thaler v. Comptroller-General of Patents Trade Marks and Designs, [2020] EWCA (Civ) 1374, at ¶ 85.

120. *Id.* at ¶¶ 80–83.

121. *Id.* at ¶ 97.

Property Commission ("CIPC"), which was featured in the CIPC Patent Journal.[122] As a result, DABUS was the first artificial inventor in the world to be granted a patent.[123] Because South African patent law only necessitates a formalities examination,[124] the grant has generated diverse opinions;[125] because no substantive examination was performed, sparse documentation from the CIPC is available to shed light on their analysis. Regardless of the CIPC's reasoning, their recognition of DABUS represented a milestone for AI inventorship credit.

Thaler's good fortune didn't end at the CIPC. On July 30, 2021, the Federal Court of Australia overturned the Australian Patent Office ("APO") Deputy Commissioner of Patents, granting Thaler's application[126] in a more considerable victory.[127] Specifically, the Court rejected the APO's argument that Thaler breached formal requirements by listing DABUS as an inventor.[128] In the decision, Judge Beach reasoned that nothing in the Australian Patent Act prohibits AI from being listed as an inventor; in fact, there is no definition of "inventor" in the Act (nor does a definition exist anywhere in the Patent Cooperation Treaty ("PCT")).[129] Therefore, the word must take its ordinary meaning.[130] Reviewing the text of the Act, Beach concluded that its language does not clearly exclude AI.[131] In rejecting the Commissioner's findings that an inventor must be human, Beach emphasized that the term "inventor" is an agent noun, which refers to an agent performing an act.[132] Many nouns can refer to non-human objects, including dishwashers, lawnmowers, controllers, and even computers.[133] Therefore, "the agent can be a person or a thing."[134] Consequently, it follows that where AI is the agent inventing, it is rightfully capable of being listed as the inventor.

In his opinion, Judge Beach took care to explain neural networks in great detail, including the many advances distinguishing DABUS from traditional AI machines.[135] In addition to the clearly advanced, human-like cognition of DABUS, Beach stressed the potentially vast benefits of encouraging AI inventions, including revolutionizing research in the pharmaceutical field.[136]

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122. *Food Container And Devices And Methods For Attracting Enhanced Attention*, 54 CIPC PAT. J. 7, 255 (July 28, 2021).

123. *South Africa Issues World's First Patent Naming AI As Inventor*, MATHYS & SQUIRE, (Jul. 29, 2021), https://www.mathys-squire.com/insights-and-events/news/south-africa-issues-worlds-first-patent-naming-ai-as-inventor.

124. Patents Act 1978, 57, § 34 (S. Afr.).

125. Shape, *supra* note 68.

126. Austl. Patent Application No. 2019/363177 (filed Sept. 17, 2019).

127. Thaler v Commissioner of Patents [2021] 879 FCR ¶ 10 (Austl.).

128. *Id.* at ¶¶ 7, 10.

129. *Id.* at ¶¶ 10, 59, 71.

130. *Id.* at ¶ 120.

131. *Id.* at ¶ 72.

132. Thaler v. Commissioner of Patents, [2021] FCA879 FCR, at ¶ 120.

133. *Id.*

134. *Id.*

135. *See id.* at ¶¶ 19–43*; see also* Shape*, supra* note 68.

136. *See* Thaler v. Commissioner of Patents, [2021] FCA879 FCR, at ¶¶ 45–55; *see also* Rebecca Currey & Jane Owen, *In the Courts: Australian Court Finds AI Systems Can be 'Inventors'*, WIPO MAG. (Sep. 2021), https://www.wipo.int/wipo_magazine/en/2021/03/article_0006.html.

Unfortunately for Thaler, the Federal Court of Australia overturned this judgement on April 13, 2022, succumbing to the same textualist reasoning as the UK and EPO.[137] However, the judges made it a point that the case raised "many propositions . . . for consideration in the context of artificial intelligence and inventions,"[138] calling on policymakers and legislators to address these issues.[139] Regardless of its outcome, Beach's earlier decision had a lasting impact.[140] By recognizing a broader interpretation of the term "inventor," he acknowledged the reality of growing technological advancements, which may pave the way for future legislative reform and technological innovation worldwide.[141]

D. Treatment in the United States

Finally, we turn to the recent U.S. rulings. On April 22, 2020, the United States Patent and Trademark Office ("USPTO") rejected Thaler's patent applications[142] by stating that U.S. patent law limits inventorship to "natural persons"; they declined to examine the applications on their merits.[143] On appeal, the District Court affirmed the decision in a hard-pressed effort to grant deference to the administrative agency.[144] In his argument, Thaler reasoned that the USPTO failed to consider alternative interpretations of "inventor" or offer evidence of Congressional intent to exclude AI inventorship; the District Court, however, disagreed.[145] Judge Brinkema stated that they "carefully considered"[146] the USPTO's interpretation and that the proof Thaler requested would create requirements "counter to Supreme Court and Federal Circuit holdings."[147] The court reasoned that "policy considerations cannot overcome a statute's plain language, and that '[m]atters of policy are for Congress, not the courts, to decide.'"[148] The court then recited a curious interpretation of U.S. Patent Law.

As mentioned above, Section 100(f) defines an inventor as an "individual," but falls short of a precise designation.[149] The District Court in *Thaler* stated that an "individual" is a natural

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137. *See* Commissioner of Patents v. Thaler [2022] 62 FCR ¶ 122 (Austl.) (holding that only a "natural person" can be an inventor).

138. *Id.* at ¶ 119.

139. Anna Harley, *Concept Of AI Inventor Rejected In Australian Patent Ruling*, PINSENT MASONS (Apr. 14, 2022), https://www.pinsentmasons.com/out-law/news/ai-inventor-rejected-australian-patent-ruling.

140. *See* Shape, *supra* note 68.

141. *Id.*; Harley, *supra* note 139.

142. U.S. Patent Application No. 16/524,350; U.S. Patent Application No. 16/524,532.

143. In re Application of Application No. 16/524,350, 2020 Dec. Comm'r Pat. 4–5. The USPTO refused to vacate a Notice to File Missing Parts for failure to identify the inventor by their legal name. *Id.*

144. Thaler v. Hirshfeld, 558 F. Supp. 3d 238, 244–45 (E.D. Va. 2021) (noting that because the decision is entitled to *Skidmore* deference, the court may only overturn the USPTO's decision if it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law" (citing Skidmore v. Swift & Co., 323 U.S. 134 (1944))).

145. *Id.* at 244.

146. *Id.*

147. *Id.*

148. *Id.* at 248 (quoting Fisons plc v. Quigg, 876 F.2d 99, 101 (Fed. Cir. 1989)).

149. 35 U.S.C. § 100(f) ("The term 'inventor' means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.").

person, which it based on the Patent Act and case court precedent.[150] Oddly enough, the court began this analysis with homage to a 2012 Supreme Court decision, which interpreted "individual" in the context of the Torture Victim Protection Act.[151] Despite involving entirely different subject matter, the court awarded deference to the interpretation that an "individual" means a human when used as a noun.[152] Next, the court held that the use of "individual" in Section 115(b)(2) of the Patent Act, as modified by the personal pronouns "himself or herself" and the verb "believes," denote that Congress intended an inventor to be a natural person.[153] The court supported this with prior Federal Circuit holdings involving corporations, which focused on the mental act of conception rather than creation as the "touchstone of inventorship."[154] In the end, the court granted Defendant's Motion for Summary Judgement.[155] However, this concluded with an assertion that was significantly less definitive: Judge Brinkema stated that "[a]s technology evolves, there may come a time when artificial intelligence reaches a level of sophistication such that it might satisfy accepted meanings of inventorship . . . if it does, it will be up to Congress to decide how, if at all, it wants to expand the scope of patent law."[156] This statement is two-fold. First, by refusing to seek an alternative definition of "inventor," the court punted the issue to lawmaking bodies. Second, and most significantly, the Court admitted that AI technology is capable of conception; they merely disagreed on current thresholds.

On August 5, 2022, the Federal Circuit affirmed the District court's ruling, holding that the Congress intended an inventor to be a human being under the Patent Act.[157] Reiterating the District Court's interpretation of an "individual," the court's analysis was grounded in the plain meaning of the Patent Act; Judge Stark refused to consider multiple meanings of an inventor or to "stray beyond the plain text."[158] This decision had various pitfalls.

First, the court's comparison of AI to corporations was flawed. Based on the historical rationale behind rejecting corporations as inventors, the analogy was improper despite the court's insistence that their "reasoning did not depend on the fact that institutions are collective entities."[159] Historically, corporations filed most patents, thus, early patent laws aimed to protect the true inventor's moral rights from the grasp of powerful institutions.[160] Further justifications rooted in property law were based on corporation hierarchies posing integrity issues.[161]

150. *Thaler v. Hirshfeld*, 558 F.Supp.3d at 246.

151. *Id.* (discussing Mohamad v. Palestinian Auth., 566 U.S. 449, 453–54 (2012)).

152. Thaler v. Hirshfeld, 558 F. Supp. 3d at 246 (discussing Mohamad v. Palestinian Auth., 566 U.S. 449, 454 (2012)).

153. *Thaler v. Hirshfeld*, 558 F. Supp. 3d at 247.

154. *Id.* (citing Univ. of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V., 734 F.3d 1315 (Fed. Cir. 2013)); *see also* Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 1248 (Fed. Cir. 1993).

155. *Thaler v. Hirshfeld*, 558 F. Supp. 3d at 249.

156. *Id.*

157. Thaler v. Vidal, 43 F.4th 1207 (E.D.Va. 2022).

158. *Id.* at 1214.

159. *Thaler v. Vidal*, 43 F.4th at 1212; Anna C. Comer, *AI: Artificial Inventor or the Real Deal?*, 22 N.C.J.L. TECH. 447, 464 (2021).

160. Comer, *supra* note 159 at 464.

161. *Id.*

Here, Thaler sought inventive credit for one individual, DABUS, which was not susceptible to the issues of a corporation. In the previous ruling, Judge Brinkema even admitted that the referenced cases "did not squarely address the issue raised."[162] Consequently, historical justifications for patents by corporations are inapplicable to AI.

Second, it is inconsistent with our Constitution to deny AI as an inventor.[163] The court assumed Article I, Section 8, Clause 8 ("Intellectual Property Clause") of the Constitution to be merely "a grant of legislative power to Congress"[164]; thus, limiting inventorship to natural persons would not be unconstitutional.[165] The court's circular reasoning was deeply flawed. There are various utilitarian, moral, and legal justifications for the Intellectual Property Clause.[166] Foremost, the Intellectual Property Clause was enacted to "promote progress of science and useful arts."[167] This rationale was explicit enough. Historically, the Founding Fathers aimed to encourage innovation through protection of an inventor's work as incentivizing discoveries would "promote the Progress of science."[168] As Thomas Jefferson proposed, "[i]ngenuity should receive liberal encouragement."[169] In fact, the term "art" was broadened in The Patent Act of 1952 to encompass a variety of works such as a "process,"[170] further reflecting the Framers' intentions.[171] Surely, by barring patentability, the court's denial halted the progress of many AI-invented applications, deterring the use of AI for those weary of experiencing a similar refusal.[172]

Third, the Patent Act does not explicitly exclude AI inventors, as it fails to define the terms "individual" and "whoever."[173] Once again, through circular reasoning, the court tried to rationalize that an "inventor" is an "individual," which is a "natural person," therefore, only a "natural person" may be an "inventor."[174] In the Supreme Court's own words in *Mohamad*, "[t]his is not to say that the word "individual" invariably means "natural person" when used in a statute."[175] In the seminal case, the Court explained that Congress was free to broaden or alter the meaning of a word, wherein alterations may be assumed based on evidence of Congressional intent.[176] Based on the above rationale, it is clear that Congress intended a broader definition; like the Founding Fathers, Congress cannot anticipate what the future of technol-

162. Thaler v. Hirshfeld, 558 F.Supp.3d 238, 247 (E.D.Va. 2021).

163. Nisha Talagala, Can AI Be an Inventor?, FORBES (Sept. 28, 2021), https://www.forbes.com/sites/nishatalagala/2021/09/28/can-ai-be-an-inventor/?sh=53d3d7ef56db.

164. *Thaler v. Vidal*, 43 F.4th at 1213.

165. *See id.*

166. *Infra* Part III.

167. U.S. Const. art. I, § 8, cl. 8.

168. *Id.; see* Comer, *supra* note 159, at 475.

169. Comer, *supra* note 159, at 475–76.

170. 35 U.S.C. § 271 (1952).

171. Comer, *supra* note 159, at 476.

172. *See id.* at 480; *see also* Talagala, *supra* note 163.

173. 35 U.S.C. § 103 (1952).

174. Comer, *supra* note 159, at 467.

175. Mohamad v. Palestinian Auth., 566 U.S. 449, 455 (2012).

176. *Id.*

ogy holds. If a strict, originalist approach is adhered to, the USPTO will encounter significant issues as AI rapidly advances. For example, the Court's ruling has encouraged individuals to fraudulently register themselves as inventors, which scholars speculate has already occurred for decades.[177] For the sake of proper disclosure, a more flexible approach to AI inventorship is required.

III. Justifications for AI Inventorship

Various justifications for AI inventorship currently exist. Key logic is embedded in prudential modalities and international legal systems.

A. Utilitarian Theories Supporting AI Inventorship

The U.S. Constitution creates a view of patent law that is utilitarian in nature.[178] Thomas Jefferson supported the patent system in terms of utility, stressing its potential as bargained-for entitlement benefiting the public interest.[179] The Supreme Court has condoned this rationale on multiple occasions,[180] showing "its fealty to the Jeffersonian story of patent law."[181] Unsurprisingly, scholars have proffered that patents may be "universally justified on utilitarian grounds alone."[182] At its core, utilitarianism is an economic doctrine that aims to maximize social welfare, providing the greatest good to the greatest number of people.[183] In the realm of patents, this doctrine presumes that granting a limited monopoly to inventors will promote the creation and the dissemination of valuable information.[184] This addresses the free-rider problem: by allowing inventors to receive fair compensation, they can afford to continue their creative efforts.[185] Thus, utilitarianism implies that the production of useful inventions—and their vast benefits to society—may increase through the grant of exclusive, lucrative rights.[186]

Applying the principles of utilitarianism to AI, patent protection is necessary to promote the advancement of valuable technologies: While AI might not need any incentive, AI is developed and owned by people capable of incentivization.[187] For example, companies expend sig-

177. Comer, *supra* note 159, at 470.

178. *See* U.S. Const. art. I, § 8, cl. 8 (Congress is granted the power to "promote the Progress of Science and useful Arts").

179. *Id.*

180. *See* Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 147–48 (1989); Diamond v. Chakrabarty, 447 U.S. 303, 308–09 (1980).

181. Adam Mosoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating The Patent "Privilege" In Historical Context*, 92 CORNELL L. REV. 953, 961 (2007).

182. Alan Devlin & Neel Sukhatme, *Self-Realizing Inventions And The Utilitarian Foundation Of Patent Law*, 51 WILLIAM & MARY L. REV., 897, 897 (2009).

183. Tabrez Y. Ebrahim, *Artificial Intelligence Inventions & Patent Disclosure*, 125 Penn. St. L. Rev. 147, 199 (2020).

184. *Id.*

185. PETER S. MENELL ET. AL., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2021, 22 (2021).

186. Ebrahim, *supra* note 183.

187. Tzipi Zipper, *Mind Over Matter: Addressing Challenges of Computer-Generated Works Under Copyright Law*, 22 WAKE FOREST J. BUS. & INTELL. PROP. L. 129, 191–92 (2022).

nificant time and money performing research and development for their inventions.[188] AI tools may expedite this process by analyzing a vast range of data in a short amount of time compared to the human mind.[189] Moreover, AI conceives inventions that have arguably high social utility. For one, AI was recently used to create life-saving drugs, including groundbreaking treatments utilized during the COVID-19 pandemic.[190] Thus, from a utilitarian approach, AI patents are justified by their innovative value to society at large.

Without legal protection for AI, the utilitarian goals of the patent system are not properly served. For example, without proper safeguards, other members of the public could imitate or duplicate AI's efforts free of charge, reigniting the free rider problem; this would inhibit individuals from reaping a reasonable return on their investments.[191] Consequently, many AI owners have chosen to forgo patent protection entirely, leaving useful inventions as vulnerable trade secrets.[192] Without public disclosure, AI-related inventions cannot be improved upon by others, hindering the progress of science so avidly desired by our Founding Fathers.[193]

B. Moral Theories Supporting AI Inventorship

Various moral theories further support AI inventorship. One prominent theory was articulated by John Locke: natural rights.[194] As Locke stated, "Every man has a 'property' in his own person . . . . The 'labor' of his body and the 'work' of his hands, we may say are properly his."[195] This implies that when an individual applies their labor to nature's resources, such resources should become their property.[196] Essentially, if someone extends their time and effort to produce an invention, they should own the fruits of their labor.[197]

Applying this Lockean principle, IP protection is required to reward an AI inventor for their time and labor.[198] Contrary to the notion that only humans are capable of "labor," a careful reading of Locke's theory shows no difference between AI and human work.[199] In fact, anyone or anything that is "inventing" deserves the rewards of patent protection for their rightful property.[200] Put simply, patent protections would not only guard the moral rights of human

188. Andrew H. DeVoogd, *Exclusive Rights: Intellectual Property - Can Our Creations Also Create? The DABUS AI System as a Named Inventor*, MINTZ VIEWPOINTS, (Oct. 13, 2021), https://www.mintz.com/insights-center/viewpoints/2231/2021-10-13-exclusive-rights-intellectual-property-can-our-creations.

189. *Id.*

190. Richard Summerfield, *AI and Productivity*, FINANCIER WORLDWIDE MAG. (May 2021), https://www.financierworldwide.com/ai-and-productivity#.YHtNt-83lb9.

191. Zipper, *supra* note 187, at 226.

192. *See* Ebrahim, *supra* note 183, at 183.

193. *See* U.S. Const. art. I, § 8, cl. 8.

194. Mossoff, *supra* note 181, at 971.

195. JOHN LOCKE, TWO TREATISES OF GOVERNMENT 290–91 (Peter Laslett ed., Cambridge Univ. Press 1988) (1690).

196. Ebrahim, *supra* note 183, at 202.

197. Zipper, *supra* note 187, at 175.

198. Ebrahim, *supra* note 183, at 202.

199. *Id.*

200. *Id.*

inventors using AI, but they would also preserve the integrity of the patent system as a whole.[201] For example, programmers develop AI to tackle specific problems.[202] The labor of the AI owners are justified through their greater efforts in seeking enhanced patent disclosure.[203] Thus, from a non-monetary perspective, moral protections would incentivize owners of AI. This incentivization would empower human inventors to use AI tools for their research, reigniting the cycle of labor in turn. This reward system would further progress innovation.

C. Legal Regimes Supporting AI Inventorship

Denial of AI inventorship would be in direct violation of two international bodies of law: the Agreement of Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and the EPC. Under Article 27 of TRIPS, "patents *shall* be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application."[204] Further, Article 52 of the EPC states that "European patents *shall* be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application."[205] Notably, the EPC does not qualify a patent grant on the basis of derivation or the identity of the invention.[206]

Generally, "shall" designates a mandatory requirement.[207] Thus, if a patent application is otherwise eligible under the law, a patent should rightfully be granted.[208] By denying inventorship of AI-generated patents, states would violate the goals of TRIPS and the EPC. If international patent laws were meant to exclude AI inventors, the authors would have stated so explicitly.[209] Consequently, in addition to the economic and moral reasons articulated above, the denial of AI inventorship would go against the very core of the international patent regime.

IV. Harmonization

The age of globalization necessities a pragmatic outcome for AI inventorship.[210] While many attempts have been made to harmonize patent law, few have tackled the realm of AI.[211]

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201. *AI Project*, *supra* note 12, at 3–4.

202. *Id.* at 4.

203. Ebrahim, *supra* note 183, at 202–03.

204. Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 27, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, [hereinafter TRIPS] (emphasis added).

205. Convention on the Grant of European Patents, art. 52, October 5, 1973, 13 I.L.M. 268 (1974) [hereinafter EPC] (emphasis added).

206. Jehan, *supra* note 57, at 9.

207. *Id.*

208. *Id.*

209. *Id.*

210. *See generally* Dongwook Chun, *Patent Law Harmonization In The Age Of Globalization: The Necessity And Strategy For A Pragmatic Outcome*, 93 J. PAT. & TRADEMARK OFF. SOC'Y 127 (2011) (Addressing the need for the modest, practical harmonization of patent laws among countries within the growing trend of globalization.).

211. *Id.* at 128.

Despite the qualms of unchartered territory, the success of past harmonization efforts show promising results.

A. The History of Patent Law Harmonization

Patent laws are fundamentally diverse worldwide: varying territorial, economic, and cultural factors produce vastly different legislation.[212] First and foremost, the principle of territoriality limits the recognition of IP rights to the jurisdictions within which they are granted.[213] Consequently, IP rights are often only protected through the rules of their parent territory.[214] Moreover, government policies that are economically motivated typically tailor laws to accommodate jurisdictional preferences.[215] With the rise of globalization—attributed in large part to technological advancement—many questions now arise regarding protection from infringing international IP conduct.[216] Consequently, states may feel pressured to expand the territorial scope of their patent laws, especially for AI.[217] This pressure has led to various fruitful discussions.

Patent law harmonization began with the implementation of the Paris Convention for the Protection of Industrial Property in 1883.[218] Later in 1983, discussions on international grace periods evolved into a draft Treaty created by the Committee of Experts, which was discussed at a diplomatic conference in 1991.[219] While a new treaty did not result, numerous provisions were rolled into the later-enacted TRIPS.[220] Paving the way for harmonization efforts, TRIPS created minimum international standards of patent protection.[221]

Member states of the WIPO have enacted numerous successful agreements and treaties to address IP law harmonization.[222] Shortly after TRIPS, the WIPO discussions merged into the Patent Law Treaty ("PLT"),[223] which addressed formal requirements of patentability.[224] Another prominent treaty was the PCT,[225] which expedited examination procedures in interna-

212. *Id.* at 130–32.

213. *Id.* at 130.

