

**The Women's Bar Association of the District of Columbia
&
The Customs Lawyers Association
Present:**

AN INTERNATIONAL TRADE PANEL DISCUSSION

Importing Copyrighted Works from Abroad in the Shadow of
Kirtsaeng v. John Wiley & Sons, 132 S. Ct. 1905 (2012).

**October 1, 2013
6:00-9:00 p.m.
1625 I St., NW
10th Floor Conference Room
Washington, DC 20006**

Panelists:

Seth Greenstein – Partner, Constantine Gannon LLP

Judith Lee – Partner, Gibson, Dunn, & Crutcher

Marybeth Peters – Senior Counsel, Oblon, Spivak, McClelland, Maier & Neustadt

Sherwin Siy – Vice President of Legal Affairs, Public Knowledge

Paul Pizzeck – Senior Attorney, U.S. Customs and Border Protection

Moderator:

Rosemary James – Supervisory Attorney, U.S. Department of Homeland Security

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COURSE AGENDA

Location:

O'Melveny & Myers LLP
1625 I Street, NW
10th Floor Gary Tell Conference Room
Washington, DC 20006

Time: 6:00-9:00 pm

6:00 – 6:15 Arrival and Reception

6:15 – 6:30 Welcome – Jessica Adler, WBA & Robert Shervette, CLA
Introduction – Rosemary James, U.S. Department of Homeland Security

6:30 – 8:00 Discussion

Part I: Copyright Law Primer and Kirtsaeng Background (50 Minutes)

- a. Copyright law relevant to Kirtsaeng - Marybeth Peters
 1. U.S. legal definition of copyright (17 U.S.C. 106)
 2. Distribution Right (17 U.S.C. 106(3))
 3. First Sale Doctrine (17 U.S.C. 109)
 4. Quality King (523 U.S. 135)
 5. Copyrighted imports and enforcement (17 U.S.C. 602, 603)
- b. Kirtsaeng case - Marybeth Peters
- c. Discussion of Publisher/Respondent's argument – Judith Lee
- d. Discussion of Kirtsaeng/Petitioner's argument – Seth Greenstein, Sherwin Siy

Part II: Customs Laws Regarding Intellectual Property and Border Enforcement – Paul Pizzeck (10 Minutes)

- a. General CBP intellectual property rights enforcement
- b. CBP interpretation of Kirtsaeng
- c. Lever Rule Protection
- d. Outstanding issues regarding unauthorized importation of copyrighted works

Part III: Implications of Kirtsaeng – All Panelists (40 minutes)

- a. Impact on the First Sale Doctrine
- b. Enforcement options available to copyright holders
- c. Digital First Sale Right
- d. Other issues

Questions & Answers – All panelists

8:00 – 9:00 Reception

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PANELIST BIOGRAPHIES

Seth Greenstein: Seth Greenstein is a partner at Constantine Cannon LLP, concentrates his practice on intellectual property litigation and licensing issues. Mr. Greenstein has litigated copyright, patent, trademark and trade secret cases involving high technology and software products before the federal district courts and courts of appeal, the International Trade Commission, and in arbitrations. His litigation experience also includes numerous cases involving antitrust and unfair competition law, as well as contract and complex business tort issues in federal and state courts. He has represented satellite, Internet and cable digital music services in rate-setting arbitrations before Copyright Arbitration Royalty Panels and the Copyright Royalty Board, and in numerous administrative proceedings before the Copyright Office. Mr. Greenstein's practice includes advice and advocacy on legislative and policy issues relating to intellectual property and high technology products and services. He has represented the interests of information technology and consumer electronics companies before Congress, the Federal Communications Commission, and in inter-industry discussions with respect to digital content protection systems for high-value video content.

Judith Lee: Judith Lee is a partner in the Washington, D.C. office and Chair of the firm's International Trade and Regulation Compliance Practice Group. Ms. Lee practices in the areas of international trade regulation, including USA Patriot Act compliance, Foreign Corrupt Practices Act, economic sanctions and embargoes, and export controls. Ms. Lee currently serves on the International Law Advisory Board for Strafford Publications. She is the Chair of the International Sales Subcommittee on Export Controls, Sanctions and Anti-Corruption of the International Bar Association and serves as an officer of the International Bar Association's International Sales Committee. Ms. Lee is the past Co-Chair of the American Bar Association Committee on Export Controls and Embargoes, and was a past chair of the American Bar Association Customs Law Committee. Ms. Lee was appointed by the Chief Judge of the Court of International Trade to that court's Rules Advisory Committee and Jurisdiction Committee. She is also a past member of the Board of Directors of the Customs and International Trade Bar Association. Ms. Lee is a member of the Bars of Virginia and the District of Columbia. Ms. Lee received her law degree in 1987 from the Marshall-Wythe School of Law at the College of William and Mary and her bachelor of arts in 1984 from Mount Holyoke College.