214. *Id.*

215. *Id.* at 131.

216. Ray K. Harris & Rodney J. Fuller, *Technology Barriers*, 44 ARIZ. ATT'Y 22, 28 (2008).

217. *See id.*

218. *Patent Law Harmonization*, WIPO, https://www.wipo.int/patent-law/en/patent_law_harmonization.htm (last visited Oct. 27, 2022).

219. *Id.*

220. *Id.*

221. Chung, *supra* note 210, at 144.

222. *Draft Substantive Patent Law Treaty*, WIPO, https://www.wipo.int/patent-law/en/draft_splt.htm (last visited Oct. 27, 2022).

223. Draft Treaty Supplementing the Paris Convention for the Protection of Industrial Property as Far as Patents are Concerned (Patent Law Treaty), WIPO. Doc.No. PLT/DC/3 (Dec. 21, 1990) [hereinafter PLT], *reprinted in Records of the Diplomatic Conference for the Conclusion of a Treaty Supplementing the Paris Convention as Far as Patents are Concerned*, WIPO, Diplomatic Conference, pt. 1 (1991).

224. *Id.*

225. Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, T.I.A.S. No. 8733 [hereinafter PCT].

tional patent prosecution.[226] Recognizing the need for substantiative reform, the WIPO began work on revised international patent laws at the fourth session of the Standing Committee on the Law of Patents ("SCP") in November 2000, which resulted in the Draft Substantive Patent Law Treaty ("SPLT").[227] However, countries disagreed on points such as patentable subject matter and grounds for refusal, and negotiations halted in 2006.[228] Nevertheless, one thing was consistent: terms defining an inventor did not discriminate between a human and AI.[229] Thus, despite the failure of the SPLT, the discussions that it generated showed hope for AI harmonization in the procedural landscape.

B. Procedural Harmonization

While many states agree that a complete, substantive harmonization of patent law is ideal, a single patent system is lightyears away; the enormous financial and social costs required to modify major legal systems would require substantial overhaul.[230] Nonetheless, the widespread success of procedural harmonization efforts such as the PLT and PCT provide encouragement for further expansion and dissemination worldwide.

Procedural harmonization offers uniform filing measures for foreign patent applications.[231] Rather than modifying foreign substantive laws directly, procedural harmonization provides tools to address those requirements.[232] As mentioned above, the PCT is a prime example. The PCT created a streamlined process for obtaining a patent in multiple states internationally.[233] In doing so, applicants may now file a single patent application in one country and simultaneously apply for protection in many others around the globe.[234] Applicants also receive an international search report to evaluate patentability in various countries, which can lead to filing in individual states through a "national phase."[235]

Measures for evaluating inventorship internationally can be simplified through procedural harmonization. Specifically, international regimes should revise their definitions of an "inventor" to be in sync with one another. In order to adhere to the policy and scope of patent laws, this definition of an inventor should focus on the actual devisor of the invention.[236] Based on the success of previous efforts, the WIPO may be a helpful conduit to facilitate this change. In doing so, countries would satisfy express provisions of legislation, including the UK Patents Acts, and avoid US sanctions for improperly filed inventor declarations.[237] By providing a uni-

226. Chung, *supra* note 210, at 140.

227. *Patent Law Harmonization*, *supra* note 218.

228. *Draft Substantive Patent Law Treaty*, *supra* note 222.

229. Jehan, *supra* note 57.

230. *See* Chung, *supra* note 210, at 128.

231. *Id.* at 139.

232. *Id.* at 140.

233. *Id.*

234. *PCT FAQs*, WORLD INT'L PROP. ORG., https://www.wipo.int/pct/en/faqs/faqs.html (last visited Oct. 27, 2022).

235. *Id.*

236. Jehan, *supra* note 57.

237. *Id*; UK Patents Act of 1977, ch. 37, § 13; 35 U.S.C. § 115.

formly accepted definition, AI patents granted through international treaties such as PCT may enjoy reciprocity in multiple countries worldwide.

V. Additional Considerations

A. The Dichotomy Between Incentivization and Costs

An oft-overlooked issue is the cost of meeting invention disclosure requirements. In AI, this becomes a point of contention due to the elaborate level of disclosure required.[238] At present, patent law does not require a working, physical embodiment of a claimed invention (*i.e.*, actual reduction to practice); the applicant need only provide an enabling description as understood by one "skilled in the art."[239] Consequently, a relaxed disclosure requirement has been adopted in recent times.[240] Unfortunately, in the realm of AI, displaying the novelty of highly technical code and training data can result in lengthy, meticulous disclosures.[241] Naturally, costly data collection can further compound the time and effort required during prosecution, leading to higher examination costs for AI owners.[242]

Fortunately, the USPTO has provided some guidance for disclosing AI patents, which outlines patent-eligible subject matter with flowcharts and illustrations.[243] This guidance further includes a thorough analysis of the *Alice/Mayo* test and relevant exclusions.[244] Overall, the USPTO's instructions may improve predictability and consistency in prosecution, which in turn can reduce time-consuming, costly examinations.[245] For example, clear examples of ineligible subject matter may avoid confusing Section 101 rejections and eliminate subsequent office actions. By expanding on this guidance, the USPTO can play a significant role in the future of AI inventorship.

Alternatively, proposals for optional AI disclosure have received merit.[246] Such proposals would be equally advantageous for the USPTO office, as they require few procedural changes; these changes may be implemented by and within the USPTO.[247] For example, the USPTO might implement a specific, AI-based tool that surveys AI inventors to identify novel algorithms.[248] Using this streamlined process, the USPTO can further incentivize AI owners with priority examination status, *i.e.*, an earlier place in line and a quicker patent turnaround.[249]

238. Ebrahim, *supra* note 183, at 205.

239. 35 U.S.C. § 112 (2011) ("The specification shall contain a written description of the invention . . . in such full, clear, concise, and exact terms as to enable any person skilled in the art . . . to make and use the same . . . .").

240. Ebrahim, *supra* note 183, at 206.

241. Mehdi Poursoltani, *Disclosing AI Inventions,* 29 TEX. INTELL. PROP. L.J. 41, 56 (2021).

242. *See id.*

243. 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50–01 (Jan. 7, 2019).

244. *Id.*

245. Ebrahim, *supra* note 183, at 206–07.

246. *Id.* at 212.

247. *Id.*

248. *Id.*

249. *Id.* at 213.

Additionally, patent applicants may obtain reduced maintenance fees.[250] In sum, these incentives would benefit all parties involved through an expedited, simplified examination process. Such benefits would effectively balance out any additional costs incurred.

B. The Skilled Person Standard: Everything is Obvious

The USPTO uses a skilled person standard to evaluate whether an invention is non-obvious.[251] This standard is construed by a fictional "person having ordinary skill in the art," *i.e.*, an expert in the field.[252] In essence, if a skilled person would find an invention to be obvious based on existing patents and knowledge, then the invention would not be patentable.[253] While this test has developed over time, it is now on the brink of a significant hurdle: the standard for AI.

If AI inventions continue to be fraudulently registered under a human inventor—with AI as the true "skilled person" —this standard could be lost entirely.[254] Unlike humans, AI can sift through an entire universe of prior art with ease; AI can work more efficiently and process significantly more data (arguably, the entire spectrum of prior art)[255] compared to the lay inventor. The seemingly endless knowledge of AI can impose detrimental effects on the patent system if treated under the same standards as human inventors. Clearly, consideration of real-world criteria is needed.[256] As Thaler's attorney Ryan Abbott suggests, this standard must evolve to keep up with ever-advancing technology, especially in the realm of neural networks.[257]

In 1995, the Federal Circuit provided a list of factors to consider for determining the level of ordinary skill in the art: "(1) type[s] of problems encountered in the art, (2) prior art solutions to those problems, (3) rapidity with which innovations are made, (4) sophistication of the technology, and (5) educational level of active workers in the field."[258] As Abbott aptly suggests, "this test should be [amended] to include a sixth factor: 'technologies used by active workers.'"[259] Accordingly, when completing inventor disclosures, applicants can include all relevant AI contributions in their applications. For example, where an AI is used, a new "Inventive Machine Standard" may be employed to properly identify prior art considered obvious by

250. *Id.*; *See* MPEP (9th ed. Rev. 810, June 2020) § 2506.

251. 35 U.S.C. § 103 (2011).

252. *Id.* ("A patent for a claimed invention may not be obtained . . . if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious . . . to a person having ordinary skill in the art . . .").

253. *Id.*

254. *See generally* Abbot, *supra* note 27. ("If the skilled person standard fails to evolve accordingly, this will result in too lenient a standard for patentability.")

255. *Id.* at Abstract.

256. *Id.* at 5.

257. *Id.*

258. In re GPAC Inc., 57 F.3d 1573, 1579 (Fed. Cir. 1995) (alteration in original).

259. Abbott, *supra* note 27, at 6.

one skilled in the art, AI.[260] This concept is no different than what is in place today; at present, applicants are required to disclose all human inventors, lest render their patents invalid or unenforceable.[261] By finally acknowledging the nearly ubiquitous use of AI in inventing, we can properly expand the scope of prior art and obviousness standards.

VI. Conclusion

Artificial intelligence is the future. Since the origins of the patent system, legislation has encouraged technological innovation and dissemination.[262] As society has evolved, the patent system has transformed with it. If we do not accept AI inventorship now, we will betray the very foundation of the patent system.

There are countless indications that AI inventorship deserves acceptance. First, advanced AI is arguably capable of the "conception" required of a bona fide inventor.[263] South Africa and Australia have both reflected this sentiment during their DABUS proceedings.[264] Second, AI inventions listing a human inventor have already been patented for years, showing that AI is fully capable of inventing patent-eligible subject matter.[265] Third—and most prominently—the use of AI tools have become so prevalent that the industry begs for expansion.[266] Without the protection of the patent system, AI's creators will be significantly less likely to innovate, collaborate, and expand; the world may lose out on the full benefits of AI.[267]

Despite conflicting litigation, there is evidence that unified patent procedures are achievable.[268] Ultimately, a broad, utilitarian approach to international patent law will stimulate innovative solutions and procedural harmonization.[269] Moreover, by arguing the socioeconomic and moral benefits, courts will become more friendly to AI inventors; such incentives can remind judges of the inventive purposes of IP laws.[270] As Justice Beach stated, "We are both created and create. Why cannot our own creations also create?"[271] Ultimately, acceptance of AI inventorship will allow technology to truly flourish for the benefit of mankind.

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260. *See id.* at 8.

261. MPEP § 602.01.

262. Comer, *supra* note 159, at 476.

263. *See* Jehan, *supra* note 57.

264. *See* Companies and Intell. Prop. Comm'n, *Food Container and Devices and Methods for Attracting Enhanced Attention*, 54 Pat. J., 255 (2021); *Thaler v Commissioner of Patents* [2021] FCA 879 (30 July 2021) (Austl.).

265. Comer, *supra* note 159, at 470.

266. *See* Abbott, *supra* note 27.

267. *Id.*

268. Chung, *supra* note 210 at 144.

269. Alan Devlin & Neel Sukhatme, *supra* note 187.

270. Ebrahim, *supra* note 183.

271. Thaler v. Commissioner of Patents, [2021] FCA 879 (Jul. 30, 2021).

No Time to Be Picky: The Problem of Cyberattacks Requires Collaboration, Teamwork, and Ample Alternatives

Ivan Almonte[1]

Introduction

While technological advancements are improving the way societies live, the reliance on technology has created problems for everyone. On March 11, 2020, the World Health Organization (WHO) declared the spread of COVID-19 to be a public health emergency of international concern and a global pandemic.[2] Following this announcement, many countries implemented various restrictions to reduce the spread of COVID-19, such as lockdowns, working from home, remote schooling, and required quarantine periods.[3] By relying on remote settings, countries were able to reduce daily human interaction and curtail the spread of COVID-19.[4] The downside of this new remote environment was the lack of cybersecurity and precautionary measures in personal homes.[5] As a result, cyber-attackers gained new opportunities to prosper from exploiting unsecured devices.[6]

As the world recovered from the COVID-19 pandemic, countries witnessed Russia invade and occupy Ukraine on February 24, 2022.[7] Before this invasion, Russia had launched cyberattacks against Ukraine since Russia's illegal annexation of Crimea in 2014.[8] A cyberattack is an unauthorized attempt to steal, expose, alter, or destroy information on a computer.[9] During this period, Ukraine's public, energy, media, financial, business, and non-profit sectors have all been weakened by Russia's cyberattacks.[10] Additionally, since the invasion, Russia has used

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1. Executive Research Editor and Diversity Committee Chair, New York International Law Review 2022–2023; J.D. Candidate, St. John's University School of Law, 2023. The author thanks the staff of the New York International Law Review for their hard work and resilience in making this publication possible.

2. Helen Onyeaka, et al., COVID-19 pandemic: A review of the global lockdown and its far-reaching effects. Science Progress. 2021 https://journals.sagepub.com/doi/full/10.1177/00368504211019854. SCI., Apr. – June; *See WHO Coronavirus (Covid-19) Dashboard* WORLD HEALTH ORG. https://covid19.who.int/ (Last Visited Jun. 6, 2023) (As of March 7, 2023, the WHO reported there have been 759,408,703 confirmed cases of COVID-19, including 6,866,434 deaths among the global *See* https://covid19.who.int/.).

3. *See* Abdulkadir Atalan, "Is the Lockdown Important to Prevent the COVID-19 Pandemic? Effects on Psychology, Environment and Economy-Perspective." *Annals of Medicine and Surgery, (2012)*, U.S. National Library of Medicine, (June 14, 2020)., https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7293850/.

4. See Onyeaka, et al., *supra* note 2.

5. Roy Maurer, *How to Maintain Cybersecurity for your Remote Workers*, SOC'Y FOR HUMAN RESOURCE MGMT., (Mar. 26, 2020) https://www.shrm.org/resourcesandtools/hr-topics/technology/pages/how-to-maintain-cybersecurity-for-your-remote-workers.aspx.

6. *Id.*

7. *Russia's war on Ukraine: Timeline of cyber-attacks*, THINK TANK: EUROPEAN PARLIAMENT (June 21, 2022), https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)733549.

8. *Id.*

9. *Cyber Attack—Glossary*, COMPUTER SECURITY RESOURCE CENTER, https://csrc.nist.gov/glossary/term/cyber_attack.

10. THINK TANK: EUROPEAN PARLIAMENT, *supra* note 7.

cyberattacks to undermine the distribution of medicines, food, and relief supplies to Ukraine.[11] Overall, Russia's cyberattacks ranged from preventing access to essential services to data theft and disinformation.[12] Governments around the world have not been indifferent to the risks Russia poses;[13] specifically, Russia can launch cyberattacks against other governments in response to the unprecedented economic costs that various governments have imposed on Russia for invading Ukraine.[14]

The Council of Europe Convention on Cybercrime (Budapest Convention) was drafted in 2001 and is the world's first cybercrime treaty.[15] The Budapest Convention's main objective is to develop a common criminal policy that protects societies against cybercrime by requiring the adoption of suitable legislation among states and fostering international cooperation.[16] Currently, 68 countries have ratified the Budapest Convention,[17] which means these countries have consented to be bound by the obligations in the Budapest Convention. However, Russia is not a party to the Budapest Convention;[18] therefore, Russia is not bound by any of the Budapest Convention obligations. As a result, the international community must decide how Russia and other non-signatory countries should be held accountable for cyberattacks.

This paper is a comparative analysis between the United States and United Kingdom's strategies for holding non-signatory countries accountable for cyberattacks. Part I will first discuss the obligations found within the Budapest Convention and highlight the benefits of the legal framework implemented to deter cyberattacks. This section will also explain the new protocols added to the Budapest Convention to address the technological advancements since the convention's drafting. Part II will explain the specific laws and strategies implemented by the United Kingdom in combating cyberattacks against Russia and other non-signatory countries. Part III will then outline the civil litigation avenue that the United States wishes to implement in addition to criminal prosecution and international law to hold Russia accountable for its cyberattacks. Lastly, Part IV will then discuss why the United States' civil litigation approach is likely the better approach to deter cyberattacks.

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11. *Id.*

12. *Id*.

13. *Id.*

14. https://www.cisa.gov/shields-up. 60 Minutes, *Launching Shields Up to help organizations prepare for malicious cyberattacks*, YOUTUBE, (Apr 18, 2022), https://youtu.be/BtBmM4QOycU.

15. *See* Convention on Cybercrime, Details of Treaty No. 185, Council of Europe (2023), https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/185.

16. *Id.*

17. *See The Budapest Convention on Cybercrime*, COUNCIL OF EUR., https://www.coe.int/en/web/cybercrime/the-budapest-convention (last visited Apr. 22, 2023).

18. *See* Mercedes Page, *The hypocrisy of Russia's push for a new global cybercrime treaty*, LOWY INST.: THE INTERPRETER (Mar. 7, 2022), https://www.lowyinstitute.org/the-interpreter/hypocrisy-russia-s-push-new-global-cybercrime-treaty#:~:text=Despite%20being%20a%20member%20of,that%20has%20horrified%20the%20world.

Background

A. International Principles

A fundamental principle in international law is state sovereignty: states are independent and equal in international relations; as a consequence, states exercise supreme power over their own territory.[19] States have a right to exercise therein the functions of a state without the involvement of another state.[20] Under this principle of sovereignty, states also hold the responsibility not to "breach the sovereignty of other states and to take reasonable efforts to ensure that their territory is not used to adversely affect the rights of other states."[21] Sovereignty is also closely linked with other international principles: non-intervention and the prohibition of the threat or use of force.[22] The international community has confirmed that international law and the principle of sovereignty apply in cyberspace.[23] However, there is a debate between the states on whether the principle of sovereignty is a standalone rule of international law where breaching the rule will give rise to state responsibility.[24] For the proponents of a standalone rule, breaching the principle of sovereignty is an internationally wrongful act. In contrast, the United Kingdom is the only state that views sovereignty as a guide to state interactions, but the principle does not amount to a standalone rule.[25] Under the United Kingdom's approach, cyber operations cannot violate sovereignty as a rule of international law, but they may constitute prohibited intervention or use of force.[26] Nevertheless, cyberattacks can breach international law, which may give the victim state the right to remedies, including countermeasures.[27]

Additionally, under international law, attribution involves the identification of a state that is legally responsible for an internationally wrongful act before imposing liability to that state.[28] An act will be attributable to a state, under international law, if the following groups conducted the act: (1) an organ of the state; (2) persons or entities exercising elements of governmental authority; or (3) by non-state actors operating under the direction or control of the State.[29] Attribution plays a vital role in holding states responsible for wrongful behavior and in documenting norm violations.[30] The norms of attribution are reiterated within the Articles on the Responsibility of States, and such norms also apply to the conduct of states in cyberspace.[31] This paper will only focus on cyberattacks that have been successfully attributed to a state, and therefore, state liability is proper. This paper will not address cyberattacks committed by private

19. *See Sovereignty*, CYBER LAW TOOLKIT, https://cyberlaw.ccdcoe.org/wiki/Sovereignty (last visited Apr. 22, 2022).
20. *Id.*
21. *Id.*
22. *Id.*
23. *Id.*
24. *Id.*
25. *Sovereignty, supra* note 19.
26. *Id.*
27. *Id.* nn.14 & 60.
28. *Attribution*, CYBER LAW TOOLKIT, https://cyberlaw.ccdcoe.org/wiki/Attribution (last visited Apr. 18, 2022).
29. *Id.*
30. *Id.*
31. *Id.*

non-state actors not acting on behalf of a state government since this international framework would not apply to their actions.

B. Cyberattacks Have Harmful Financial and Societal Effects

Governments worldwide share an interest in collectively combatting cyberattacks due to the chaos that cyberattacks can create in society. The trend of cyberattacks and cybercrime is set to continue increasing, given that 41 billion devices worldwide are expected to be linked to the Internet of Things (IoT) by 2025.[32]

Russia poses a threat to the entire international community because Russia is home to both sophisticated state-sanctioned hackers in its military and intelligence services and to cybercriminal gangs loosely affiliated with the government.[33] Currently, the US government has warned American businesses about Russia's potential cyberattacks against critical infrastructure, financial institutions, and businesses in retaliation for the sanctions imposed against Russia.[34] Paul Rosenzweig, a former senior Homeland Security official, described the United States' risk of harm as follows, "[w]e have seen how vulnerable American systems are–think of the criminals who disrupted gas pipelines[35] and meatpacking[36] last year."[37] While those attacks were serious, any Russian attack on wastewater treatment, agriculture, or transportation would be even more catastrophic.[38]

In addition to compromising critical infrastructure, cyberattacks also have a social and psychological impact on individuals.[39] The social impact of a cyberattack refers to the social disruption caused to people's daily lives and widespread issues such as anxiety or loss of confidence in cyber or technology.[40] Psychological impact can be informed by social impact and can include more personal effects such as an individual's anxiety, worry, anger, outrage, and depression.[41] For example, if a national power station suffers from a cyberattack that causes hundreds of thousands of households to lose power, the people suffer from not having heating, electricity,

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32. *Cybersecurity: how the EU tackles cyber threats*, CONSILIUM, https://www.consilium.europa.eu/en/policies/cybersecurity/ (Last Visited Jun. 6, 2023).

33. Sue Halpern, *The Threat Of Russian Cyberattacks Looms Large*, THE NEW YORKER (Mar. 22, 2022), https://www.newyorker.com/news/daily-comment/the-threat-of-russian-cyberattacks-looms-large.

34. Lani M. Duffy & Richard A. Walawender, *Preparing for Cyberattacks and Limiting Liability*, NAT'L L. REV., (Feb. 28, 2022), https://www.natlawreview.com/article/preparing-cyberattacks-and-limiting-liability.

35. David E. Sanger et al., *Cyberattack Forces a Shutdown of a Top U.S. Pipeline*, THE NEW YORK TIMES (May 13, 2021), https://www.nytimes.com/2021/05/08/us/politics/cyberattack-colonial-pipeline.html.

36. Rachel Lerman, *JBS paid $11 million in ransom after hackers shut down meat plants*, THE WASHINGTON POST (June 9, 2021, 8:27pm), https://www.washingtonpost.com/technology/2021/06/09/jbs-11-million-ransom/.

37. Josh Meyer, *Homeland Security warns that Russia could launch cyberattack against US*, USA TODAY (Jan. 24, 2022, 7:35pm), https://www.usatoday.com/story/news/2022/01/24/homeland-security-russia-cyberattack-us/9202949002/.

38. *Id.*

39. *See* Maria Bada & Jason R. C. Nurse, *The Social and Psychological Impact of Cyber-Attacks*, EMERGING CYBER THREATS AND COGNITIVE VULNERABILITIES 73–92 (2020).

40. *Id.*

41. *Id.* at 74.

or the ability to prepare food.[42] This hypothetical is a reality for Ukrainians at the hand of the Russians; Russia's cyberattacks target critical utilities used in daily life to "break the will of everyday citizens" and "turn the tide of the war."[43] Due to these harmful effects of cyberattacks, governments must protect businesses and their citizens from foreign exploitation and sabotage.

C. Russia's Proposal for a New Cybercrime Treaty

Ironically, Russia has persistently advocated for a new global cybercrime treaty, despite the existence of the Budapest Convention.[44] Russia never joined the Budapest Convention because it claimed the treaty violated principles of state sovereignty by allowing cross-border cybercrime operations.[45] Russia's efforts to advocate for state sovereignty have been ironic because Russia simultaneously launched an invasion of Ukraine, a sovereign state.[46] Additionally, with the largest cybercrime market in the world and a longstanding history of loose coordination between intelligence agencies and prominent ransomware gangs, Russia is a leading source of cyberattacks against non-allied states.[47] Russia has long turned a blind eye to cybercriminals operating within its borders and has openly and actively supported cybercriminals.[48] The international community has doubted Russia's ability to engage in negotiations for a legally-binding cybercrime treaty in good faith.[49]

In 2019, Russia presented a resolution for such a treaty to the UN General Assembly with the support of China, Cambodia, Belarus, North Korea, Myanmar, Iran, Venezuela, and Nicaragua.[50] The UN General Assembly adopted the resolution that initiated the process of drafting a global comprehensive cybercrime treaty with negotiations commencing in January 2022.[51] Russia's initiative advanced despite a total of 93 states either voting against or abstaining from the resolution, compared with 79 states in favor.[52] The United Nations, the United States, the European Union, and many States parties to the Budapest Convention opposed Russia's resolution.[53] Some of the governments, including those that are most supportive of a

42. *Id.*

43. *See generally*, Maggie Miller, *Russia's Cyberattacks Aim to Terrorize Ukrainians*, POLITICO (Jan. 11, 2023, 6:07 PM), https://www.politico.com/news/2023/01/11/russias-cyberattacks-aim-to-terrorize-ukrainians-00077561.

44. Mercedes Page, *The Hypocrisy of Russia's Push for a New Global Cybercrime Treaty*, THE INTERPRETER (Mar. 07, 2022), https://www.lowyinstitute.org/the-interpreter/hypocrisy-russia-s-push-new-global-cybercrime treaty#:~:text=Despite%20being%20a%20member%20of,that%20has%20horrified%20the%20world.

45. *Id.*

46. *Id.*

47. Will Neal, *Russia Slips from Center Stage as UN Cybercrime Treaty Negotiations Forge Ahead*, ORGANIZED CRIME AND CORRUPTION REPORTING PROJECT (Sept. 15, 2022), https://www.occrp.org/en/daily/16769-russia-slips-from-center-stage-as-un-cybercrime-treaty-negotiations-forge-ahead.

48. Page, *supra* note 44.

49. *Id.*

50. *Id.*

51. Deborah Brown, *Cybercrime is Dangerous, but a New UN Treaty Could be Worse for Rights*, Just Security (Aug. 13, 2021), https://www.justsecurity.org/77756/cybercrime-is-dangerous-but-a-new-un-treaty-could-be-worse-for-rights/.

52. *Id.*

53. *Id.*

global treaty, criminalize forms of free expression as criticism and dissent, which contradicts human rights obligations.[54] The following are examples of the legislative record of oppressive cyber laws by some of the driving forces behind the proposed treaty: (1) Russia has expanded its laws and regulations to tighten control over internet infrastructure, online content, and the privacy of communications. This has resulted in widened surveillance of users, restrictions on the ability to access content, and threats of being cut off from the outside world online; (2) China has employed technology for coercion, control, and repression; and (3) Cambodia proposed a law that threatens increased surveillance of internet uses and restrictions on free expression online.[55]

Despite the irony of Russia's proposal, a new treaty is still dangerous because of the possible expansion of government regulation of online content and modification of law enforcement access to data in a way that could criminalize free expression and undermine privacy.[56] Such concerns were confirmed once Russia provided the UN Committee with a full draft of the new treaty's basis.[57] Rather than enhancing the Budapest Convention, "Russia's draft treaty significantly expand[ed] the definition of a cybercrime," which grants "nation state[s] the power to designate almost anything that happens online as a cybercrime."[58] Russia's draft also introduced new text and language that deviated from "consensus-agreed text in other international agreements, and includ[ed] deliberately vague terms and definitions," which allows "for wide interpretation and abuse in the future."[59]

Russia's contradicting behavior has made the international community suspect that Russia aims to keep the international community distracted negotiating a new cybercrime convention to "stall practical global cybercrime cooperation just at the time [global cooperation is] needed most."[60]

I. International Law- Budapest Convention

As discussed, the Budapest Convention is the first international treaty to focus on criminalizing cybercrime.[61] "Any country may make use of the Budapest Convention as a guideline, check list, or model law" because this treaty provides the framework that permits states to share experiences and "create relationships that facilitate cooperation."[62]

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54. *Id.*
55. *Id.*
56. *Id.*
57. Page, *supra* note 44.
58. *Id.*
59. *Id.*
60. *Id.*
61. Convention on Cybercrime, Details of Treaty No. 185, Council of EUR., https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/185 (last visited Apr. 20, 2023).
62. Budapest Convention *(ETS No. 185) its Protocols and Related Standards*, Council of EUR., https://www.coe.int/en/web/cybercrime/the-budapest-convention (last visited Apr. 20, 2023).

The treaty's main objectives, found within the Preamble, are the following: (1) harmonizing national laws within a common criminal policy to protect society against cybercrime, (2) supporting the detection, investigation, and prosecution of these crimes, and (3) providing arrangements for fast and reliable international cooperation.[63] Articles 2 to 11 of the Budapest Convention contain a list of crimes—ranging from illegal access, data and systems interference to computer-related fraud and child pornography—that each member state must criminalize under their domestic law.[64] Articles 16 to 22 outline investigative powers, which require member states to grant new powers of search and seizure to their law enforcement authorities.[65] These investigative powers include the power to force an Internet Service Provider to preserve a citizen's internet usage records or other data and the power to monitor a citizen's online activities in real-time.[66] Articles 23 to 35 explain the principles of international cooperation, which requires member states to cooperate with each other to the widest extent possible for the purposes of investigations or proceedings concerning criminal offenses related to computer systems and data or for the collection of evidence in electronic form of a criminal offense.[67]

Another advantage of the Budapest Convention's framework is its ability to address other timely global issues. As technological advancements brought the people of the world closer together, racial discrimination, xenophobia, and other forms of intolerance continued to exist in our societies.[68] The Budapest Convention was drafted to enable mutual assistance concerning computer-related crimes in the broadest sense in a flexible and modern way.[69] As a result, the Council of Europe created the First Additional Protocol to the Convention on Cybercrime to extend the Budapest Convention also to cover offenses of a racist or xenophobic nature committed through the internet.[70] The main purpose of the First Additional Protocol is to harmonize substantive criminal law and improve international cooperation in the fight against racism and xenophobia on the internet.[71]

Despite the adoption of the First Additional Protocol, many law enforcement hurdles remained unresolved because of the exponential growth of Internet usage, cloud computing development, and digitalization of interactions.[72] Due to the global nature of the Internet, a range of electronic evidence—everything from basic subscriber information used to identify particular perpetrators to the content of emails—critical to the investigation and prosecution of

63. Eur. Consult. Ass., *Convention on Cybercrime, Budapest*, ETS No. 185, COUNCIL OF EUR. (Nov. 23, 2001) https://rm.coe.int/1680081561.

64. *Id.*

65. *Id.*

66. *Id.*

67. *Id.*

68. Eur. Parl. Ass., *Additional Protocol to the Convention on Cybercrime, concerning the criminalization of acts of a racist and xenophobic nature committed through computer systems*, ETS No. 189, COUNCIL OF EUR. 1 (Jan. 28, 2003), https://www.coe.int/en/web/cybercrime/first-additional-protocol. [hereinafter *Cybercrime (Additional Protocol)*].

69. *Id.*

70. *Id.* at 2.

71. *Id.* at 1.

72. *See* Jennifer Daskal & Debrae Kennedy-Mayo, *Budapest Convention: What is it and How is it Being Updated?*, Cross-Border Data F. (July 2, 2020), https://www.crossborderdataforum.org/budapest-convention-what-is-it-and-how-is-it-being-updated/?cn-reloaded=1#_ednref3.

crimes may be stored in a different country from where the crime occurred.[73] Essentially, the powers of law enforcement are limited by territorial boundaries because electronic evidence could be stored in foreign, multiple, shifting or unknown jurisdictions.[74]

In some situations, law enforcement may be unaware of the data's location or the entity's identity that has possession and control of the data and therefore have no idea where to request access to that data.[75] Furthermore, even if the location of the information is known and a friendly relationship exists with this specific state, law enforcement still faces extensive procedural steps and lengthy delays before obtaining access to the data.[76] As a result, only a small share of reported cybercrime led to prosecutions or court decisions.[77] Consequently, the Cybercrime Convention Committee drafted the Second Additional Protocol to the Cybercrime Convention to address these challenges by providing tools for enhanced cooperation and disclosure of electronic evidence.[78]

A. The Second Additional Protocol to the Budapest Convention

The Second Additional Protocol provides the following tools: (1) direct requests to registrars in other jurisdictions to obtain domain name registration information; (2) direct co-operation with service providers in other jurisdictions to obtain subscriber information; (3) more effective means to obtain subscriber information and traffic data through government-to-government co-operation; (4) expeditious co-operation in emergency situations; (5) joint investigation teams and joint investigations; (6) video conferencing; and (7) a strong system of human rights and rule of law safeguards, including for the protection of personal data.[79] The Second Additional Protocol is viewed as a "step forward in technological capacity and co-operation between governments and with service providers. It will extend the rule of law further into cyberspace, protect internet users, and help provide justice for those who become victims of crime."[80]

First, under the mutual legal assistance provisions, states are required to respond to evidence requests quickly and ensure the permanent availability of staff members in their authori-

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73. *Id.*

74. COUNCIL OF EUROPE, JOINING THE CONVENTION ON CYBERCRIME: BENEFITS (2003), https://www.coe.int/documents/8475493/0/Cyber+Buda+Benefits_Feb2023_Final+2769-1138-9959+v.1.pdf/d2aa3849-156b-ecb7-b9c3-ab294b7f5923?t=1676473637949.

75. *See* Daskal & Kennedy-Mayo, *supra* note 72.

76. *Id.*

77. *Second Additional Protocol to the Cybercrime Convention on enhanced co-operation and disclosure of electronic evidence (CETS No. 224)*, COUNCIL OF EUR. (May 12, 2022), https://www.coe.int/en/web/cybercrime/second-additional-protocol.

78. *Id.*

79. *Id.* As of February 2023, 36 states have signed the Second Additional Protocol, including the United Kingdom and the United States. *Id.*

80. COUNCIL OF EUR., *Second Additional Protocol to the Cybercrime Convention adopted by the Committee of Ministers of the Council of Europe* (Nov. 17, 2021), https://www.coe.int/en/web/cybercrime/-/second-additional-protocol-to-the-cybercrime-convention-adopted-by-the-committee-of-ministers-of-the-council-of-europe (quoting Council of Europe Secretary General Marika Pejčinović Burić).

ties responsible for responding to the mutual assistance requests.[81] This provision aims to enhance the time-consuming and inefficient mutual legal assistance framework established under the Budapest Convention.[82]

Second, under the direct cooperation with service providers provisions, service providers are required to provide information for identifying or contacting the registrant of a domain name at the valid request from the law enforcement agency of another state.[83] These provisions allow states to request information without undergoing the mutual legal assistance process.[84] The requesting state's law enforcement agency can obtain subscriber information directly from a service provider in another state's territory; however, service providers are limited to only disclosing domain name registration or subscriber information containing the subscriber's identity, payment information, the type of communication service used and the physical address of the subscriber.[85]

Third, under the human rights safeguard provisions, states are required to ensure that their domestic law adequately protects human rights and liberties.[86] Additionally, the Second Protocol reminds states of their obligation under the Budapest Convention to protect fundamental human rights and liberties in international treaties.[87] The personal data protections found in these provisions include the following: (1) limitations on the use of the data to purposes specified in the Second Protocol, (2) safeguards for sensitive data, (3) data retention requirements, (4) restrictions on automated decisions, (5) requirements for data security measures, (6) limitations on onwards transfers, and (7) requirements to have established judicial and non-judicial remedies to provide redress for violations of these provisions.[88]

Finally, under the trans-border access to data provisions, the Second Additional Protocol address enhanced cooperation between parties.[89] Specifically, the states' ability to use video conferencing to obtain testimony or statements from witnesses and experts helps resolve any issues regarding the execution of orders or requests issued by other states.[90] States also have the

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81. *See* Dominik Zachar, *Battling Cybercrime Through the New Additional Protocol to the Budapest Convention*, CCDCOE, https://ccdcoe.org/library/publications/battling-cybercrime-through-the-new-additional-protocol-to-the-budapest-convention/. (last visited Apr. 22, 2023)

82. *Id.*

83. *Id.* Service providers "include organizations that sell domain names to the public as well as regional or national registry operators which keep authoritative databases of all domain names registered for a top-level domain and which accept registration requests." *See Second Additional Protocol to the Convention on Cybercrime Explanatory Report*, Council of Europe (Nov. 17, 2021), https://ccdcoe.org/library/publications/battling-cybercrime-through-the-new-additional-protocol-to-the-budapest-convention/.

84. *See* Zachar, *supra* note 81.

85. *Id.*

86. *Id.*

87. *Id.*

88. *Id.*

89. *Id.*

90. *Id.*

option to establish joint investigation teams with other states to facilitate a criminal investigation.[91]

Overall, the Second Additional Protocol creates a practical criminal justice cooperation framework with the potential to facilitate the exchange of data crucial to criminal proceedings.[92] According to Commissioner Ylva Johansson, the protocol is based on shared values and fundamental rights, and is an essential modernization that makes the Budapest Convention ready for the future.[93]

However, the Second Additional Protocol may have difficulties in becoming a successful treaty. First, the Second Protocol places accession limitations on states that are not part of the Convention by requiring those states to become a party to the Budapest Convention before they can join the signatory parties to the protocol.[94] Second, the Protocol does not address the question on how to ensure that service providers comply with all the data requests from states while also protecting fundamental rights; for example, Google handing over personal data to a state with a controversial human rights history.[95] Nonetheless, the Second Additional Protocol may positively expand states' jurisdictions with respect to cybercrime investigations, which can lead to more practical cooperation with an ultimate goal of safer and more open cyberspace.[96]

II. The United Kingdom's Strategies

In 2022, the United Kingdom was the country with the highest number of cybercrime victims per million internet users at 4,783 (an increase of 40% from 2020 figures).[97] During the UK's efforts to detect and disrupt shared threats in 2021, the UK concluded that most cyber threats were from Russia and China.[98] The UK has recognized the transnational nature of cyberspace creates challenges that cannot be addressed without international collaboration.[99] Some of the following examples highlight the UK's international leadership and influence in combatting cyberattacks: (1) UK conceived and led the implementation of the Commonwealth Cyber Declaration, a shared commitment to our security, prosperity and values in cyberspace; (2) UK grew its overseas network of cyber and tech security officers across five continents and

91. *Id.*

92. *Council of Europe Ponders a New Treaty on Cloud Evidence*, CCDCOE, https://ccdcoe.org/incyder-articles/council-of-europe-ponders-a-new-treaty-on-cloud-evidence/ (last visited May 4, 2022).

93. *Commissioner Johansson's video message for the 20th Anniversary of the Budapest Convention on Cybercrime*, EUR. COMM'N, https://ec.europa.eu/commission/commissioners/2019-2024/johansson/announcements/commissioner-johanssons-video-message-20th-anniversary-budapest-convention-cybercrime_en (last visited May 4, 2022).

94. *See* Zachar, *supra* note 81.

95. *See* CCDCOE, *supra* note 92.

96. *See* Zachar, *supra* note 81.

97. Charles Griffiths, *The Latest 2023 Cyber Crime Statistics*, AAG (updated April 2023), https://aag-it.com/the-latest-cyber-crime-statistics/. *See also* Eran, *10 Cybersecurity Statistics from 2022, AUMINT* (Jan. 10, 2023), https://www.aumint.io/10-cybersecurity-statistics-from-2022/.

98. *National Cyber Strategy 2022 HTML* (updated Dec. 15, 2022), https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022#introduction.

99. *Id.*

undertook capacity building work across 100 countries: building resilience, enhancing UK influence and promoting UK values; and (3) UK collaborated with partner countries in Africa, Asia, and Latin America by providing technical advice to enhance the cybersecurity capacity of their governments, business sectors and users—including increasing cyber-hygiene skills in underserved communities to enable the most vulnerable to protect themselves from the risks and challenges of being online.[100]

The UK continues to experience a constant overall level of cyber threat from hostile actors that have shifted their cyber operations to steal vaccine and medical research, and to undermine other nations already hampered by the crisis.[101] Notably, the UK government has also acknowledged the vision of the internet as a shared space that supports the exchange of knowledge between open societies is under threat because of China and Russia's continued advocacy for greater national sovereignty over cyberspace.[102] In its National Cyber Strategy, the UK government acknowledged despite all of their involvement with international coordination in attributing attacks and imposing sanctions, its approach to cyber deterrence has not fundamentally altered the risk calculus for cyber attackers.[103] As a result, the UK outlines new strategies within its current National Cyber Strategy.

A. National Cyber Strategy 2022

In its recent strategy report, the UK shifts the emphasis from "cybersecurity" to "cyber power" as an "ever more vital lever of national power and a source of strategic advantage."[104] In its previous strategy report, the UK expressed that the market forces were insufficient to promote cybersecurity, therefore necessitating a more proactive role for government.[105] Now, the UK envisions itself continuing to be a leading, responsible, and democratic cyber power with the ability to protect and promote its interests in cyberspace.[106]

Cyber power is defined as "the ability to protect and promote national interest in and through cyberspace.".[107] The UK has identified the following five pillars in its strategic framework to achieve greater cyber power: (1) "[s]trengthening the UK cyber ecosystem"; (2) "[b]uilding a resilient and prosperous digital UK"; (3) "[t]aking the lead in the technologies vital to cyber power"; (4) "[a]dvancing UK global leadership and influence for a more secure, prosperous, and open international order"; and (5) "[d]etecting, disrupting and deterring our adversaries to enhance UK security in and through cyberspace."[108] The government describes

100. *Id.*

101. *Id.*

102. *Id.*

103. *Id.*

104. *See* https://carnegieendowment.org/2021/12/17/uk-s-cyber-strategy-is-no-longer-just-about-security-pub-86037. *See generally* National Cyber Strategy 2022 *supra* note 98.

105. *See* Beecroft, (Carnegie) *supra* note 104. *See generally* HM Government, National Cyber Strategy 2016–2021 (2016). https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/567242/national_cyber_security_strategy_2016.pdf.

106. *See* National Cyber Strategy 2022, *supra* note 98.

107. *Id.*

108. *Id.*

these goals to be mutually reinforcing; for example, "achieving higher levels of cyber security and resilience domestically will be a" necessity for a more active international stance.[109] The central goal in its vision is to promote a free, open, peaceful, and secure cyberspace.[110] The UK believes a world where open societies and economies can flourish is the best guarantor of future prosperity, sovereignty, and security[111]; therefore, the UK is committing to work with like-minded nations to promote the shared values of openness and democracy.[112]

A key change from the UK's approach in its previous strategy is its current focus on a whole-of-society approach: building an enduring and balanced partnership across public, private, and third sectors.[113] The UK government is able to bring together the intelligence necessary to understand sophisticated threats, make and enforce the law, set national standards, and counter threats from hostile actors.[114] The government also takes stringent measures to provide government departments and public sector bodies with safeguards for its information assets.[115] The Network & Information Systems Regulations outline particular responsibilities and obligations for operators of essential services and providers of key digital services when addressing cyber risks.[116] Additionally, the Information Commissioner's Office also prepares advice for organizations on their cyber security obligations under the UK General Data Protection Regulation.[117] Lastly, the government also clarifies technically accurate, timely, and actionable advice for citizens to take reasonable steps to safeguard their hardware, data, software, and systems.[118]

The UK government also highlighted a few other important factors that are crucial to the success of its strategy. First, UK's plan to be a cyber power requires the input, action, and investment from the devolved governments of Northern Ireland, Scotland, and Wales.[119] Coordination and cooperation between four nations will require these governments to share information on priorities and plans, which in turn helps avoid duplication and obtain the best value from public funding.[120] Second, UK will continue to advance cybersecurity research by supporting academia. Currently, the UK has 19 academic centers of excellence and four research institutes to tackle its most pressing cyber security challenges.[121] UK has also implemented extracurricular initiatives to inspire young people to pursue a cyber security career.[122] Specifi-

109. *Id.*

110. *Id.*

111. *Id.*

112. National Cyber Strategy 2022, (Dec. 15, 2022), https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022#introduction.