Marybeth Peters: Prior to joining Oblon, Spivak, McClelland, Maier & Neustadt's Trademark and Copyright practice, Marybeth Peters was the eleventh Register of Copyrights of the United States, serving from 1994 to 2011. She spent almost 45 years in the Copyright Office, first as a music examiner, later as attorney-adviser in the Office of the General Counsel and chief of both the Information and Reference and Examining Divisions. From 1983 to 1994 she held the position of policy planning adviser to the register, focusing on policy and international issues and serving on many U.S. delegations. During 1989 and 1990 she was a consultant in copyright law at the World Intellectual Property Organization (WIPO) in Geneva, Switzerland. In 1993 she served as acting general counsel of the Copyright Office. During 1976 and 1977 she had the responsibility of training the Office staff, the copyright industries, and the public in the 1976 Copyright Act. A byproduct of that training was her *General Guide* to that act.

During her tenure she was instrumental in the consideration and enactment of many amendments to the copyright law and testified before Congress on numerous occasions. As director of the U.S. Copyright Law, she was responsible for implementing many new laws, including The Uruguay

Round Agreements Act of 1994, the 1995 Digital Performance Right in Sound Recordings Act, the Sonny Bono Copyright Term Extension Act, and The Digital Millennium Copyright Act. Ms. Peters is an expert on copyright office registration practices and served as head of the Board of Reconsideration (which dealt with requests to register claims when the Examiner had refused to register the claim to copyright reflected in the application.)

Paul Pizzeck: Paul Pizzeck has been with United States Customs (now U.S. Customs and Border Protection) since 1992. Mr. Pizzeck joined U.S. Customs as a customs inspector at the Port of San Francisco, California. Mr. Pizzeck currently holds the position of Attorney/Advisor in CBP's Office of International Trade, Regulations and Rulings, Intellectual Property Rights Branch (IPR). As an attorney in the customs IPR Branch, Mr. Pizzeck is responsible for, among other things, advising CBP officers and industry regarding border enforcement of intellectual property rights, making substantive infringement determinations for the agency, administrative review of petitions for relief from detention/seizure of counterfeit and/or pirated goods, training customs officers and foreign customs administrations on intellectual property enforcement, and advising foreign governments and international organizations, including the World Customs Organization, on border enforcement of intellectual property rights. Mr. Pizzeck graduated with a Bachelor of Arts from Tulane University of New Orleans and a Juris Doctor from San Francisco Law School and is admitted to the State Bar of California.

Sherwin Siy: Sherwin Siy is Vice President of Legal Affairs at Public Knowledge, where he coordinates the organization's legal work, specializing in emerging copyright issues. Since joining Public Knowledge in 2006, he has represented Public Knowledge in friend-of-the-court briefs, proceedings before Congress and administrative agencies, in international forums, and in a variety of public speaking engagements. He has appeared in national print and broadcast media, advocating for balanced copyright laws and increased access to knowledge, communications, and information. Mr. Siy received his JD with a Certificate in Law and Technology from the University of California Berkeley School of Law.

Rosemary B. James, Moderator: Rosemary B. James is a supervisory attorney in the Intellectual Property Law Practice Group of the Technology Programs Law Division within the Office of the General Counsel of the Department of Homeland Security (DHS). Ms. James established the Intellectual Property Law Practice Group which specializes in intellectual property, Internet, and technology law, with responsibility for such legal issues arising throughout DHS. Ms. James works on issues impacting DHS rights and responsibilities as creator and/or user of intellectual property; and the development and implementation of policies for treatment and disposition of all forms of intellectual property, including, but not limited to, trademarks, patents, copyrights, technology transfer, and rights in data. Prior to joining the Office of the General Counsel, Ms. James was an attorney-advisor at the Transportation Security Administration, where she worked on legislative matters; a detailee at the U.S. Senate Committee on Commerce, Science, and Transportation, where she worked on DHS related legislative matters; a staff attorney at a Verizon subsidiary, where she handled matters related to new technologies, satellite television services, and internet services; and at Hogan Lovells. Ms. James studied at George Washington University, New York University School of Law and Manhattanville College. She has a Masters of Law (LL.M.) in Intellectual Property, a Juris Doctor (J.D.), and Bachelor of Arts Degree (B.A.). She is also a registered patent attorney with a discipline in Physics.