113. *Id.*

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.*

cally, from 2019 to 2020, the UK involved about 57,000 young people in its learning programs and held cyber security competitions at 18 venues across the UK.[123] The UK also reported that last year saw 750 students in its scheme and all 56 graduates secured full-time cybersecurity roles.[124] Overall, UK's commitment to keeping the UK at the cutting edge on cyber is further illustrated by its plan to invest £2.6 billion in cyber and legacy IT over the next three years and £22 billion in research and development.[125]

B. Offensive Cyber Operations

The UK's strategy to combat cyberattacks also includes conducting offensive cyber operations—the use of hacking and other cyber techniques to have a direct effect on the UK's adversaries.[126] The UK established the National Cyber Force (NCF) to focus on offensive cyber.[127] The NCF is comprised of personnel from the Government Communications Headquarters (GCHQ), the Ministry of Defense (MOD), the Secret Intelligence Service (SIS), and the Defense Science and Technology Laboratory.[128] These entities bring "cutting-edge espionage and research techniques."[129] The NCF extends "the UK's competitive edge as a responsible, democratic cyber power by the following actions: (1) countering threats from actors using the internet to operate across borders to harm the UK and other democratic societies; (2) countering threats that disrupt the confidentiality, integrity, and availability of cybersecurity; and (3) contributing to the UK Defense operations and helping advance the UK's foreign policy agenda."[130]

A well-established legal framework governs NCF operations, including the Intelligence Services Act 1994, the Regulation of Investigatory Powers Act 2000, and the Investigatory Powers Act 2016.[131] NCF operations are rigorously governed and ensure compliance with all UK and international laws, including international humanitarian law when applicable.[132] The Investigatory Powers Commissioner monitors the exercise of statutory powers in cyber operations, and NCF activities are also overseen by Parliament's Intelligence and Security Committee.[133] As opposed to some of the UK's adversaries, the UK has previously stated its

123. *Id.*

124. *Id.*

125. *Id.*

126. Conrad Prince CB, *On the Offensive: The UK's New Cyber Force*, (Nov. 23, 2023) https://www.rusi.org/explore-our-research/publications/commentary/offensive-uks-new-cyber-force.

127. *Id.*

128. National Cyber Force, UNITED KINGDOM GOVERNMENT, https://www.gov.uk/government/organisations/national-cyber-force/about (U.K)

129. *Id.*

130. *Id.*

131. Cyber Force, UNITED KINGDOM GOVERNMENT, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041113/Force_Explainer_20211213_FINAL__1_.pdf (U.K.)

132. *Id.*

133. *Id.*

commitment to developing and deploying cyber capabilities responsibly, proportionately, and in compliance with the law.[134]

NCF's activities are overseen jointly by the Secretary of State for Foreign, Commonwealth, and Development Affairs and the Secretary of State for Defense.[135] To support government campaigns and strategies, NCF responds to priorities set by the National Security Council and works closely with various government departments.[136] In addition to driving growth in the technology, digital, and defense sectors, the NCF will promote partnerships between government, industry, and universities.[137] As a result of this growth, the UK will be able to enhance and broaden its collective skill set, strengthening the UK's cyber ecosystem by enhancing existing partnerships and forming new ones.[138]

III. The United States' Strategies

With 46% of global cyberattacks directed toward Americans, the United States remains the most targeted country.[139] Since 2005, thirty-four countries have been suspected of sponsoring cyber operations, with China, Russia, Iran, and North Korea accounting for 77 percent of all suspected operations.[140]

Due to the unprecedented economic sanctions that countries have imposed on Russia, the Biden-Harris Administration has repeatedly warned that Russia may engage in malicious cyber activity against the United States.[141] The Administration has placed a high priority on strengthening cybersecurity defenses to prepare the country for threats.[142] In an Executive Order issued by President Biden, the Federal Government had to modernize its defenses and improve the security of widely-used technologies.[143] To ensure the cybersecurity of the electricity, pipeline, and water sectors, "[t]he President has launched public-private action plans and has directed Departments and Agencies to use all existing government authorities to mandate new cybersecurity and network defense measures."[144] Additionally, the administration announced that "[i]nternationally, the Administration has partnered with more than 30 partners and allies to detect and stop ransomware threats, rallied G7 countries against nations har-

134. *Id.*

135. *Id.*

136. *Id.*

137. *Id.*

138. *Id.*

139. John Lambert, *Microsoft Digital Defense Report shares new insights on nation-state attacks*, MICROSOFT (October 25, 2021), https://www.microsoft.com/en-us/security/blog/2021/10/25/microsoft-digital-defense-report-shares-new-insights-on-nation-state-attacks/.

140. *Cyber Operations Tracker*, COUNCIL ON FOREIGN RELATIONS https://www.cfr.org/cyber-operations/./

141. *Fact Sheet: Act Now To Protect Against Potential Cyberattacks*, THE WHITE HOUSE (March 21, 2022), https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/21/fact-sheet-act-now-to-protect-against-potential-cyberattacks/.

142. *Id.*

143. *Id.*

144. *Id.*

boring ransomware criminals, and taken steps with partners and allies to publicly attribute malicious activity."[145]

A. The Current Strategies Utilized by the United States

The United States has incorporated different strategies in its plan to deter cyberattacks. First, the United States has actively participated in the collaboration with other states in the international community to deter cyberattacks. Specifically, in the lead-up to and during Russia's illegal further invasion of Ukraine, the US continues to support Ukraine's Internet access and cyber defenses.[146] Some of the US efforts include the following: (1) briefing Ukrainian partners on Russian intelligence services' cyber operations; (2) sharing cyber threat information about the potential or ongoing malicious cyber activity; (3) helping to disrupt nation-state efforts to spread disinformation and target the Ukrainian government and military; and (4) sharing investigative methods and cyber incident response best practices.[147] The US has supported Ukraine's cyber resilience by providing over $40 million in cyber capacity development assistance since 2017.[148]

Additionally, the US has acknowledged the need to partner with other states because international cooperation is critical to addressing Russian cybercrime.[149] Recently, the US coordinated with the United Kingdom to issue historic joint sanctions on seven individuals belonging to the Russia-based cybercrime gang, Trickbot.[150] The Treasury Department alleged that the seven designated members—Vitaly Kovalev, Maksim Mikhailov, Valentin Karyagin, Mikail Iskritskiy, Dmitry Pleshevskiy, Ivan Vakhromeyev, and Valery Sedletski—were connected to Russian Intelligence Services, and deployed malicious cyber activities to target critical infrastructure in the United States and United Kingdom.[151] In the United States, the sanctions require US persons to block and report to the Office of Foreign Assets Control (OFAC) all property and interests in the property of those sanctioned individuals in the United States.[152] All transactions involving property or interests in property of blocked or designated persons are generally prohibited by OFAC regulations for US persons or within the United States (including transactions transiting the United States).[153] Likewise, in the UK, the seven designated individuals had their assets frozen and travel bans imposed.[154]

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145. *Id.*

146. U.S. Dep't of State, Off. of the Spokesperson, U.S. Support for Connectivity and Cybersecurity in Ukraine (May 10, 2022).

147. *Id.*

148. *Id.*

149. U.S. Dep't of the Treas., United States and United Kingdom Sanction Members of Russia-Based Trickbot Cybercrime Gang (Feb 9, 2023).

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.*

154. Foreign, Commonwealth & Dev. Off., UK Cracks Down on Ransomware Actors. (Feb. 9, 2023), https://www.gov.uk/government/news/uk-cracks-down-on-ransomware-actors (UK).

Another strategy used by the US to punish cyberattacks is criminal indictments.[155] Prosecutors have unsealed indictments and criminal charges against Chinese intelligence officers suspected of theft of intellectual property, as well as Iranian and North Korean individuals suspected of carrying out destructive cyberattacks.[156] Also included are allegations that Russian intelligence officers interfered with the 2016 US election.[157] Despite a low chance of prosecution success, criminal indictments send a powerful message. Former federal prosecutor Hanley Chew stated, "[t]hese indictments are more to make a political statement to China, Iran, and other countries which either protect or sponsor hackers . . . ; It's both a warning to the individual hacker and . . . also to the country, that says that we take these matters very seriously."[158] Indictments are a significant concern for the Russian government, and its hackers are frequently warned of the danger of being indicted and prevented from traveling abroad when indicted.[159] As an irritant for the Russians, the indictments send a clear signal that the United States has the capability to identify and attribute sources of cyberattacks.[160] As a result of the indictments, the United States has demonstrated to the international community that it can determine who is responsible and will act accordingly. Indictments are one very public tool in the portfolio of consequences for irresponsible action by a State in cyberspace.[161]

Similar to the UK, the US is determined to strengthen cybersecurity within its territory. Specifically, the US aims to improve in the areas of detection, information sharing, modernizing federal cybersecurity, federal procurement, and federal incident response.[162] The US Cybersecurity and Infrastructure Security Agency (CISA) serves as a resource for organizations to prepare for cyberattacks, respond to them, and mitigate their impacts.[163] In its Shields Up campaign webpage, CISA provides recommendations, products, and resources to increase organizational vigilance and keep stakeholders informed of cybersecurity threats and destructive exploits.[164] In order to protect its most critical assets from disruptive cyber incidents, every organization, no matter how big or small, should adopt a heightened posture when it comes to cybersecurity.[165] Moreover, CISA encourages stakeholders to volunteer information about

155. James Andrew Lewis, *The Russian Cyber Indictments*, CTR. FOR STRATEGIC AND INT'L STUD. (Oct. 20, 2020) https://www.csis.org/analysis/russian-cyber-indictments (last visited Apr. 20, 2023).

156. Garrett Hinck & Tim Maurer, *Persistent Enforcement: Criminal Charges as a Response to Nation-State Malicious Cyber Activity*, 10 J. NAT. SEC. L. & POL. 525, 525 (2020).

157. *Id.*

158. Morgan Chalfant, *Feds Find Some Foreign Hackers are Out of Reach*, THE HILL (Nov. 29, 2017), https://thehill.com/business-a-lobbying/362458-feds-find-some-foreign-hackers-are-out-of-reach?rl=1.

159. Lewis, *supra* note 155.

160. *Id.*

161. *Id.*

162. Alejandro Mayorkas, Sec'y, U.S. Dep't of Homeland Sec., Secretary Mayorkas Outlines His Vision for Cybersecurity Resilience (Mar. 31, 2021),

https ://www.dhs.gov/news/2021/03/31/secretary-mayorkas-outlines-his-vision-cybersecurity-resilience.

163. U.S. Dep't of Homeland Sec., Cybersecurity & Infrastructure Sec. Agency, Shields Up!, https://www.cisa.gov/shields-up (last visited Apr. 18, 2023).

164. *Id.*

165. *Id.*

cybersecurity events that can help mitigate current or upcoming cybersecurity threats to critical infrastructure.[166]

B. The New Proposed Civil Litigation Strategy

As a result of several high-profile cyberattacks conducted by or from Russian territory—including SolarWinds, Colonial Pipeline, REvil, and Republican National Committee operations—the US must adopt a more aggressive approach since law enforcement and retaliatory measures like sanctions have so far failed to convince Russia to comply with international law.[167]

The Foreign Sovereign Immunities Act of 1976 (FSIA) grants foreign states immunity from the jurisdiction of United States courts unless an existing exception applies.[168] As a result, injured parties in the United States are heavily limited to the scenarios in which they can legally seek redress from a foreign state.[169] Once an exception is applicable, the foreign state is stripped from its immunity, and the FSIA confers jurisdiction to US courts over the action.[170] Under FSIA, "foreign states" are defined to include agencies or instrumentalities of a foreign state.[171] Therefore, foreign officials, employees, and agents of foreign states are also shielded from civil liability.

In the past, injured American parties were able to bring cyber tort claims against foreign entities under FSIA's noncommercial tort exception.[172] However, complications arose after the US Court of Appeals for the D.C. Circuit introduced the following hurdle to cyber tort victims.[173] In *Doe v. Federal Democratic Republic of Ethiopia*,[174] the D.C. Circuit held that the FSIA's noncommercial tort exception was inapplicable when the party that intends to commit the tort is physically located outside of the United States.[175] The court interpreted the exception to fall under the "entire tort" doctrine, which requires the elements of the entire tort to

166. *Id.*

167. Michael Schmitt, *Three International Law Rules for Responding Effectively to Hostile Cyber Operations*, JUST SEC. (July 13, 2021), https://www.justsecurity.org/77402/three-international-law-rules-for-responding-effectively-to-hostile-cyber-operations/.

168. Foreign Sovereign Immunities Act, 28 U.S.C. § 1604 (1976).

169. *See id.* § 1605. The following are general exceptions to foreign-state immunity: (1) a foreign state has waived its immunity either explicitly or by implication; (2) commercial activity physically in or a direct effect in the United States; (3) seizures of property in violation of international law; (4) property rights acquired in the United States by succession or gift or rights in immovable property in the United States; (5) personal injuries, death, damage, or loss of property caused by a tortious act or omission of that foreign state; (6) enforcement of an arbitration agreement between a foreign state and a private party; and (7) admiralty lawsuits to enforce a maritime lien based on commercial activity. *Id.*

170. *See id.* § 1605(a).

171. *See id.* § 1603(a),(b).

172. *See id. §* 1605(a)(5). *See also* Samantha N. Sergent, *Extinguishing the Firewall: Addressing the Jurisdictional Challenges to Bringing the Cyber Tort Suits Against Foreign Sovereigns*, 72 VAND. L. REV. 391, 395–96. (2019).

173. *See* Sergent, *supra* note 172, at 396.

174. *See generally* Doe v. Fed. Democratic Rep. of Ethiopia, 851 F.3d 7 (D.C. Cir. 2017).

175. *See* Sergent, *supra* note 172, at 396.

take place within the United States.[176] As a result of the court's narrow interpretation, civil redress for victims of foreign state-perpetrated cyber torts was essentially foreclosed.[177] Although this decision's binding authority is limited to the D.C. Circuit, this decision is nonetheless troublesome because governments around the world now have precedent to escape liability for targeting the computers of US citizens located in the United States.[178]

In fact, federal courts in New York and California have adopted the decision of the D.C. Circuit to hold that the tort exception to sovereign immunity does not apply to a cyber-attack carried out by hackers located in Russia.[179] Further, there are contradictory views among the judges that are ruling on cyber tort claims. Some judges believe that relief from foreign states' alleged activities is a political question and not an issue for courts to resolve.[180] Relatedly, some judges have called Congress to act because the growing prevalence of attacks in cyberspace has created an appropriate time for Congress to consider a cyberattack exception to FSIA.[181] Without action from Congress, cyberattack victims are stuck in a strange situation in which a foreign state could be civilly liable if foreign state agents commit tortious conduct against American citizens on American soil; yet these agents are immune from liability if the same agents initiate a tortious intrusion into American citizens' computer networks if committed abroad.[182] Ultimately, under this narrow interpretation, Courts focus on the location of the wrongful doer and ignore that American citizens still suffered harm, regardless of the wrongful-doer's location.

After the *Doe* decision, plaintiffs learned that a new exception to FSIA was required to establish foreign government liability since the FSIA provides the sole means for establishing jurisdiction over a foreign government, and no current exception applies to cyberattacks abroad.[183] Additionally, the DC Circuit in *Doe* recognized a need for legislative action to resolve the lack of an applicable exception to cyberattacks.[184]

Fortunately, Congress reintroduced the Homeland and Cyber Threat (HACT) Act[185] that would amend FSIA and create an explicit exception for Americans to bring claims against for-

176. *Id.*

177. *Id.*

178. Benjamin Kurland, Note, *Sovereign Immunity in Cyber Space: Towards Defining a Cyber-Intrusion Exception to the Foreign Sovereign Immunities Act*, J. OF NAT'L SEC. L. & POL'Y 255, 257 (2018).

179. Sam Kleiner & Lee Wolosky, *Time for a Cyber-Attack Exception to the Foreign Sovereign Immunities Act*, JUST SECURITY (Aug. 14, 2019), https://www.justsecurity.org/65809/time-for-a-cyber-attack-exception-to-the-foreign-sovereign-immunities-act/.

180. *Id.*

181. *Id.*

182. *Id.*

183. *See* Kurland, *supra* note 178, at 262.

184. *Id.* at 263 (quoting 189 F. Supp. 3d 6 (D.D.C. 2016)) ("The political branches may ultimately deem it advisable to permit suits against foreign sovereigns who, without setting foot on American soil, use technology to commit torts against persons located here.").

185. *See generally* S. 3241, 117th Cong. (2021).

eign states responsible for cyberattacks.[186] Specifically, US nationals will now have a redress avenue to seek money damages from a foreign government for personal injury, harm to reputation, or damages to property resulting from malicious cyber activity.[187] The HACT Act is currently a pending bill in Congress, but many bipartisan lawmakers are zealously advocating for the act's passage into law.[188] "The HACT Act would give American citizens the right to seek monetary compensation for damages suffered and hold foreign officials, employees, and agents accountable for sponsoring cyberterrorism. Companies and individual Americans who have had their private data hacked would have a path to justice from the people responsible for their pain."[189]

Opponents of the HACT Act argue that creating a civil redress does not resolve the problem of cyberattacks, but instead creates more problems for the United States. First, opponents argue that the HACT Act risks exposing the United States to lawsuits by foreign governments; i.e. the concept that if we do it to them, then they will do it to us.[190] Opponents believe that foreign countries would bring claims against the United States for intentionally and legitimately conducting cyber intrusion during of its intelligence collection activities.[191] Second, opponents argue that the litigation process is flawed because foreign states are likely to not consent to personal jurisdiction in United States' courts, nor are foreign states likely to participate in the litigation discovery process.[192] According to the opponents, the risks of the HACT Act outweigh its small likelihood of success in litigation.[193] However, the HACT Act opponents fail to consider the established mechanisms that would help increase the success of civil litigation.

First, proponents have the advantage of having a previous amendment to model the new amendment after. When FSIA was enacted in 1976, the statute lacked a terrorism exception; consequently, Congress amended the FSIA in 1996 to allow Americans who had suffered from terrorism to sue foreign states that had been designated by the State Department as "State Sponsors of Terrorism."[194] The objection of "if we do it to them, then they will do it to us" was also used against the terrorism exception.[195] Yet after two decades, the exception remains in

186. Press Release,U.S. House of Rep., Bergman, Allred Lead Bipartisan Bill to Hold Foreign Governments Accountable for Cyberattacks (Mar. 8, 2021). 8, 2021), https://bergman.house.gov/news/documentsingle.aspx?DocumentID=837 [hereinafter Bergman]

187. Chimene Keitner & Allison Peters, *Private Lawsuits Against Nation-States Are Not the Way to Deal with America's Cyber Threats*, LAWFARE (June 15, 2020, 9:09 AM), https://www.lawfareblog.com/private-lawsuits-against-nation-states-are-not-way-deal-americas-cyber-threats.

188. *See* Bergman, *supra* note 186.

189. Press Release, U.S. Senate, ICYMI: It's Time to Strike Back against Foreign Cybercriminals, (May 31, 2022), https://www.kennedy.senate.gov/public/2022/5/icymi-it-s-time-to-strike-back-against-foreign-cybercriminals.

190. *See* Keitner & Peters, *supra* note 187.

191. *Id.*

192. Michael Bahar & Ulyana Bardyan, Getting Back when HACT: Congress's Idea to Provide Redress to Recent Cyberattacks, JD (May 6, 2021), https://www.jdsupra.com/legalnews/getting-back-when-hact-congress-s-idea-7832151/.

193. *Id.*

194. *See* Kleiner & Wolosky, *supra* note 179.

195. *See* Kurland, supra note 178, at 269.

effect. Additionally, the opponents' argument of reciprocity also fails to recognize that if other countries adopt domestic statutes with extraterritorial reach, then more States are actively enforcing cybercrimes. Therefore, their involvement will greatly increase global enforcement, which brings the world closer to resolving the cybercrime problem.

Second, when Congress passed FSIA, it had considered the possibility that foreign states would likely not consent to personal jurisdiction in United States courts and refuse to pay a default judgment. Under § 1610, the United States government has the authority to seize foreign state property found in the United States to satisfy judgments rendered against the foreign state.[196] According to US Representative Jaime Herrera Beutler, "Congress should stop bad acting foreign nations from undermining our national security and opening a path to seize assets they hold here in the US as a consequence for misdeeds is a good place to start."[197]

Lastly, the civil litigation route is an effective strategy that provides monetary compensation for the damage caused by cyberattacks. This is important because citizens and businesses lose significant amounts of money as a result of cyberattacks.

IV. Civil Litigation Is More Likely to Deter Cyberattacks than Offensive Cyber Operations

Both the US and UK have recognized that the global threat of cyberattacks is too challenging to resolve with just local resources, which is why both governments must implement strategies that focus on international collaboration, teamwork, and various domestic alternatives to deter cyberattacks. Despite this similarity, the UK and US differ in their use of offensive cyber operations and imposing civil liability.

When deciding which strategy to impose on wrongdoers such as Russia, governments need to consider the possibility of escalating the current problems into a nuclear war. The UK should be wary in its decision on how they plan to offensively hack back states because of the possibility that a cyberattack can be considered an armed attack.[198] The better strategy to impose against cyberattacks is the strategy that will strengthen deterrence from engaging in cyberattacks. By imposing civil liability through the HACT Act, governments will be less likely to sponsor cyberattacks due to their financial interests. A government is likely to suffer more harm by having its foreign property seized compared to the monetary losses that its economy suffers from sanctions.

The complexity of cyberattacks is too advanced for an individual solution. More members of the international community should adopt civil litigation in addition to their domestic and international strategies. Suppose states such as Russia refuse to join treaties and abide by inter-

196. *See* 28 U.S.C. § 1610. *See also* Kleiner & Wolosky, *supra* note 179, (recounting that in 2016, families of victims of Iranian terrorism were able to collect on a judgment against Iran after the US Supreme Court attached the judgment onto nearly $2 billion of frozen Iranian assets held in New York.).

197. *See* Bergman, *supra* note 186.

198. *See generally* Oona A. Hathaway et al., The Law of Cyber-Attack, 100 Calif. L. Rev. 817, 817 (2012) (discussing the potential for cyber-attacks to be considered acts or war or armed attacks).

national law; in that case, states should do whatever is necessary to deter cyberattacks without escalating the problem into a world war.

Conclusion

Despite advances in technology, overreliance on technology has created problems for everyone. After COVID-19 was declared a global pandemic, many countries implemented restrictions—lockdowns, working from home, remote schooling, and quarantine periods—to reduce the COVID-19 spread.[199] The downside to this new remote environment was the lack of cybersecurity and precautionary measures in individual homes.[200] In turn, cyber-attackers prospered from exploiting unsecured devices.[201]

During this time, the world has also witnessed blatant international law violations by Russia through the invasion of Ukraine and sponsoring of cyberattacks globally.[202] In addition to preventing access to basic services, they have also been responsible for data thefts and disinformation, including the use of deep fake technology.[203] Russia also sent phishing emails, distributed denial-of-service attacks, backdoors, surveillance software, and other malicious measures to steal information.[204]

Despite the existence of the Budapest Convention, the treaty obligations did not apply to Russia because is not a party to the Budapest Convention.[205] This note explored the different approaches used by the United Kingdom and United States to hold Russia and other non-signatories accountable for cyberattacks. This note also explained the reasons why imposing civil liability could be an effective tool to deter state-sponsored cyberattacks. Once governments see their foreign assets seized to satisfy judgments, governments will hesitate to continue to do harm in other jurisdictions. As a result, state-sponsored cyberattacks will cease to be a daunting challenge.

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199. *See* Onyeaka, *supra* note 2, at 4.

200. *See* Maurer, *supra* note 5.

201. *Id.*

202. *See* Przetacznik & Tarpova, *supra* note 7.

203. *Id.*

204. *Id.*

205. Page, *supra* note 18.

US v. EU: Who Do You Have Your Money On? A Comparative Analysis of Internet Gambling Laws

Alex M. Bisogno[1]

Introduction

Sports wagering and gambling are worth close to 500 billion dollars globally.[2] With the rise of internet gambling, a person from the United States ("US") could be sitting at the same virtual poker table as a person from Europe, while wagering on the same soccer game happening in Brazil. But these two people face different types of regulations. Specifically, regulations may differ based on the country or state that the individual is in despite both using the same website, which could be based in a different country than both.

The net worth of gambling has only grown since online gambling developed, perhaps because of how easy it is to do. Today, of course, you could gamble from your phone while lying in bed. But states and countries differ on how best to regulate online gambling. The rapidly developing availability of online gambling has affected what legislation best serves each country. Also, each government that creates regulations or restrictions must be sure that it is comfortable with the social and policy implications.

With the growth of online gambling, two major markets have appeared: the United States and the European Union ("EU"). Both continue to make decisions on regulating and restricting online wagering. Each has taken its own route while traversing this once unthought-of universe of internet gambling. However, this can create confusion. Users and the companies who run these websites are left to figure out where they can operate and what kind of products they can offer. And individual states are sometimes left to fend for themselves.

The US federal government has made sweeping legislation through, for example, the Wire Act, which places regulations on internet gambling for the entire United States.[3] The US federal government has made these baseline regulations while also deferring to states.[4] This allowance has allowed states to make their own decisions about what is best for the state's citizens. But the rise of the internet and cross-border gambling can make it difficult for each state to regulate individually. Variation in laws can also confuse those subjected to them.

The European Union operates differently. Each member state can regulate its internal market as it pleases, as long as each member follows the Treaty on the Function of the Euro-

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2. H2 Gambling capital and International Betting Integrity Association, *An Optimum Betting Market: A Regulatory, Fiscal & Integrity Assessment*, INTERNATIONAL BETTING INTEGRITY ASSOCIATION 1, 2 (Nov. 22, 2021), https://ibia.bet/wp-content/uploads/2021/08/IBIA-An-Optimum-Betting-Market.pdf. [hereinafter H2].

3. *See* KATE C. LOWENHAR-FISHER, et al., *Gaming Law & Practice* §3.02 (LexisNexis ed., 2021).

4. *Id.*

pean Union.[5] As a result, there is a possibility of member states having opposing laws. However, the European Commission has released guidelines in an attempt to standardize these member states' laws.[6] These guidelines have several policy implications and allow for some variation between member states while allowing for some continuity.[7] Overall, the European Court of Justice hears gambling cases and can make binding decisions but often defers to member states' national courts.[8]

The United States should take note of how the European Union has been a facilitator between member states in the regulation of internet gambling. Additionally, the European Union allows members to make their own decisions while not forcing them to follow laws that might hurt their own policy goals. Overall, the US federal government's tight grip on the illegality of gambling can hurt the growing market and tarnish the state's ability to experiment with regulating themselves and working with other states. Therefore, the United States should adopt the European Union's outlook and allow each state to completely control their gambling regulations, set up a marketplace for states to confer, and promote states creating bilateral agreements with each other to serve the gambling market.

Part I focuses on the general concepts of gambling, the current uptick in online gambling, and the overall market. Part II will consider how the United States regulates online gambling. The United States' outlook on the social and policy issues that stem from gambling is of concern. Additionally, there is a specific focus on the US federal government's regulation in conjunction with international treaties and individual state regulations. Part III will address how the European Union regulates online gambling. There will be a concentration on the European Unions' social and political reasons for regulating gambling. Also, there will be an emphasis on the European Commission's guidelines, how professional organizations help regulate gambling, and how individual member states work together to regulate online gambling. Part IV will discuss takeaways on the benefits of both paradigms and what we learn from each. Finally, there will also be a discussion on what the future of gambling might look like and how the United States should adopt some aspects of the European Union's paradigm.

I. The Emersion of Online Gambling

A. The Magnitude of Gambling in The United States and European Union

Everyone hold on tight as we race through some statistics! From going to the track to bet on horses to gathering in a hall to play table games, gambling has been around for centuries in several forms.[9] Today, it is still common to go to a casino to play these same table games or to go to the track to watch the horses, but a new—much more convenient—form of gambling has swept across the United States and the European Union.

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5. European Commission, *Commission sets out an action plan for online gambling*, EUROPEAN COMMISSION (Nov. 22, 2021), https://ec.europa.eu/commission/presscorner/detail/en/IP_12_1135.

6. *Id.*

7. *Id.*

8. 2014 O.J. (L 214) 38.

9. I. Nelson Rose, *Gambling and the Law®: The International Law of Remote Wagering*, 40 J. MARSHALL L. REV. 1159, 1162 (2007).

The internet connects people from across the globe and makes international commerce as simple as a single click. The rise of internet gambling is amplified by the increased prevalence of personal computers and smartphones with internet connectivity.[10] In the European Union, "online gambling is one of the fastest growing service activities . . . with annual growth rates of almost 15% and an estimated €13 billion in annual revenues in 2015."[11] In 2020, the value of betting rose to an astounding €111 billion.[12] Although millions of people were legally gambling online, the European Union acknowledged that many more were likely gambling on illegal underground websites that were unknown, unregulated, and run from outside of the European Union.[13]

In the United States, the gambling industry has steadily grown despite a slight decrease in 2021.[14] The revenue loss is likely attributed to closed in-person casinos and a lack of online gambling capabilities.[15] The few states who already had online gambling capabilities, New Jersey, Delaware, West Virginia, and Pennsylvania, saw a growth in revenue from gambling.[16] According to the American Gaming Association's 2020 report, "revenue from legal sports betting operations increased by more than 68.3 percent to $1.55 billion. Overall, Americans legally bet $21.51 billion on sports with regulated operators in 2020, versus $13.07 billion the prior year."[17] However, this is only expected to grow as more states have begun legalizing and regulating online gambling rather than completely prohibiting it.[18] Additionally, online sports wagering has become mainstream, as "partnerships between operators and major sports media companies such as NBC Sports, CBS Sports, and ESPN, as well as a widening set of alliances between professional sports leagues and teams and sportsbook brands" have accelerated the popularity and attractiveness of online sports wagering.[19] However, there is still billions of dollars' worth of bets that are illegally placed on unregulated websites.[20]

Overall, online gambling is quickly growing across the United States and the European Union.[21] Without continuity and cooperation across borders, users might end up hurt as they will not have the added protection of regulation from multiple sides. Today it is difficult to regulate gaming, purely because of the number of providers: it is impossible to keep track of every

10. European Commission, *supra* note 5.

11. *Id.*

12. European Online Gambling Key Figures 2020 Edition, EUROPEAN GAMING & BETTING ASSOCIATION, https://www.egba.eu/uploads/2020/12/European-Online-Gambling-Key-Figures-2020-Edition.pdf. (last visited Nov. 22, 2021) [hereinafter Key Figures 2020].

13. European Commission, *supra* note 5.

14. AM. Gaming Ass'n & VIXIO GAMBLING COMPLIANCE, State of the States 2021 The AGA Survey of the Commercial Casino Industry 9 (American Gaming Association 2021).

15. *Id.*

16. *Id.*

17. *Id.*

18. *Id.*

19. *Id.*

20. Kate Zernick, New Jersey Now Allows Gambling via Internet, N.Y. TIMES (Nov. 26, 2013), https://www.nytimes.com/2013/11/27/nyregion/new-jersey-opens-up-for-online-gambling.html.

21. *Id.*; *see also* European Commission, *supra* note 5 (discussing growing popularity of online gambling in the EU).

website that appears, operates for some time, and then soon disappears. However, the EU's attitude of working together to share this knowledge seemingly works best to confront this issue.

B. Brief History of Regulation and Challenges with Online Gambling

Now that we know what the gambling market looks like currently, let's review how the market is regulated. The United States has promulgated regulations since before the inception of online gambling. The Wire Act was enacted in 1961 to combat organized crimes.[22] Originally, the Wire Act applied to wagers taken from phone calls; Congress intended for the Act to help cut off money flowing to organized crime for their bookkeeping rackets.[23] However, the government quickly applied the Act to wagers placed on computers through the Internet.[24] Interestingly, the act was ambiguous, and many states began to question what type of gambling the Wire Act applied to as the inception of online card games became a reality.[25]

Initially, the US regulated all online gambling. However, in 2011, the Office of Legal Counsel in the Department of Justice finally cleared up the ambiguity by stating that the Wire Act only applied to sports wagers.[26] This, of course, makes sense since the Wire Act initially applied to telephone calls where bookies would take bets on horse racing, baseball games, basketball, and other sports. However, before the Department of Justice released its reading of the statute, different administrations read the statute in whatever way they saw fit in reference to the internet.[27] For example, the Clinton Administration read the act to "prohibit[] certain gambling activities online."[28] In a statement of Administration Policy, the Clinton Administration noted that it did not take a position that banned all online gambling and determined that the Wire Act did not apply to non-sports wagers.[29] But the George W. Bush Administration's Department of Justice took the position that the Wire Act applied to all online gambling.[30]

Although the United States had seemingly on point regulations before online gambling grew exponentially, the European Union did not.[31] Instead, the European Union left the individual member states to self-regulate.[32] However, in the 2010s, the European Commission put together a report and began to draft guidelines for member states to follow in order to harmonize the laws of the many nation states within the European Union.[33]

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22. Michelle Minton. The Original Intent of the Wire Act and Its Implications for State-based Legalization of Internet Gambling, 29. Center for Gaming Research, 1, 1 (2014).
23. *Id.* at 2.
24. *Id.*
25. *Id.* at 1–2.
26. *Id.* at 1.
27. *Id.* at 6.
28. *Id.*
29. Minton, *supra* note 22, at 6.
30. *Id.*
31. European Commission, *supra* note 5.
32. *Id.*
33. *Id.*

In the United States, there has been confusion about what laws apply and how they function. Notably, the Wire Act affects interstate sports gambling but not online renditions of traditional card games.

Now, imagine combining the confusion from the Wire Act with the confusion of whether states can work together under the federal laws to regulate those companies, wherein those companies are reputable and have traditionally been allowed to operate intrastate but not interstate. Similarly, issues arise between international companies and whether they can or have traditionally been able to operate within the European Union or the United States. For example, can a country limit cross-border gambling, how does each regulate its own internal online gambling market, and for what reasons? Nations want to know now more than ever if they can stop cross-border gambling, as the market for gambling rises to the billions of dollars; the COVID-19 pandemic, for one, has resulted in an influx of online gamblers.[34] Additionally, countries look to each other to determine the best ways to regulate gambling and the policy reasons each country weighs when creating legislation or guidelines.

II. The American Outlook on Internet Gambling and its Regulation

A. The Fall of Prohibition and the Rise of Regulation

The United States' outlook has evolved from prohibitions on certain types of gambling to the introduction of regulations. Experts ponder that this change is because the prohibition on gambling aimed to limit negative effects that could result from gambling.[35] However, millions of Americans instead turned to offshore sites and illegal means that the United States had no control over.[36] Therefore, by having a harsh stance on gambling, the United States gave itself no regulatory control over the industry and still received all the negative results it hoped to avoid.[37]

Today, the United States has realized that by regulating online gambling, it gains control over the industry, ultimately benefiting from taxes and determining what direction it wants to take gambling.[38] Additionally, before internet gambling, legislators were effectively dealing with social harms from in-person gambling.[39] So, the United States was always well equipped to handle regulating online gambling.[40] However, most regulations regarding who can gamble and where have come from the states, rather than the federal government.[41]

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34. AM. GAMING ASS'N & VIXIO GAMBLING COMPLIANCE, *supra* note 14, at 23–24.

35. Malcolm K. Sparrow et al., Can Internet Gambling Be Effectively Regulated? Managing the Risks, JOHN F. KENNEDY SCH. OF GOV'T. HARV. UNIV. 1, V (2009).

36. *Id.*

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.*

41. Gambling, LEGAL INFO. INST., https://www.law.cornell.edu/wex/gambling (last visited March. 8, 2023) [hereinafter *Gambling*].

B. The Regulations Promulgated by the United States

1. Federal Legislation

The federal government, through the commerce clause, uses a few laws to regulate internet and interstate gambling.[42] There are two main laws: one is the Wire Act, and the other is the Unlawful Internet Gambling Enforcement Act ("UIGEA"). The Wire Act, as previously stated, was in place before online gambling existed. However, the UIGEA was enacted in 2006.

Congress created the Wire Act, which made it illegal for any operator of a gambling business to "knowingly use[] a 'wire communication facility' to transmit information related to wagering on 'any sporting event or contest.'"[43] Congress created an exception for when "that act is legal in both the source and destination locations of the transmission."[44] As stated before, the Department of Justice varies on how it applies the Wire Act to internet gambling, and the Fifth Circuit stated in its 2002 decision, *In re Mastercard*, 313 F.3d 257 (5th Cir. 2002), that it only applies to sports betting.[45]

Congress also promulgated the UIGEA, which applies to online gambling and how people make payments while gambling.[46] The UIGEA "makes it a federal offense for gambling businesses to knowingly accept most forms of payment in connection with the participation of another person in unlawful internet gambling."[47] Internet gambling can be unlawful under state law or federal law.[48] Additionally, the UIGEA makes taking payments for illegal internet gambling illegal, not placing the bets, effectively going after the individuals running the gambling sites and not the users.[49]

The Treasury and Federal Reserve Board are responsible for creating systems and regulations to prevent these payments per the UIGEA.[50] Furthermore, the Treasury and Federal Reserve Board requires gambling companies to establish and implement systems "that are reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions."[51] These systems must identify and block parties that are not allowed to gamble.[52] The UIGEA was enacted as a reaction to internet gambling becoming "a growing cause of debt collection problems for insured depository institutions and the consumer credit industry, and that

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42. *Id.*

43. Id.

44. *Id.*

45. *Id.* (citing *In re MasterCard Int'l Inc.*, 313 F.3d 257 (5th Cir. 2002)).

46. FED. DEPOSIT INS. CORP., Unlawful Internet Gambling Enforcement Act of 2006 Overview, 1, 1, https://www.fdic.gov/news/financial-institution-letters/2010/fil10035a.pdf (last visited Nov. 18, 2021).

47. Fern L. Kletter, Annotation, Validity, Construction, and Application of Unlawful Internet Gambling Enforcement Act of 2006, 31 U.S.C.A. §§ 5361 et seq.., 16 A.L.R. Fed. 3d Art. 6 (2016).

48. Unlawful Internet Gambling Enforcement Act of 2006 Overview, *supra* note 46.

49. *Gambling*, *supra* note 41.

50. Unlawful Internet Gambling Enforcement Act of 2006 Overview, *supra* note 46, attach. A at 1.

51. *Id.*

52. *See id.*

traditional law enforcement mechanisms are often inadequate for enforcing gambling prohibitions on the internet, especially where such gambling crosses state or national borders."[53]

Overall, both the Wire Act and the UIGEA are enacted by the federal government and guide those in the industry. However, they both leave most of the regulation to the states and prohibit actions on a full scale. Instead, the federal government should create programs where states can work together to exchange information.

2. Cross-Border Gambling, International Trade Agreements, and Their Effect on The United States

Currently, the United States is a party to many international treaties. However, it is not currently a party to one that controls cross-border gambling nor is it a party to any current trade arrangement that forces it into upholding international agreements that allow cross-border gambling.[54] But this fact may be misleading because the United States is a part of the World Trade Organization ("WTO"); therefore, it is automatically a part of the General Agreement on Trade and Services ("GATS").[55] This means it allows free trade of services, including gambling, across member states.[56] However, this leads to the bigger question: When may a state or country keep out foreign legal gambling?

Countries can limit cross-border gaming based on their inherent power to limit all foreign goods and services.[57] The police powers, which are expansive, allow for the limitation of all foreign goods and services.[58] But as soon as a country ratifies a treaty or trade agreement, it is expressly giving up that right to a certain extent.[59] Usually a country gives up a right like this because it gains a benefit such as a freer market to trade on.[60] However, gambling is unlike most other services because public opinion can quickly and drastically change within a year or less.

For a country to leave an agreement, it must show evidence that it reasonably believes it "must exclude foreign legal gambling to protect the health, safety, welfare, or morality of its residents."[61] Countries cannot prevent foreign legal gambling companies from operating within their country to protect local operators from being beaten out by foreign competition.[62] But if a country had a complete shift in public opinion and outlawed all local gambling companies, then it would have no problem limiting foreign legal gambling operators; the motive would be

53. Kletter, *supra* note 47.
54. Rose, *supra* note 9 at 1191.
55. *See id.* at 1178–79 (noting that GATS is a treaty under the WTO).
56. *Id.* at 1179.
57. *Id.*
58. *Id.* at 1172.
59. *Id.* at 1160.
60. *Id.*
61. Rose, *supra* note 9, at 1160.
62. *Id.*

clearly for public health, safety, welfare, or morality.[63] Although that is a legal way that the US can prevent cross-border gambling, the US detects and eliminates illegal cross-border gambling through its monitoring of the Internet and its reliance on tips from the public.[64]

3. Explaining the Conflict Between the United States and Antigua and Barbuda

One of the most infamous examples of the United States trying to limit cross-border gambling resulted in Antigua and Barbuda suing the United States. In that case, Antigua and Barbuda filed a complaint with the WTO against the United States for not allowing Antigua and Barbuda's licensed gambling operators to take bets in the United States.[65] The basis of the complaint was that the United States had agreed to allowing international gambling companies to take bets from citizens in the United States because it was a part of the WTO and the GATS.[66] More specifically, the United States committed, pursuant to the GATS, to free trade in recreational services.[67]

Since the United States agreed to the free trade of services and did not specifically write in an exclusion of gambling, like some other countries had, Antigua and Barbuda—and many other countries—argued that the United States had to adhere to the GATS and allow cross-border gambling.[68] The United States' had a number of defenses, some were as simple as stating it eliminated "sporting" in their schedule with the WTO and "sporting" included gambling so thus Antigua and Barbuda could not satisfy its prima facia case because the US explicitly wrote in this limit.[69] The United States' stronger argument was that it could limit international gambling through federal acts such as the Wire Act, and those that completely prohibit selected actions, as those laws were necessary to protect the morals of the public and helped maintain public order and health.[70] On the other hand, Antigua and Barbuda made arguments ranging from, it satisfied its prima facia burden when it pointed out specific federal and state statutes that the United States uses to prohibit the cross-border supply of gambling, to the United States failing to meet its burden of proof that the statutes are "'necessary' within the meaning of Article XIV(a) and XIV(c) of the GATS."[71] Ultimately, the WTO's adjudicatory body agreed that the societal interests served by the federal acts were important; however, the WTO also

63. *Id.*

64. *Federal Gambling Charges*, CRIM. LAW. GRP., https://www.criminallawyergroup.com/practice-areas/organized-crime-rico/federal-gambling-crimes (last visited Apr. 14, 2022).

65. Isaac Wohl, The Antigua-United States Online Gambling Dispute, 2 J. OF INT'L COM. AND ECON. 1, 6 (2009).

66. *See id.*

67. *Id.*

68. Appellate Body Report, *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, ¶ 2, 7, WTO Doc. WT/DS285/AB/R (adopted Apr. 7, 2005) (throughout the Appellate Body's review, the panel discussed a wide array of arguments spanning from the United States arguing that Antigua and Barbuda could not make a prima facia case that they violated the GATS to the European Community's argument that a country must make a good faith effort in proving that it reasonable exhausted alternative measures prior to its adoption of a measure contrary to the WTO's purpose. However, for the purpose of this note, the focus is on how the United States' commitment to the GATS and the WTO influences what types of laws it can promulgate when they affect the GATS, international trade, and other countries).

69. *Id.* at ¶ 9, 14–15.