WOMEN'S BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA

Founded in 1917, the Women's Bar Association (WBA) is one of the oldest and largest voluntary bar associations in metropolitan Washington, DC. The WBA's mission is to maintain the honor and integrity of the profession, promote the administration of justice, advance and protect the interests of women lawyers, promote their mutual improvement, and encourage a spirit of friendship among our members. Membership in the WBA is open to women, men, attorneys, and law students. Our members include attorneys in large, small, and solo firms, in-house positions, government, and nonprofits. The WBA has over 20 active committees and forums based on practice type or substantive areas of law, and always welcome new members to join and participate. For more information visit: www.wbadc.org.

CUSTOMS LAWYERS ASSOCIATION

Since 1961, the Customs Lawyers Association (CLA) has existed as an incorporated professional association comprised of Customs and International Trade attorneys and professionals dedicated to the promotion and understanding of customs and international trade law.

The CLA sponsors professional educational events devoted to the practice of Customs law as well as social events which afford members the opportunity to meet fellow attorneys engaged in the practice of Customs law.

For more information visit: <http://www.customslawyersassociation.org/index.html>.

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OVERVIEW

U.S. based corporations, for business reasons, market and sell their products differently across international borders. Such corporations will manufacture their products, either through a subsidiary or a licensee, overseas and sell such products at different price points depending on the market. For example, a product made and sold exclusively overseas may cost consumers substantially less in a foreign country than what the same product retails here in the United States. Sometimes this price difference is substantial enough that a third-party entity could purchase such products at retail overseas, import them into the United States, and then sell the foreign-manufactured products in the United States at a profit. In such a situation, a company would be unwillingly competing with itself as the products it has priced for the United States market would compete with products that are foreign manufactured but priced much lower for the overseas market.

The first sale doctrine and other exemptions in the regulations, limit the level of control an intellectual property holder may exert against unauthorized importations of such a holder's products.

In this discussion, the panelists will be discussing the implications for copyright holders of the Supreme Court holding in Kirtsaeng v. John Wiley & Sons.

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CLE DISCUSSION (90 MINUTES)

INTRODUCTION: Introduction of Panelists backgrounds and topic of discussion.

Part I: COPYRIGHT LAW PRIMER AND KIRTSAENG BACKGROUND

50 MINUTES

(A) Copyright Law Relevant to Kirtsaeng (Marybeth Peters):

1. U.S. Legal Definition of Copyright – 17 U.S.C. § 106

A form of intellectual property law, protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture. Copyright covers both published and unpublished works. Copyright does not protect facts, ideas, systems, or methods of operation, although it may protect the way these things are expressed. *See* U.S. Constitution Art. I, Sect. 8, Clause 8; 17 U.S.C. §§ 101-810.

2. Distribution Right – 17 U.S.C. § 106(3)

3. First Sale Doctrine – 17 U.S.C. § 109

The owner of a particular copy of phonorecord lawfully made under this title, or any other person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. *See* 17 U.S.C. § 109(a).

4. Quality King v. L'anza, 523 U.S. 135 (1998)

See Appendix for case.

5. Copyrighted Imports and Enforcement – 17 U.S.C. §§ 602, 603

(B) Kirtsaeng v. John Wiley & Sons Case Background (Marybeth Peters):

Case Brief:

1. Parties:

Petitioner – Supap Kirtsaeng, an individual

Respondent – John Wiley & Sons, Inc., an academic textbook publisher

2. Facts:

The Respondent is the copyright owner of the textbooks at issue in this case. The Respondent assigned to its wholly owned foreign subsidiary, the rights to publish, print, and sell its English-language textbooks abroad, including Thailand.

Petitioner, Kirtsaeng, purchased English-language versions of the Respondent’s textbooks in bookshops in Thailand and then shipped these books to the United States. Because the price of the textbooks in Thailand was substantially less than the price of the same textbooks sold in the United States, Kirtsaeng would sell the imported textbooks at a profit.