70. Rose, *supra* note 9, at 1184; Appellate Body Report, *supra* note 68. at ¶ 21–27, 94–95, 114, 293–96.

71. Appellate Body Report, *supra* note 68. at ¶ 41–44, 55.

noted that the acts had a significant restrictive trade impact and concluded that even though a government can have a public policy interest that it wants to protect, the laws used to achieve that policy must not be overbroad "or discriminate against foreign operators."[72] When a law is overbroad and discriminates against foreign service providers covered in the GATS, that law will be in conflict with the GATS and thus would be invalid according to the WTO.[73] Additionally, if the law protects or advantages local service providers' interests and puts their interests ahead of foreign service providers, then the law will likely violate the GATS as it has a discriminatory effect on international service providers, something strictly prohibited when committing to free trade between nations.[74]

Here, the WTO held that the United States violated Antigua and Barbuda's operator's rights. However, at first, the WTO had a limited holding that said Congress under the Interstate Horseracing Act could only allow people to place bets online from their homes if the gambler was from a state that allowed such bets.[75] However, the statute prohibited the same type of betting with operators from other countries, such as those from Antigua and Barbuda.[76] Therefore, the WTO held that this was an unjustified form of discrimination, which violated GATS.[77]

This did not mean that all international companies could now flood the United States. Rather, the United States had to alter what the Interstate Horseracing Act said, either by eliminating the Act or editing it to only exclude the at-home clause and/or allow foreign companies to take bets in America for these horse races.[78] However, the United States did none of this. Instead, the United States stated bluntly that it was not bound by the WTO's orders because it believed that it did not violate the international treaty. The United States said that, despite not specifically stating that it excluded gambling as a service under the GATS, it believed everyone knew the United States would not allow cross-border gambling and would change what it agreed to in writing if not clear.[79] This ultimately failed. First, the WTO found that the United States held itself to be open towards gambling.[80] Second, the executive branch of the United States could not change what it agreed to without the consent of the Senate.[81] And, finally, the United States could not change what it agreed to in the GATS without consequences.[82] As a result, the United States believed its best option was to change what it agreed to. In doing so, it would not have to change its laws affecting its internal economy and job market.[83]

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72. Rose, *supra* note 9, at 1185; Appellate Body Report, *supra* note 68. at ¶ 300–01, 304–27, 370–71.
73. Rose, *supra* note 9, at 1155.
74. Rose, *supra* note 9, at 1186.
75. Rose, *supra* note 9, at 1186–87; Appellate Body Report, *supra* note 68. at ¶ 372–73.
76. Rose, *supra* note 9, at 1187; Appellate Body Report, *supra* note 68. at ¶ 372–73.
77. Rose, *supra* note 9, at 1188; Appellate Body Report, *supra* note 68. at ¶ 372–73.
78. *Id.*
79. *Id.* at 1191–92.
80. *Id.*
81. *Id.*
82. Rose, *supra* note 9, at 1191.
83. *Id.* at 1192.

However, the United States is yet to pay any compensation; it pulled out of the trade agreement.[84] This move has resulted in uncertainty as to how international agreements affect the United States.[85]

C. The Individual States and How They Regulate

Now that we know how the federal government controls interstate gambling and interacts with international companies, let's look at how states regulate intrastate gambling and the policy concerns they consider.

States have begun to end the prohibition on gambling. States often instead implement laws to protect consumers and limit the harms that consumers were facing when operating on underground sites.[86] These states now welcome legal forms of gambling in an effort to eliminate unregulated gambling sites. States often all face the same concerns: Gambling by minors, defrauding of consumers by the operators, cheating by players against other players, involvement of organized crime, money laundering operations by operators or players, violations of jurisdictional laws or prohibitions, data breaches/breaches of confidentiality, and people with gambling problems.[87]

States have managed these problems by regulating operators and users.[88] For example, states have an interest in preventing minors from gambling and online gambling presents an easy way to access this vice.[89] One way states can protect minors is by requiring documentary evidence of age or biometric scans and/or frequent verification checks.[90] Additionally, states have an interest in limiting fraudulent and criminal behavior to protect the public from harm.[91] To prevent operators from perpetuating frauds, states could use licensing with vetting techniques such as background checks for criminal history, reputation, and/or criminal connections.[92] Moreover, states find that protecting data and the privacy of users is important because there is an interest in protecting users from possible harm.[93] States and the federal governments have created laws requiring security measures to be in place on websites that handle financial information and data.[94] Also, states want to know when they have jurisdictional power and have implemented location tracking when people are using websites.[95] Finally, with the

84. See Tom Miles, *Antigua "losing all hope" of U.S. payout in gambling dispute*, REUTERS (June 22, 2018, 4:33 AM), https://www.reuters.com/article/uk-usa-trade-antigua/antigua-losing-all-hope-of-u-s-payout-in-gambling-dispute-idUSKBN1JI0VZ.

85. *Id.*

86. Malcolm K. Sparrow, et al., *supra* note 35.

87. See *id.*

88. See *id.*

89. *Id.* at 3.

90. *Id.* at 9.

91. *Id.* at 2.

92. Malcolm K. Sparrow, et al., *supra* note 35 at 10.

93. *Id.* at 3.

94. *Id.* at 11.

95. *Id.*

increased availability of gambling, addiction has become a concern as it could harm societal welfare.[96] States have implemented several mechanisms to combat addiction and the harms that come with it.[97] Some mechanisms "permit [users] to limit their gambling volume, deposit rates, loss rates, and the size of each wager. Users could also access online clinical and self-help resources from links provided at the gambling site."[98]

While individual states are limited to controlling gambling within their borders, states cannot work with others to implement systems regulating international business and, instead, must rely on the federal government to create programs and agencies to facilitate these programs and measures.[99] This is inherently true because of the Compact Clause which disallows individual states from entering into "any Agreement or Compact with another State, or with a foreign Power."[100] Thus, there is an understanding that states cannot affect international gambling without the consent of Congress because that has much wider effects than just on the individual state.

Overall, as more states slowly move away from prohibition and towards regulations, they have noted how other states are achieving these very policy goals. Ultimately, states are hoping to control the harm done rather than ignoring it as they had been for many years.

III. The European Union's Outlook on Internet Gambling and its Guidance

A. How the European Union's Guidance Has Developed

1. The European Union's Approach

In recent years, the European Union has acknowledged the need for cooperation between member states to regulate online gambling.[101] The EU has cited the landscape of the European market, which has been rapidly growing and had a revenue of about thirteen billion Euros in 2015. The EU stated that millions of consumers took part in online gambling.[102] However, the EU quickly noted that millions participate in online gambling with "thousands of unregulated gambling websites, often from outside the EU."[103]

Although each nation can self-regulate with its own laws (as long as it complies with the Treaty on the Functioning of the European Union), the European Union recognizes that individual member states cannot defeat the many illegal gambling companies alone.[104] So, the European Union aimed to revamp its guidelines to create a more cooperative environment for

96. *Id.* at 4.
97. *Id.* at 12.
98. Malcolm K. Sparrow, Et Al., *supra* note 35.
99. U.S. CONST. art. I, § 10, cl. 3.
100. *Id.*
101. European Commission, *supra* note 5 at 1–2.
102. *Id.*
103. *Id.*
104. *Id.*

member states to assist each other.[105] However, the EU did not want to write more legislation. Instead, it only wanted to create a comprehensive action plan with common principles to have each member state on the same page.[106]

2. The European Union's Social and Policy Reasons Behind its Guidance and the Guidelines Themselves

The European Union's, like the United States', main reason for creating guidelines to follow was to ensure that consumers would be protected. In 2014, the European Union released a comprehensive list of guidelines.[107] In its recommendations, the commission stated that the purpose of the guidelines was to ensure that

> Member States . . . achieve a high level of protection for consumers, players and minors through the adoption of principles for online gambling services and for responsible commercial communications of those services, in order to safeguard health and to also minimize the eventual economic harm that may result from compulsive or excessive gambling.[108]

As a result, the guidelines focused on nine different topics, each aimed at different factors that ultimately affect how a user would use a gambling website. The ten topics that the guidelines covered were, "information requirements," "minors," "player registration and account," "player activity and support," "time out and self-exclusion," "commercial communication," "sponsorship," "education and awareness," "supervision," and "reporting."[109] In the guidelines, the European Commission names over fifty different ways for individual member states to better regulate internet gambling within those ten topics.

Most of the guidelines aim at individual member states creating regulations to force these websites to provide certain information.[110] For example, companies must provide details such as where their headquarters is, how to contact them, graphics that show the legal age of gambling, and the terms and conditions to using their platform.[111] Other guidelines ask members to design laws that require providers to create methods of parental controls, which limit minors from gambling and limit advertisements where kids could see them including television shows, websites, and physical locations where these minors are.[112] Along these same lines, the European Commission guides how providers should conduct gambling commercials. Section eight of the regulations dictates that providers should be identifiable in commercials, the risks of gambling should be clearly stated, and the commercials should not make unfounded state-

105. *Id.*

106. *Id.*

107. *See* 2014 O.J. (L 214) at 38.

108. *Id.* at 41.

109. *Id.* at 42–46.

110. *See generally, Id.*

111. *Id.* at 42.

112. See *id.* at 42–43.

ments about how much a player could win and/or their chances of winning.[113] Furthermore, sponsors of the gambling providers should not be closely related to minors or aimed at minors.[114]

To further provide safeguards for consumers, the guidelines encourage member states to create laws that make companies identify who is gambling on their websites, which can ensure that their funds are protected and only paid out to them.[115] Moreover, the guidelines encourage laws regarding limiting deposit amounts, creating helplines for problemed gamblers, and creating programs to detect problem gambler behavior.[116] Further, the European Commission urges member states to create registries of gamblers who have voluntarily placed themselves on a list indicating that they would like to exclude themselves from gambling services.[117] While on the list, the individuals should be denied access to gambling websites.[118]

To further promote social welfare, the guidelines call on member states to create educational and awareness programs to warn of the dangers of gambling.[119] The EU also states that customer service representatives from gambling providers should be well-trained in handling gambling problem issues.[120]

Finally, the European Commission invites member states to report if they have used any of the guidelines and how they have influenced the member states' country.[121] The commission promotes member states to create organizations to track the implementation and effectiveness of their laws.[122]

Overall, the recommendations from the European Union all aim at the same point: consumer welfare. However, these guidelines were not only meant to protect consumers, but also to improve standards by all member states "in the absence of harmonization at Union level" since countries are allowed to set its laws.[123]

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113. *Id.* § VIII ¶¶ 39–41, at 45.
114. *Id.* § IX ¶ 47, at 46.
115. *Id.* § V, at 43–44.
116. *Id.* § VI, at 44.
117. *Id.* § VII, at 45.
118. *Id.*
119. 2014 O.J. (L 214) 1, § X, at 46.
120. *Id.*
121. *Id.* § XII, at 46.
122. *Id.* § XI, at 46.
123. *Id.* ¶ 5 at 38.

B. How Individual Member States Work Together to Promote These Guidelines and How Professional Organizations Assist

1. How Member States Work Together

Although member states have different ways of regulating online gambling—some through licensing and others through prohibiting it—all have some laws about gambling.[124] Because these countries all have different methods and with varying efficacy, they are encouraged to work together to share data on their successes and failures.[125] Additionally, the cross-border nature of online gambling calls for multiple countries to work together to protect the welfare of each of their citizens.[126]

Member states are encouraged to share information on operators, communication strategies, strategies used to fight fraud, and unauthorized websites.[127] The general information that member states should share is the technology used by each, legislation and its effectiveness, best enforcement practices, licensing conditions, and the companies that meet these requirements.[128] As for licensed companies, the European Union encourages sharing the companies that apply for licenses, the history of those who have been licensed, such as infractions they have received, and any audit findings or complaints from users against them.[129] Additionally, the EU suggests releasing information on operators who are not licensed and known to still be operating.[130]

Member states are also encouraged to share information about consumer protection or gambling operators.[131] Member states should release information on who is barred from gambling, identity checks to verify age, and crime prevention.[132]

There are many reasons to share this information. Like the guidelines, an initial goal of sharing this information is to "protect consumers, minors, and the integrity of [the] game."[133] Although, there are many other reasons to share this information, such as limiting costs between nations by not having to perform the same tests for each member state.[134] Instead, these countries can go to sources that have already done the leg work and get answers without

124. Commission Staff Working Document on Online Gambling in The Internal Market, at 15, COM (2012) 596 final, (Oct. 23, 2012) [hereinafter COM (2012)].

125. *Id.* at 49.

126. *Id.*

127. *Id.* at 52.

128. *Id.* at 53.

129. *Id.*

130. COM (2012), *supra* note 124, at 54.

131. *Id.* at 53.

132. *Id.* at 53, 54.

133. Commission Cooperation Arrangement between the gambling regulatory authorities of the EEA Member States concerning online gambling services, 2021 O.J. (GROW C 3) 1, 1, https://ec.europa.eu/docsroom/documents/47694 [hereinafter Cooperation Arrangement].

134. *See id.*; *see also* COM (2012), *supra* note 124 at 53.

spending more money figuring out what regulations work or what technology is best.[135] Further, sharing information about possible fraud, criminal enterprises engaging in money laundering, and match-fixing helps maintain the integrity of the game.[136]

Member states taking an active position in communicating best practices reduces administrative burdens across the board and helps member states reduce match-fixing or other types of fraud and protect consumers.[137] This all-hands-on-deck approach to increasing the integrity of the business and ensuring that measures are in place to better foster a growing industry can only help member states.

2. How Professional Organizations Help Regulate Online Gambling

Not only do member states work together, but betting associations also work to keep the integrity of the business in Europe. Both the European Gaming and Betting Association ("EGBA") and the International Betting Integrity Association ("IBIA") work with partners to ensure that the gambling market is secured and gather information to make countries, providers, and users more informed. The IBIA is a coalition of partners focused on the integrity of licensed gambling companies.[138] Its focus is on eliminating "match-fixing."[139] Meanwhile, the EGBA represents gaming operators and aims to work with the EU and its member states to ensure users and consumers are well protected.[140] Additionally, it lobbies politicians to ensure that betting markets are not overly regulated.[141]

The IBIA sends out a yearly report breaking down market trends and listing what markets are "attractive" and which are "undeveloped."[142] The betting integrity association determines a market's attractiveness on a 100-point scale with five factors.[143] The five factors are regulation and licensing, taxation, product, integrity, and advertisement.[144] The most points are allocated for regulation and licensing and the least for advertisement.[145] Countries are then ranked based on each market's rating out of the five categories to determine their ultimate integrity.[146] Overall, the report gauges the integrity of betting in different jurisdictions, helping countries determine where to improve to better help consumers and providers who gamble and operate in their countries.[147]

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135. *Id.* at 1–2.

136. *Id.* at 1.

137. *Id.*

138. H2, *supra* note 2, at 4.

139. *Id.*

140. *See generally* Key Figures 2020, *supra* note 12 (reporting on key figures, regulatory compliance measures, and safer gambling measures in EU-27 and UK markets).

141. *Id.*

142. H2, *supra* note 2 at 9.

143. *Id.* at 17.

144. *Id.*

145. *Id.*

146. *Id.* at 37–56.

147. *Id.* at 3–4.

The EGBA also releases a yearly report on the state of gambling and regulation.[148] The report provides the reader with information regarding where each EGBA member comes from and where it is licensed to do business, as most are gambling companies.[149] The EGBA also provides statistics on the membership's regulatory compliance and shares them in the report.[150] Allowing insight into how each member is regulated lets providers and companies determine who is reputable or who needs to be audited more often.[151] Additionally, trade groups are helpful because they allow a diffusion of ideas and again offer the option of cutting costs for trying different technologies because no one company has to pay the entire bill.

The reports by the IBIA and the EGBA help regulate online gambling in multiple ways. For the IBIA, allowing countries, providers, and users to see where a country falls on a safe betting list cues each into whether they want to gamble there and if laws should be amended or changed. As for the EGBA, having a trade group that can share how they regulate with the public and share ideas, helps save money, and ensures consumers that they are gambling with the right providers. Overall, these professional organizations create a friendlier gambling environment and help the market grow.

C. Adjudication in the European Union and Cross-Border Gambling in The European Union

Adjudication and cross-border gambling in the European Union go hand in hand. The European Court of Justice can hear most cases regardless of whether the conflict arises only in one state or during a cross-border transaction. However, the European Union prefers that most gambling issues are decided in national courts.[152]

Cross-border gambling is considered an economic activity under the Treaty on the Function of The European Union.[153] Therefore, cross-border gambling falls under the jurisdiction of the European Court of Justice.[154] However, member states should note how rulings from the European Court of Justice and international treaties affect them. Dr. Simon Planzer, an EU/EEA gambling law expert, noted that the "supremacy of EU law and the requirement that Member States ensure fulfilment of its obligations arising from the Treaties, [meaning] national law must be in line with the Treaty obligations."[155] Additionally, he found that "the question is not which set of law applies—national or European—but rather how the two sets of laws interact, and how the constraints of EU law impact national laws."[156]

148. Key Figures 2020, *supra* note 12.

149. *Id.* at 4.

150. *Id.* at 6.

151. *See id.*at 6.

152. Philippe Vlaemminck & Robbe Verbeke, The Gambling Law Review: Gambling and European Law, THE LAW REVIEWS (Nov. 11, 2022) https://thelawreviews.co.uk/title/the-gambling-law-review/gambling-and-european-law.

153. *Id.*

154. *Id.*

155. Simon Planzer, Empirical Views on European Gambling Law and Addiction, 1 STUD. IN EURO. ECON. LAW AND REGUL. 1, 15 (Kai Purnhagen ed., 2014).

156. *Id.*

This leads to the next question: How do member states limit cross-border gambling? To limit cross-border gambling, member states need to conduct a proportionality test.[157] The proportionality test is a lower standard when trying to prevent online gambling.[158] Moreover, if member states create laws preventing cross-border gambling that violate the European Union treaty the member states must "show that its conflicting law serves a legitimate public interest objective. Moreover, the public interest must be balanced with the interest in an effective implementation of EU law (namely, proportionality)."[159] Member states must provide a legitimate reason to restrict this type of cross-border gambling service. Namely, member states must "demonstrate the suitability, proportionality and necessity of the measure in question, in particular the existence of a problem linked to the public interest objective at stake and the consistency of the regulatory system."[160]

Overall, the European Court of Justice can make binding decisions that affect how the member states can legislate. Also, member states can limit cross-border gambling by showing that the limiting laws are proportional.

IV. The Final Score: Takeaways and Differences between The United States' Methods and The European Union's

The United States and European Union share similarities but have some differences. For the most part, they both have similar policy and social goals. However, they differ in what methods they use to achieve these goals. When reviewing these methods, the United States should take notes from the European Union.

For example, the United States and the European Union want to prevent gambling-related issues such as addiction, fraud or crimes, and indoctrination of minors.[161] They both strive to limit how much exposure minors get by forcing providers to put up safeguards such as verification checks when creating accounts to gamble.[162] Additionally, both the United States and European Union focus on preventing fraud and match-fixing.[163] Both sides have aimed at preventing organized crime and third-party organizations operating in both the United States and Europe by setting up methods of reporting match-fixing.[164] Moreover, both find gambling addiction to be a crucial concern.[165] The European Union and the United States both dedicate resources to gambling addicts and ensure that providers offer options to put holds on accounts, provide links to self-help resources, and limit gambling.[166]

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157. Vlaemminck & Verbeke, *supra* note 152.

158. *Id.*

159. Planzer, *supra* note 155.

160. European Comm'n, *Gambling case law*, EUROPEAN COMM'N (Nov. 22, 2021), https://ec.europa.eu/growth/sectors/online-gambling/gambling-case-law_en.

161. Malcolm K. Sparrow, Et Al., *supra* note 35; 2014 O.J. (L 214).

162. Malcolm K. Sparrow, Et Al., *supra* note 35; 2014 O.J. (L 214).

163. Malcolm K. Sparrow, Et Al., *supra* note 35; 2014 O.J. (L 214).

164. H2, *supra* note 2, at 4.

165. 2014 O.J. (L 214); Malcolm K. Sparrow et al., *supra* note 35.

166. 2014 O.J. (L 214); Malcolm K. Sparrow et al., *supra* note 35. at 12.

On the other hand, the way that both the United States and the European Union achieve these policy goals differ. The European Union only provides guidelines, whereas the United States gives overarching laws first, then allows states to legislate themselves.[167] This can be harmful because the federal government does not allow states to work together and experiment on their own. Furthermore, the European Union actively encourages its members to share information to regulate and understand the gambling market better, whereas the United States is silent on facilitating the sharing of information, causing states to be inefficient for wasting resources on problems that others have solved.[168]

However, there are arguments supporting how the United States operates now. For example, the United States, as a single country, shares an identity and culture that is more receptive to a federal government taking sweeping action. In the European Union, each country retains its law-making powers because they each have individual cultures. Moreover, historically, gambling was regulated by the individual European states before they consented to the EU creating its guidelines, whereas the United States has always defaulted to following the federal government. However, just because the US shares a similar culture does not mean that the federal government must be paternalistic over the states; the states consent to give power to the federal government, not the other way around. Additionally, states should be free to work alongside each other because they watch out for the interests of their citizens. Also, each state controlling who it works with allows for experimentation on a smaller scale. Therefore, the United States should set up a forum similar to the European Union which gives guidance to the states and facilitate the transfer of information between states. This will skert around possible constitutional issues because the states will not be making law but rather sharing best practices on how to best protect consumers and providers.

Overall, the European Union's guidelines allow for the necessary autonomy among the member states because of the vast cultural differences in each country. The United States would benefit from a similar process because of the cultural differences from state to state. Additionally, instead of relying on organizations to collect and share data, a national agency in the United States could help facilitate the transfer of best practices and critical data to facilitate market growth.

Conclusion

Gambling has been around for centuries and will likely continue to be around for many more. Although the methods and ways of gambling might have changed over thousands of years, today, countries face a globalized market. The growth in the value of the entire market has come along with the changes in gambling. As a result, multiple nations have developed ways to limit or regulate this market to protect the interest of its citizens.

Both the United States and the European Union can learn from each other. The European approach of being hands-off and providing loose guidelines (besides minimal intervention from the European Court of Justice, which can make binding decisions) allows countries to experi-

167. Lowenhar-Fisher, et al., *supra* note 3; *See also* European Commission, *supra* note 5, at 2.

168. Cooperation Arrangement, *supra* note 133, at 1.

ment with its laws to see what types work better.[169] Meanwhile, the United States' approach limits this type of growth and calls on states to follow federal statutes such as the Wire Act through the supremacy clause.[170] But states within the US have been promulgating laws that fit their citizenry and liking, as seen by recent changes in each states stance on online gambling.[171] Perhaps, they are taking a note from the member states of the European Union.

However, as markets become globalized, so do laws. As the gambling market grows and shifts online, countries will draft laws that combat fraud and protect consumers with regulation rather than prohibition.[172] Moreover, since the worldwide pandemic, countries have spotlighted Internet gambling to prevent people from gathering. Now more than ever, governments must find ways to regulate users efficiently and effectively. Despite countries legally limiting cross-border gambling through laws, actually doing so is something that many jurisdictions have struggled with, such as the US relying on anonymous tips. Therefore, learning from other countries and states that have successfully eliminated threats and successfully limited unwanted cross-border gambling is the key to quickly advancing through these new challenges. Thus, the United States should take some notes from the European Union. By allowing for better facilitation of information across states, they can work hand-in-hand rather than as separate entities.

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169. *See* Lowenhar-Fisher, et al., *supra* note 3, at §§ 1.01–2.03; Vlaemminck & Verbeke, *supra* note 152.

170. U.S. CONST. art. II, § 2, cl. 2.

171. CBS Sports Staff, *U.S. sports betting: Here's where all 50 states stand on legalizing sports gambling, best site mobile bets*, CBS SPORTS (Mar. 10, 2023) https://www.cbssports.com/general/news/u-s-sports-betting-heres-where-all-50-states-stand-on-legalizing-sports-gambling-best-site-mobile-bets/.

172. *See* Zernick, *supra* note 20; European Commission, *supra* note 5.

Smart Study Co. v. Acuteye-Us

No. 1:21-CV-5860-GHW, 2022 WL 2872297 (S.D.N.Y. July 21, 2022).

The United States District Court for the Southern District of New York denied Plaintiff's motion for default judgment because the Court lacked personal jurisdiction over Defendants for improper service. Defendants were not served properly pursuant to Federal Rule of Civil Procedure 4(f). The Court further held that even if service was proper, default judgment would still be denied as it is prohibited by the Hague Convention and cannot be enforced.

I. Holding

In *Smart Study Co. v. Acuteye-Us*, a United States entertainment company sued fifty-three Chinese merchants for violating their intellectual property rights in relation to trademark and copyrights they held for the popular song, "Baby Shark."[1] Plaintiff served all of the Defendants via email.[2] Two of the fifty-three Defendants responded to this action with an argument that the Court lacked personal jurisdiction on the basis that Plaintiff failed to serve them properly.[3] Plaintiff voluntarily dismissed these two Defendants from the case then moved for a default judgment against the remaining fifty-one Defendants for failing to respond to the complaint within the requisite time period.[4] The District Court denied Plaintiff's motion for default judgment.[5]

The District Court held that it lacked personal jurisdiction over the Defendants because the Defendants who were served only via email, was not a proper form of service, and further clarifying "service by email on individuals or entities located in China is not permitted under the [Hague Convention] or the Federal Rules of Civil Procedure."[6] The Court accordingly denied Plaintiff's motion for default judgment.[7]

II. Facts and Procedure

Plaintiff is a global entertainment company that owns multiple federal trademark and copyright registrations for the hit song "Baby Shark" and its related products.[8] Plaintiff sells Baby Shark products through its personal website, as well as through big retailers such as Walmart, Target, and Amazon.[9] Plaintiff created a program to license Baby Shark consumer

1. *Smart Study Co. v. Acuteye-Us*, No. 1:21-CV-5860-GHW, 2022 WL 2872297, at *1 (S.D.N.Y. July 21, 2022).
2. *Id.*
3. *Id.* at *3.
4. *Id.*
5. *Id.* at *1.
6. *Id.*
7. *Id.*
8. *Id.*
9. *Id.*

products around the world.[10] The Defendants are third-party merchants, based in China, that operate storefronts on Amazon.com and other websites.[11]

On July 6, 2021, Plaintiff filed a complaint against the fifty-three Defendants, all third-party merchants based in China, asserting the merchants "manufacture[d], import[ed], expert[ed], advertise[d], market[ed], promote[d], distribute[d], display[ed], offer[ed] for sale and/or s[old] counterfeit Baby Shark products to consumers in the United States."[12] Plaintiff filed the complaint under the Lanham Act, United States copyright law, and unfair competition under New York common law.[13] Two days after filing this initial complaint, Plaintiff made an additional filing for a temporary restraining order as well as an order to show cause as to why a preliminary injunction should not be issued.[14] Additionally, Plaintiff filed an order to freeze the Defendants' assets, an order for expedited discovery, and an order authorizing bifurcated and alternative service.[15] Plaintiff requested bifurcated and alternative service in order to serve the Defendants via email pursuant to Federal Rule of Civil Procedure 4(f)(3).[16]

Plaintiff argued in this request that Federal Rule of Civil Procedure 4(f)(3) allows alternative service through electronic means.[17] Plaintiff claimed that the Hague Convention did not apply to this matter and, even if it did, service via email is not prohibited by the Hague Convention itself.[18] On July 9, 2021, the Court authorized Plaintiff to serve the Defendants via email.[19] Plaintiff emailed copies of "the Court's order, the Summons, and the Complaint to email addresses associated with the Defendants' user accounts and merchant storefronts on Amazon.com" on July 22, 2021.[20]

"On July 30, 2021, the Court held a hearing on Plaintiff's motion for a preliminary injunction."[21] The Court ordered the original temporary restraining order would remain in effect "pending the final hearing and decision of this action or further order of this Court."[22]

In October 2021, two Defendants, YLILLY and Topivot, filed motions to dissolve the preliminary injunction.[23] Topivot argued against the injunction in a reply brief on the grounds that the Court lacked personal jurisdiction over Topivot "because service via email on Chinese

10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.* at *2.
14. *Id.*
15. *Id.*
16. *Id.*
17. *Id.*
18. *Id.*
19. *Id.*
20. *Id.*
21. *Id.*
22. *Id.*
23. *Id.*

defendants was not permissible under the Hague Convention, and thus was not permissible under Federal Rule of Civil Procedure 4(f)."[24]

On December 21, 2021, the Court held oral argument on Tipovit's motion.[25] Plaintiff's counsel argued that the Hague Convention "applied to the service of defendants in this case because they are "Chinese defendants."[26] Plaintiff's counsel also argued that the "Hague convention does not prevent service by electronic mail" according to *Sulzer Mixpac AG v. Medenstar Indus. Co.*,[27] a case decided in this court."[28] The Court responded to Plaintiff's argument with a series of cases that held the opposite conclusion—determining serving Chinese Defendants via email is not permitted.[29] The Plaintiff's failed to respond to the Court on this matter and apologized for "not having researched the issue."[30] The Court further asked Plaintiff's to address the Supreme Court's decision in *Water Splash Inc. v. Menon*,[31] a case that has "critical implications for service of foreign defendants under the Hague Convention."[32] Plaintiff's counsel stated they were unaware of the existence of the case, and needed to review it.[33]

After the oral argument ended, Plaintiff voluntarily dismissed both YLILLY and Topivot from the ensuing action.[34] The remaining Defendants, however, did not respond to Plaintiff's complaint by the deadline established in Federal Rule of Civil Procedure 12.[35] Because there was no response, on December 21, 2021, "the Clerk of Court issued a certificate of default as to the remaining Defendants."[36] About two months later on February 11, 2022, "Plaintiff filed a motion for default judgment and supporting papers against the remaining defendants."[37] Plaintiff not only argued that Defendants were properly served under Federal Rule of Civil Procedure 4(f)(3), but also argued under Federal Rule of Civil Procedure 4(f)(2) that the Defendants were properly served.[38]

Plaintiff argued as to service under Rule 4(f)(2) that Article 87 of the Civil Procedure Law of the People's Republic of China "permitted defendants to be served via email subject to the defendant's consent."[39] But Article 87 further clarifies that "the People's court may serve litiga-

24. *Id.*
25. *Id.*
26. *Id.*
27. Sulzer Mixpac AG v. Medenstar Indus. Co., 312 F.R.D. 329, 330 (S.D.N.Y. 2015).
28. *Id.*
29. *Id.*
30. *Id.*
31. Water Splash, Inc. v. Menon, 196 L. Ed. 2d 442, 137 S. Ct. 547 (2016).
32. *Id.*
33. *Id.*
34. *Id.*
35. *Id.* at *3.
36. *Id.*
37. *Id.*
38. *Id.*
39. *Id.*\

tion documents by email."[40] Here, because Plaintiff's counsel was attempting to serve the litigation documents directly instead of the People's Court, the Court was left with the question of whether service was appropriate.[41]

In order to answer the question of "whether service via email by foreign litigants on individuals located in China was prohibited by the laws of the People's Republic of China," on March 1, 2022, the Court sought "the disinterested legal advice of Professor Benjamin Liebman, the Robert L. Professor of Law and Director of Columbia Law School's Hong Yen Chang Center for Chinese Legal Studies."[42] Professor Liebman and Geoffrey Sant, a partner and co-chair of Pillbury Winthrop Shaw Pittman LLP's China Practice, submitted an amicus brief responding to this question.[43] The brief was later amended on July 1, 2022, with more recently available information.[44] Plaintiff also submitted a declaration from Richard K. Wagner, "who is Of Counsel at internal law firm Allen & Overy in Hong Kong, responding to that amicus brief."[45] Mr. Wagner's submission argued "Article 87 was most applicable to situations where the general service rules for domestic service in China govern and not to foreign-related/international cases such as that presented by the fact pattern here."[46]

III. Standard

Default judgment is awarded when a party has a judgment for affirmative relief against them and "has failed to plead or otherwise defend."[47] Proof of this failure by an "affidavit or otherwise" is also required for the award.[48] When the Court evaluates a motion for default judgment, all of plaintiff's factual allegations are accepted as true and all reasonable inferences will be favored towards the plaintiff.[49] "Nevertheless, the Court is required to determine whether plaintiff's allegations establish liability as a matter of law."[50] Further, the Court has "discretion under Rule 55(b)(2) once a default judgment is determined to require proof of necessary facts and need not agree that the alleged facts constitute a valid cause of action."[51]

A court cannot grant a motion for default judgment unless it has personal jurisdiction over the defendant.[52] Personal jurisdiction over a defendant requires that the defendants be properly served.[53] The burden of proof falls on the plaintiff to show that service was adequate.[54]

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40. *Id.*
41. *Id.*
42. *Id.*
43. *Id.*
44. *Id.*
45. *Id.*
46. *Id.*
47. *Id.*
48. *Id.* at *4.
49. *Id.*
50. *Id.*
51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.*

IV. Analysis

A. The Court Lacks Personal Jurisdiction

The Court found it lacked personal jurisdiction because service on the Defendants was improper.[55] The Defendants are all located in the People's Republic of China.[56] Both the United States and China are parties to the Hague Convention "which seeks to simplify, standardize, and generally improve the process of serving documents abroad."[57] Compliance with the Hague Convention is mandatory in the cases where it applies, as is the case here, because all Defendants are located in China.[58] Because the United States and China are part of the Hague Convention, the proper transmission of documents laid out in the Convention must be followed.[59]

1. Rule 4(f): Hague Convention's Foundation

The Hague Convention has its proper standing from Rule 4(f).[60] There are three subsections in the rule that provide: "[u]nless federal law provides otherwise, an individual may be served at a place not within any judicial district of the United States:

> (1) by any international agreed means of service that is reasonably calculated to give notice, such as those authorized by the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents;
>
> (2) if there is no internationally agreed means, or if an international agreement allows but does not specify other means, by a method that is reasonably calculated to give notice:
>
> > (A) as prescribed by the foreign country's law for service in that country in an action in its courts of general jurisdiction;
> >
> > (B) as the foreign authority directs in response to a letter rogatory or letter of request; or
> >
> > (C) unless prohibited by the foreign country's law, by:
> >
> > > (i) delivering a copy of the summons and of the complaint to the individual personality; or
> > >
> > > (ii) using any form of mail that the clerk addresses and sends to the individual and that requires a signed receipt; or
>
> (3) by other means not prohibited by international agreement, as the court orders."[61]

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55. *Id.* at *1.
56. *Id.* at *4.
57. *Id*
58. *Id.*
59. *Id.*
60. *Id.*
61. *Id.* at *5.

Plaintiff did not follow the Hauge Convention rules when attempting to serve Defendants, therefore, failing to meet the requirements of Rule 4(f)(1).[62] Instead, Plaintiff served Defendants via a court order pursuant to Rule 4(f)(3).[63] Plaintiff further alleged that "Defendants were also properly served pursuant to Rule 4(f)(2)."[64]

2. The Hague Convention Applies to All Defendants

Although the Plaintiff asserts the Hague Convention does not apply to eleven Defendants in this matter "whose addresses could not be easily found on their virtual storefronts," the specific language of the Convention states: "The Hague Convention does not apply where the address of the person to be served with the document is not known."[65] In order for an address to be "not known," the courts in this circuit have ruled that the plaintiff must have exercised "reasonable diligence in attempting to discover a physical address for service of process and was unsuccessful in doing so."[66] Examples of plaintiffs exercising due diligence in finding defendants' addresses for service include: "research[ing] defendant's websites associated with defendant's domain names, complet[ing] multiple Internet-based searche[s], call[ing] known phone numbers, and conduct[ing] in-person visits."[67] Plaintiff in this case did not exercise due diligence as it only looked at the Defendants' online storefront for their addresses.[68] After Plaintiff discovered that "eleven of the Defaulting Defendants displayed a partial, incomplete and/or false address" the Plaintiff stopped any further investigating.[69] Plaintiff does not claim to have contacted Amazon about finding an address nor does Plaintiff claim to have taken any other additional steps.[70] Because Plaintiff failed to exercise reasonable due diligence in finding Defendants' addresses, all Defendants in this case are subject to the Hague Convention.[71]

3. Service was Not Proper Under Rule 4(f)(3)

Rule 4(f)(3) "allows litigants in the United States [to] serve an individual or entity outside of the United Sates by other means not prohibited by international agreement" under the discretion of the district court.[72] The district court, when determining whether to allow alternative methods, "should look at the case-specific record before it."[73] Serving defendants "by a method that is prohibited by international agreement is impermissible under Rule 4(f)(3)."[74]

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62. *Id.*
63. *Id.*
64. *Id.*
65. *Id.*
66. *Id.*
67. *Id.*
68. *Id.* at *6.
69. *Id.*
70. *Id.*
71. *Id.*
72. *Id.*
73. *Id.*
74. *Id.*

Serving defendants located in China via email, as is the case here, is not permitted under the Hague Convention.[75]

The Hague Convention permits service via a variety of methods.[76] First, "an applicant can send a request for service to a receiving country's central authority, an entity that every signatory to the Convention must establish."[77] The central authority has the duty to "serve the defendant by a method that is compatible with the receiving country's domestic laws, and then provide the applicant with a certificate either confirming that service was successful or listing the reasons that prevented service."[78]

The second option for service is when a country proposes to use an alternative method.[79] The alternative method will be permitted by the Hague Convention "unless the receiving country objects."[80] Alternative methods include: "service by diplomatic and consular agents, service through consular channels, service on judicial officers in the receiving country, and direct service by postal channels."[81] "China has specifically objected to service by postal channels," but the Hague Convention does not mention any language about serving via email.[82] The question surrounding this case then becomes whether the Hague Convention permits service via email.[83]

4. Service by Email on Litigants in China is Prohibited by the Hague Convention

The Court ultimately ruled that "service via email on litigants located in China is not permitted by the Hague Convention."[84] The Supreme Court has continually recognized the specific methods of service outlined in the Hague Convention as permissible, and subsequently, has failed to recognize the methods that are not explicitly in the Hague Convention as permissible.[85] Courts have held that serving defendants via email would both "bypass the means of service set forth in the Convention" and further, "contravene the treaty."[86]

In *Water Splash*, the Supreme Court specifically looked at the language expressed in Article 10(a) of the Hague Convention which states the Convention "shall not interfere with the freedom to send judicial documents, by postal channel, directly to persons abroad."[87] The Court

75. *Id.* at *7.
76. *Id.*
77. *Id.*
78. *Id.*
79. *Id.*
80. *Id.*
81. *Id.*
82. *Id.*
83. *Id.*
84. *Id.*
85. *Id.*
86. *Id.*
87. *Id.*

was looking to distinguish "sending documents" from "serving documents" and whether this distinction meant service by postal mail was permissible.[88] The Court ultimately concluded that "the Convention permits service of judicial documents by mail unless a country lodges an objection to Article 10(a)."[89] This conclusion reinforced the idea that "the Hague Service Convention specifies certain approved methods of service and pre-empts inconsistent methods of service wherever it applies."[90]

Although *Water Splash* established whether service via postal mail was permitted by the Conference, service via email was not decided.[91] Because the Convention leaves out language concerning service via email, two questions arise: (1) whether email is a permissible method of service under the Convention in general; and (2) if so, whether email is a permissible method of service where a country has objected to service by "postal channels."[92] The first question does not garner an analysis here, as China specifically objects to service via postal channels, but it is still important to note that courts have acknowledged service via email is precluded by the Convention despite what preferences the country holds.[93] Further, the Court acknowledges Articles 11 and 19 of the Hague Convention as support for the "wholesale preclusion of email as a method of service."[94] "Article 11 provides that any two states can agree to methods of service not otherwise specified in the Convention and Article 19 clarifies that the Convention does not preempt any internal laws of its signatories that permit service from abroad via methods not otherwise allowed by the Convention."[95] These two articles allow countries "to expressly permit service via email."[96]

Turning now to the second question, whether email is a permissible method of service where a country has objected, some courts have held "service by postal channels encompasses service by email, such that service by email is permissible under the Convention."[97] Even with this understanding, serving defendants in China via email would still be invalid as China objects to service via postal channels.[98] The Supreme People's Court of China has also made very clear that service via email would not be permitted and would fall under the postal channel umbrella through Article 11 of the Minutes of the National Symposium on Foreign-related Commercial and Maritime Trial Work.[99] These minutes state: "in the event that the country where the person to be served is located is a member of the Hague Service Convention and objects to the service by mail under the Convention, it shall be presumed that the country does

88. *Id.*
89. *Id.*
90. *Id.* at *8.
91. *Id.*
92. *Id.*
93. *Id.*
94. *Id.*
95. *Id.*
96. *Id.*
97. *Id.* at *9.
98. *Id.*
99. *Id.*

not allow electronic service, and the people's court shall not adopt electronic service."[100] Chinese authorities further declare that "an objection to service by postal channels includes an implicit objection to service via email."[101]

Despite these declarations, some Second Circuit Courts hold that service via email to Chinese defendants is permissible as the objection to postal channels does "not expressly bar service via email."[102] The Courts rely on Germany as an example for support, showing "although Germany has objected to specific forms of service otherwise enumerated in the Hague Convention, it has not expressly barred alternative forms of effective service not referenced in the Hague Convention."[103] The Court disagrees with this analysis and clarifies that the Hague Convention "is meant to set forth simple and certain methods of service that can be used to serve foreign litigants."[104] Further, when the "Convention lays out specific means of service, countries can make specific objections to those means of service," unlike a different situation in which the Convention was silent as to a method of service and there would "be no ready way to object to that method of service."[105]

Plaintiff also makes an argument that service under Rule 4(f)(3) should be permitted "given the exigent circumstances Plaintiff faced."[106] There is no exigent circumstances exception to Rule 4(f)(3) and, once again, China prohibits service via email.[107] The Hague Convention does not allow "litigants to craft their own method of service whenever they think the issue is urgent."[108]

In summary, the Hague Convention "prohibits service by email on defendants located in China."[109] "Rule 4(f)(3) only permits service by means not prohibited by international agreement."[110]

5. Service Was Not Proper Under Rule 4(f)(2)(C)

The last argument Plaintiff made was that service was proper under Rule 4(f)(2)(C).[111] The Court holds service is not proper under this Rule.[112] Rule 4(f)(2)(C) provides that "an individual may be served in a foreign country if there is no internationally agreed means, or if an international agreement allows but does not specify other means, by a method that is rea-

100. *Id.*
101. *Id.*
102. *Id.*
103. *Id.*
104. *Id.*
105. *Id.*
106. *Id.*
107. *Id.*
108. *Id.*
109. *Id.* at *11.
110. *Id.*
111. *Id.*
112. *Id.*

sonably calculated to give notice unless prohibited by the foreign country's law."[113] The Hague Convention is the internationally agreed upon means present in this case.[114] Article 284 of the People's Republic of China Civil Procedure Law explicitly states that "a request for and the provision of judicial assistance shall be conducted through channels stipulated in the international treaties concluded or acceded to by the People's Republic of China."[115] Article 284 further states "no foreign agency or individual may serve documents or collect evidence within the territory of the People's Republic of China without the consent of the in-charge authorities."[116] This standard implicates "a foreign individual or entity cannot, as a general rule, directly serve an individual in China by any means—not just email."[117]

Additionally, China has designated its Ministry of Justice as its central authority.[118] Meaning, "the channel through which service by a foreign litigant must be made is through the procedures set forth in the Hague Convention—and not be email."[119] As amici from the independent experts explain, "in China, the courts themselves serve documents on litigants."[120] "To serve a party in China, an individual in a foreign country must apply to the Ministry of Justice."[121] If there was confusion about the validity of serving a defendant in China via email before, the fact that "litigants are precluded from emailing even an initial request for service to the Ministry of Justice" should be a clear indicator of where China stands on the proper way to serve.[122]

Although Plaintiff's expert claims Article 274 is the correct source to look to for proper service in China, this is incorrect, as the text requires service by "the People's Courts."[123] The mention of "People's Court" is in reference to courts in China, not United States courts.[124] Article 274 has the purpose of helping a court in the People's Republic of China "serve individuals who are not located in China."[125]

Simply put, Rule 4(f)(2)(C) "only permits service via methods that are not prohibited by the foreign country's law."[126] The law of the People's Republic of China "prohibits foreign entities and individuals from serving litigants in China without the consent of the Ministry of Justice."[127]

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113. *Id.*
114. *Id.*
115. *Id.*
116. *Id.*
117. *Id.*
118. *Id.*
119. *Id.*
120. *Id.* at *12.
121. *Id.*
122. *Id.*
123. *Id.*
124. *Id.*
125. *Id.*
126. *Id.* at *13.
127. *Id.*

B. Article 15: Prohibition of Default Judgment

Despite the Court holding it lacked personal jurisdiction under improper service, even if service on the Chinese Defendants via email was proper, the Court would still deny default judgment.[128] Article 15 has two paragraphs, the first paragraph is not relevant here as it involves a situation in which a certificate was transmitted.[129] Plaintiff did not receive a certificate and the analysis continues with paragraph two of Article 15 which states:

> "Contracting State shall be free to declare that the judge, notwithstanding the provisions of the first paragraph of this Article, may give judgment even if no certificate of service or delivery has been received, if all the following conditions are fulfilled:
>
> a) the document was transmitted by one of the methods provided for in this Convention,
>
> b) a period of time of not less than six months, considered adequate by the judge in the particular case, has elapsed since the date of the transmission of the document,
>
> c) no certificate of any kind has been received, even though every reasonable effort has been made to obtain it through the competent authorities of the State addressed."[130]

In cases of urgency, the judge may order "any provisional or protective measures" notwithstanding these provisions.[131]

In this case, the second paragraph of Article 15 applies because Plaintiff never received a "certificate" of any kind.[132] Thus, in order for default judgment to be awarded, the transmission of documents must have followed the proper procedures as required by the Hague Convention.[133] Here, Plaintiff was required to "send the relevant judicial documents to the Ministry of Justice."[134] There is no dispute that Plaintiff did not do this and failed to take reasonable steps to receive a certificate.[135] Because of this, the "Court lacks authority to enter default judgment in Plaintiff's favor."[136]

Plaintiff argues that Article 15 is still satisfied because this is a case of urgency, but this argument has no merit.[137] Even if Plaintiff's case was urgent, Article 15 requires that "a judg-

128. *Id.*
129. *Id.*
130. *Id.*
131. *Id.*
132. *Id.*
133. *Id.* at *14.
134. *Id.*
135. *Id.*
136. *Id.*
137. *Id.*

ment may not be entered unless a foreign defendant received adequate timely notice of the lawsuit," which the Defendants failed to receive.[138] Furthermore, Article 15 acts as a "metaphorical backstop to ensure foreign defendants receive notice of a lawsuit prior to the entry of judgment" and would require the Plaintiff to submit the judicial documents by one of the recognized ways laid out in the Hague Convention.[139] If a plaintiff "fails to transmit documents via a method in the Hague Convention, it cannot collect a judgment."[140]

V. Conclusion

The Court denied Plaintiff's motion because the Court lacked personal jurisdiction over Defendants.[141] Defendants were Chinese merchants and were served by an individual in the United States.[142] The Hague Convention controlled these suits and the Federal Rule of Civil Procedure 4(f) which gives rise to the Convention applied thereto.[143]

First, the Hague Convention applied to all Defendants and certain rules on proper service were to be followed because of this.[144] Second, service was not proper under Rule 4(f)(3).[145] Third, service by email on litigants in China is prohibited by the Hague Convention.[146] Fourth, service was not proper under Rule 4(f)(2)(C).[147]

Even if service was proper under one of these rules, default judgment would still be improper as the Hague Convention prohibits default judgment.[148]

Michael A. Fields

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138. *Id.*
139. *Id.*
140. *Id.*
141. *Id.* at *1.
142. *Id.*
143. *Id.* at *4.
144. *Id.* at *5.
145. *Id.* at *6.
146. *Id.* at *7.
147. *Id.* at *11.
148. *Id.* at *13.

Daou v. BLC Bank, S.A.L.

42 F.4th 120 (2d Cir. 2022)

The United States Court of Appeals for the Second Circuit affirmed dismissal of Plaintiffs' claims against three Lebanese banks and the Banque du Liban arising from restrictions placed on the transfer of Plaintiffs' U.S. dollars held in Lebanese bank accounts to correspondent U.S. bank accounts due to (1) lack of personal jurisdiction under New York's long-arm statute for claims against the banks and (2) due to an entitlement of sovereign immunity under the Foreign Sovereign Immunities Act for claims against the Banque du Liban.

I. Holding

In *Daou v. BLC Bank, S.A.L.*, Joseph and Karen Daou (together, the "Daous") brought claims against three Lebanese commercial banks, BLC Bank, S.A.L. ("BLC"), Credit Libanias, S.A.L. ("CL"), AlMawarid Bank, S.A.L. ("AM") (collectively, "Commercial Banks"), and Lebanon's central bank, Banque du Liban ("BDL"), after the banks denied the Daous' requests to transfer millions of dollars held in Lebanese accounts to accounts in the United States.[1] While Plaintiffs alleged that the banks conspired to deprive them of assets held in Lebanese accounts, BDL and the Lebanese banking sector placed restrictions on the movement of significant sums of U.S. dollars outside the country in an attempt to prevent economic disaster following political turmoil and an exodus of foreign investment.[2] The Defendants each moved to dismiss Plaintiffs' claims of, *inter alia*, civil conspiracy, fraud, issuance of dishonored checks, conversion, breach of contract, promissory estoppel, and unjust enrichment, on jurisdictional and *forum non conveniens* grounds and for failure to state a claim.[3] Without reviewing the merits of Plaintiffs' claims, the district court granted each motion to dismiss: (1) by CL for lack of personal jurisdiction under New York's long-arm statute and (2) by AM and BLC on *forum non conveniens* grounds, predicated on mandatory forum selection clauses in the Daous' banking contracts, which designated Beirut as the jurisdiction for all disputes arising from the relationship between the Commercial Banks and Plaintiffs.[4] Likewise, the district court dismissed claims against BDL, holding that, as the agency or instrumentality of a foreign state, BDL was entitled to sovereign immunity under the Foreign Sovern Immunity Act ("FSIA") and because Plaintiffs were unable to show that BDL's conduct was exempt under the FSIA's commercial activity exception, the Court lacked subject-matter jurisdiction over BDL.[5] Plaintiffs subsequently appealed the dismissals.[6]

On appeal, the Second Circuit affirmed the district court's dismissal of all claims but reasoned instead that the Court lacked personal jurisdiction over all Commercial Bank Defen-

1. Daou v. BLC Bank, S.A.L., 42 F.4th 120, 125 (2d Cir. 2022).
2. *Id.*
3. *Id.* at 125–26.
4. *Id.* at 127–28.
5. *Id.*
6. *Id.*

dants under New York's long-arm statute and, therefore, did not have authority to determine whether BLC and AM's forum selection clauses were enforceable.[7] Similarly, the Court affirmed the district court's holding that BDL was entitled to sovereign immunity under the FSIA and that the commercial activity exception was inapplicable because the direct effects of BDL's activity were not felt in the United States.[8]

II. Facts and Procedure

Plaintiffs, Joseph and Karen Daou, reside in Florida and hold dual citizenship in the United States and Lebanon.[9] In early 2016, Joseph Daou opened U.S. dollar-denominated accounts in Lebanon with CL and BLC, whose contracts provided that Lebanese law would govern all disputes.[10] In addition, BLC's contract contained a mandatory forum selection clause specifying Beirut as the exclusive jurisdiction of all claims.[11]

As of 2018, the banks had each routed four transactions with the Daous using their New York correspondent accounts.[12]

By 2019, the Daous held assets in Lebanese accounts amounting to over $18,500,000.[13] However, in September 2019, concern over a significant drop in the value of the Lebanese pound ("LBP"), caused by economic upheaval in the country, prompted the Daous to request wire transfers of large sums to correspondent accounts in the United States.[14]

In December 2019, after the banks denied these requests, Joseph Daou opened an account with AM, whose contract also included a mandatory selection clause providing Beirut with exclusive jurisdiction over all claims. Daou deposited $5,735,928.67 into the AM account on the understanding that the bank would approve wire transfer requests to the United States.[15] However, in December 2019 and January 2020, AM denied Daou's request to transfer the balance of the account.[16]

In a final attempt to transfer money to the United States, the Daous accepted U.S. dollar-denominated checks from BLC, CL, and AM on the alleged representation that the checks could be deposited in the United States.[17] However, BDL, with whom all three Commercial

7. *Id.*
8. *Id.*
9. *Id.* at 126.
10. *Id.*
11. *Id.*
12. *Id.*
13. *Id.*
14. *Id.*
15. *Id.* at 126–27.
16. *Id.* at 127.
17. *Id.*

Banks had accounts, refused to transfer the Daous' money, stating that "the checks would have to be presented to a local bank in Lebanon."[18]

The Daous sued BLC, CL, AM, and BLC in the U.S District Court for the Southern District of New York, alleging, *inter alia*, civil conspiracy, fraud, issuance of dishonored checks, conversion, breach of contract, promissory estoppel, and unjust enrichment. In their complaint, the Daous allege that their inability to procure assets held in Lebanese banks resulted in lost real estate deals in the United States amounting to damages in excess of $60 million.[19] The District Court dismissed the Daous' claims against CL for lack of personal jurisdiction under New York's long-arm statute N.Y. C.P.L.R. § 302(a)(1), against AM and BLC on *forum non conveniens* grounds due to the valid mandatory forum selection clauses in the banks' contracts, and against BDL on the grounds that it was entitled to sovereign immunity.[20] The Daous appealed.

III. Discussion

A. Past and Hypothetical Transactions Involving Correspondent Accounts Did Not Confer Personal Jurisdiction Over the Lebanese Commercial Banks

In its *de novo* review of the district court's dismissal on jurisdictional grounds, the Second Circuit began its analysis by stating that "'to survive a motion to dismiss for lack of personal jurisdiction, a plaintiff must make a prima facie showing that jurisdiction exists.'"[21] Here, the Daous claimed that the Court had personal jurisdiction over the Commercial Bank Defendants under New York's long-arm statute, N.Y. C.P.L.R. § 302(a)(1), which "confers on courts personal jurisdiction over a defendant who 'transacts any business within the state or contracts anywhere to supply goods or services in the state.'"[22] The Court confirmed that "'[i]n the absence of a federal statute specifically directing otherwise, and subject to limitations imposed by the United States Constitution, we look to the law of the forum state to determine whether a federal district court has personal jurisdiction over a corporation'"[23] and shifted its analysis to the requirements of New York's long-arm statute to determine "whether personal jurisdictions exist[ed] as a matter of state law."[24] As per N.Y. C.P.L.R. § 302(a)(1), to establish personal jurisdiction, a plaintiff show that: "(1) The defendant . . . transacted business within the state; and (2) the claim asserted . . . [arose] from that business activity."[25]

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18. *Id.*
19. *Id.* at 127.
20. *Id.* at 127–28.
21. *Id.* at 128–29 (quoting Chufen Chen v. Dunkin' Brands, Inc., 954 F.3d 492, 497 (2d Cir. 2020)).
22. N.Y. C.P.L.R. § 302(a)(1).
23. *Daou*, 42 F.4th at 129 (quoting Brown v. Lockheed Martin Corp., 814 F.3d 619, 624 (2d Cir. 2016)).
24. *Id.*
25. *Id.* (quoting Sole Resort, S.A. de C.V. v. Allure Resorts Mgmt., LLC, 450 F.3d 100, 103 (2d Cir. 2006)).

First, determining whether a defendant transacted business in the state for the sake of personal jurisdiction necessitates a fact-specific analysis.[26] Here, all Commercial Banks are headquartered and operate primarily in Lebanon.[27] However, each bank maintains a correspondent account in New York to "'facilitate the flow of money worldwide, often for transactions that otherwise have no other connection to New York, or . . . the United States.'"[28] The Daous proffered undisputed evidence that, between 2016 and 2018, BLC and CL each performed four transactions with the Daous using the correspondent accounts.[29] In its analysis, the Court stated that "'the frequency and deliberate nature of [the defendants'] use of its correspondent account[s] [may] be determinative of whether that use was intentional.'"[30] Moreover, "'proof of one transaction . . . is sufficient to invoke personal jurisdiction . . . so long as the defendant's activities . . . were purposeful and there is a substantial relationship between the transaction and the claim asserted.'"[31] Applying this reasoning, the Court found that because the banks purposefully used their New York correspondent accounts regularly, the Daous successfully proved that the Commercial Banks transacted business in New York.

Although Plaintiffs proved that the Commercial Banks transacted business in New York through use of the correspondent accounts, Plaintiffs were unable to proffer sufficient evidence showing that their claims arose out of these transactions, and the Commercial Banks were therefore subject to personal jurisdiction under New York's long-arm statute.[32] First, to show that claims arose from transacted business activity in New York, a plaintiff has the burden of showing that there was "'an "articulable nexus" or 'substantial relationship' between the business transaction and the claim asserted.'"[33] On the issue, the Court stated that "[a] claim may arise from the use of a correspondent bank account for purposes of § 302(a)(1) where an alleged actual transaction made through such an account formed part of the alleged unlawful course of conduct underlying the cause of action set out in the complaint."[34] However, the Court reasoned that the alleged unlawful conduct underlying the Daous' claims "did not involve a specific transaction through New York correspondent accounts" and the nexus was therefore too attenuated to confer personal jurisdiction over the Commercial Banks.[35]

Moreover, the Court explained that the alleged harm could not be attributed to a specific transaction performed using a New York correspondent account because the issue arose from the Daous' inability to transfer assets from Lebanon.[36] Because the denials occurred in Leba-

26. *Id.* (quoting Licci v. Lebanese Canadian Bank, SAL, 20 N.Y.3d 327, 338, 984 N.E.2d 893, 960 N.Y.S.2d 695 (2012)).

27. *Id.* at 126.

28. *Id.* (quoting Licci ex rel. Licci v. Lebanese Canadian Bank, SAL, 732 F.3d 161, 165 n.3 (2d Cir. 2013)).

29. *Id.* at 130.

30. *Id.* at 129 (quoting Licci ex rel. Licci v. Lebanese Canadian Bank, SAL, 732 F.3d at 165 n.3).

31. *Id.* (quoting Deutsche Bank Sec., Inc. v. Montana Bd. Of Invs., 7 N.Y.3d 65, 71, 850 N.E.2d 1140, 818 N.Y.S.2d 164 (2006)).

32. *Id.*

33. *Id.* (quoting Licci v. Lebanese Canadian Bank, SAL, 20 N.Y.3d at 339).

34. *Id.*

35. *Id.* at 131.

36. *Id.*

non, the Daous' claims were predicated on facts showing that transactions in New York never occurred.[37] The Court cited two New York Supreme Court decisions in which claims arising from unconducted transactions were rejected.[38] Correspondingly, Plaintiffs were unable to cite any authority supporting the proposition that a "hypothetical" transaction that did not actually occur is sufficient basis for asserting personal jurisdiction over a defendant under § 302(a)(1). Thus, the Second Circuit concluded that the District Court lacked personal jurisdiction over the Commercial Banks and affirmed the dismissal of Plaintiff's claims.[39]

B. BDL's Actions Did Not Have a Direct Effect in the United States and Were Entitled to Sovereign Immunity

Through a similar *de novo* review, the Second Circuit affirmed the district court's holding that it did not have subject matter jurisdiction over the claims against BDL because BDL is entitled to sovereign immunity under the FSIA and the commercial activity exception did not apply.[40] 28 U.S.C. § 1604 states that "'unless a specified exception applies, a federal court lacks subject-matter jurisdiction over a claim against a foreign state.'"[41] Furthermore, the commercial activity exception of the statute provides that a foreign state cannot claim immunity when the action is "based . . . upon an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States."[42]

After conceding that BDL, as an agency or instrumentality of the Lebanese government, is customarily entitled to sovereign immunity, the Daous purported that the commercial activity exception applied because BDL's commercial activity in Lebanon directly affected their finances in the United States.[43] Because the burden of proof rests on a plaintiff invoking the commercial activity exception, the Daous needed to show that: (1) BDL engaged in a "commercial activity," (2) "the action is based upon" that activity, and (3) that activity "caused a direct effect in the United States."[44]

First, the Court looked to the FSIA, which defines "commercial activity" as "'either a regular course of commercial conduct or a particular commercial transaction or act.'"[45] Next, the Court supplemented the FSIA's definition by citing to Supreme Court precedent stating "'that a state is engaged in commercial activity . . . where it exercises "only those powers that can also

37. *Id.* at 132.

38. *Id.* at 131 (first citing Malaeb v. Bankmed S.A.L., No. 157804/2020, 2021 N.Y. Misc. LEXIS 2530, 2021 WL 1925638 (N.Y. Sup. Ct. May 13, 2021); and then citing Trans Atl. Imaging, S.A.L. v. Banque MISR Liban S.A.L., No. 654432/2020, 2021 WL 2435887 (N.Y. Sup. Ct. June 15, 2021)).

39. *Id.* at 132.

40. *Id.* at 138.

41. *Daou*, 42 F.4th at 133 (first quoting Saudi Arabia v. Nelson, 507 U.S. 349, 355, 113 S. Ct. 1471, 123 L. Ed. 2d 47 (1993); and then citing 28 U.S.C. § 1604).

42. *Id.* at 133 (citing 28 U.S.C. § 1605(a)(2)).

43. *Id.*

44. *Id.* (citing 28 U.S.C. § 1605(a)(2)).

45. *Id.* at 134 (citing 28 U.S.C. § 1605(a)(2)).

be exercised by private citizens," as distinct from those "powers peculiar to sovereigns."'"[46] Applying these definitions, the Court found that BDL engaged in commercial activity by providing checking accounts to the Commercial Banks, which they subsequently used to deny the transfer of funds to the United States via the deposit of checks in correspondent accounts.[47]

Upon the continuation of its analysis, the Court found that Plaintiffs were unable to satisfy the remaining elements necessary to claim the commercial activity exception.[48] First, because the exception only applies when a cause of action underlying a claim is "'based upon' the commercial activity in question," the court looked to determine the gravamen of Plaintiff's complaint.[49] Finding that Plaintiffs' claims arose when the Commercial Banks accepted the Daous' deposits, refused to authorize wire transfers, and issued checks to be deposited in correspondent accounts, the district court reasoned that BDL's role in issuing the checks to the Commercial Banks was too attenuated to be considered the gravamen of Plaintiff's suit.[50] In rebuttal, the Daous argued that BDL played a critical role in the alleged harm by denying the withdrawal of the funds in the United States.[51] Moreover, the Daous reasoned that, while the Commercial Banks were willing to transfer assets to the United States through the acceptance of the checks, it wasn't until BDL refused collection that the injury occurred.[52]

Instead of addressing this argument, the Second Circuit moved to its analysis of the final requirement of the commercial activity exception and found that, regardless of whether BDL's activity formed the gravamen of Plaintiff's complaint, BDL's activity did not have a direct effect in the United States within the meaning of the FSIA, and therefore the exception could not apply.[53] On the issue, the Court stated that, "'the mere fact that a foreign state's commercial activity outside of the United States caused physical or financial injury to a United States citizen is not itself sufficient to constitute a direct effect in the United States.'"[54] Therefore, the mere fact that the Daous felt the financial impact of BDL's actions in the United States was not sufficient to trigger the commercial activity exception.[55]

Instead, the Court relied on principles of contract law and tort law to determine where the direct effects of BDL's commercial activity were felt.[56] First, when a breach of contract claim forms the basis of a cause of action, "'a direct effect in the United States sufficient to confer FSIA jurisdiction [occurs] so long as the United States is the place of performance for the duty

46. *Id.* (quoting *Nelson*, 507 U.S. at 306).

47. *Daou*, 42 F.4th at 134.

48. *Id.*

49. *Id.* (citing 28 U.S.C. § 1605(a)(2)).

50. *Id.* at 135 (quoting Daou v. BLC Bank, S.A.L., 2021 U.S. Dist. LEXIS 69502, 2021 WL 1338772, at *7 (S.D.N.Y., Apr. 9, 2021)).

51. *Id.*

52. *Id.*

53. *Id.* at 135.

54. *Id.* (quoting Guirlando v. T.C. Ziraat Bankasi A.S., 602 F.3d 69, 78 (2d Cir. 2010).

55. *Id.*

56. *Id.*

breached.'"[57] Here, the mere fact that Plaintiffs sought payment in the United States was not sufficient to render the activity's direct effects in the United States.[58] Moreover, the Court reasoned that because the checks listed Beirut as the proper place of payment, the direct effects were felt in Lebanon.[59] Moreover, the checks themselves did not indicate that they could be deposited in the United States and BDL did not have relationship with the Daous nor an obligation to pay them in the United States.[60]

In addition, principles of tort law hold that if "harm is caused . . . to chattels, the place of wrong is the place where the force takes effect on the thing."[61] Here, BDL's actions affected the Daous' money in Lebanon.[62] Accordingly, the locus of the tort was Lebanon since the Daous' claims were predicated on facts showing that their money remained in Lebanon.[63]

Lastly, regardless of where the effects were felt, the Court held that BDL's actions could not be held to have been their direct cause.[64] As the court explained, "'[w]e have held that the "requisite immediacy" is lacking where the alleged effect "depend[s] crucially on variables independent of the conduct of" the conduct of the foreign state,' including intervening actors."[65] Notwithstanding the conclusion that the direct effects of the activity giving rise to the Daous' claims did not occur in the United States, the alleged harm was contingent on factors other than BDL's conduct, primarily "'the Commercial Bank Defendants' decisions to address their disputes with the plaintiffs by issuing the checks and the plaintiffs' decision to attempt to deposit those checks in the United States.'"[66] Furthermore, since BDL had no relationship with the Daous, "its conduct would not have had any effect in the United States . . . had the Commercial Banks not made the independent decision to write the Daous checks drawn against BDL."[67]

IV. Conclusion

The Court upheld dismissal of all claims against the Commercial Banks and BDL.[68] First, the Court lacked personal jurisdiction over the Commercial Banks under New York's long-arm statute because Plaintiffs were unable to show that their claims arose out of the Commercial

57. *Id.* at 136 (quoting Atlantica Holdings v. Sovereign Wealth Fund Samruk-Kazyna JSC, 813 F.3d 98, 108–09 (2d Cir. 2016)).

58. *Id.*

59. *Id.* at 136.

60. *Id.*

61. *Id.* at 137.

62. *Id.*

63. *Id.*

64. *Id.* at 138.

65. *Id.* at 137 (quoting *Guirlando*, 602 F.3d at 75).

66. *Id.* at 138 (quoting Daou v. BLC Bank, S.A.L., No. 20 Civ. 4438(DLC), 2021 U.S. Dist. LEXIS 69502, at *1, *7 (S.D.N.Y., Apr. 9, 2021)).

67. *Id.* at 136.

68. *Id.* at 127–28.

Banks' transactions using correspondent accounts.[69] Second, BDL, as an agency or instrumentality of the Lebanese government, was entitled to sovereign immunity under the FSIA.[70] Although BDL was engaged in commercial activity, Plaintiffs were unable to claim the commercial activity exception because BDL's activity did not have a direct effect in the United States within the meaning of the FSIA, and therefore the exception could not apply.[71] Thus, the District Court properly dismissed the Daous' claims.[72]

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69. *Id.* at 130.
70. *Id.* at 133.
71. *Id.* at 135.
72. *Id.* at 127–28.