The Respondent filed a federal lawsuit against Petitioner for copyright infringement, claiming that Petitioner’s unauthorized importation of its books and his later resale of those books was an infringement under 17 U.S.C. § 106(3) of the Respondent’s exclusive right to distribute as well as § 602’s related import prohibition.

Petitioner, claimed that the foreign-origin textbooks he acquired were lawfully made and legitimately purchased and that the first sale doctrine under 17 U.S.C. § 109(a) permitted him to resell or disposed of the textbooks without the copyright owner’s permission.

The District Court held that the first sale doctrine did not apply to “foreign-manufactured goods”, even if made abroad with the copyright owner’s permission, and the jury found that the Petitioner had willfully infringed upon the Respondent’s copyrights by selling and importing without authorization the Respondent’s copyrighted textbooks.

On appeal, the Second Circuit agreed with the District Court that the first sale doctrine does not apply to copies of American copyrighted works manufactured abroad.

Next, the Supreme Court granted Petitioner’s petition for certiorari to consider whether the first sale doctrine applies to copies manufactured outside the United States.

3. **Issue:**

Whether the first sale doctrine codified in 17 U.S.C. § 109(a) applies to copyrighted works manufactured and purchased abroad and then resold in the United States without the copyright owner's permission.

4. **Argument:**

Petitioner Kirtsaeng refers to 17 U.S.C. § 109(a), the first sale doctrine, to argue that he did not violate the Copyright Act because, after an item's first sale, its copyright owner loses any further right to control its distribution. See Brief for Petitioner at 16. Respondent Wiley contends that because its textbooks are manufactured abroad, § 602(a)(1) prohibits distribution of imports of its textbooks without permission from the corporation; as such, the first sale doctrine does not protect Kirtsaeng from copyright infringement. *See* Brief for Respondent at 8.

The Effects on Free Markets and Distribution of Goods

Proponents of Kirtsaeng's argument assert that allowing Wiley's interpretation of the Copyright Act to prevail would inhibit commerce and the free flow of goods. See Brief for 25 Intellectual Property Law Professors ("Professors") in Support of Petitioner at 13. If the Court rules that the first sale doctrine does not apply to foreign-made goods, the market for certain products, such as used cars that often feature foreign manufactured computer programs, would not be sustainable due to a lack of supplies. Jennifer Howard, *Supreme Court Will Hear Case over Foreign Textbooks Imported and Resold in U.S.*, *The Chronicle of Higher Education* (April 16, 2012). Goodwill Industries ("Goodwill") argues that Wiley's interpretation will hurt the American economy because it allows companies to retain rights over importation and distribution of foreign-made products and thereby to outsource their manufacturing to other countries to take advantage of cheap labor. See Brief for Goodwill in Support of Petitioner at 31.

The Intellectual Property Owners Association ("IPO") contends that if the Copyright Act were given Kirtsaeng's interpretation, then there would be broad importation and resale of textbooks that would undermine the Act's aim to prevent the commercial use of imported items. See Brief of IPO in Support of Neither Party at 7. IPO also contends that if § 109(a) is applied to foreign made products, then copyright owners will be hesitant to distribute their goods worldwide due to a lack of copyright protection and subsequent loss of the economic value of their products. See id. at 16. This will mean that developing nations will not have access to cheap textbooks because companies like Wiley will be discouraged from allowing foreign publishers to manufacture American textbooks for sale in the foreign country. See id. at 21.

The Effects on Non-profit Organizations and Cultural Institutions

Proponents of Kirtsaeng's argument state that Wiley's interpretation would give rise to a chilling effect on the operations of public institutions and charitable organizations. *See* Brief for Goodwill at 5. For example, Goodwill argues that the first sale doctrine sustains the secondary goods market because it allows resellers to sell goods at cheap prices without worrying about copyright infringement. *See id.* If Wiley's interpretation is upheld, Goodwill and its customers will be burdened with the task of investigating the origins of their goods, leading to a decrease of the benefits of Goodwill's operations. *See id.* Others contend that if § 109(a) were interpreted so that the first sale doctrine applies only to products manufactured in the U.S., then museums, galleries, and libraries will have difficulty exhibiting foreign art or lending international materials because these institutions will have to obtain copyright licenses, which require extensive negotiations. *See* Brief for Professors at 6; *see also* Brief for Public Knowledge et al. in Support of Petitioner at 8–9.

Opponents of Kirtsaeng's argument contend that limiting the applicability of the first sale doctrine to domestically manufactured goods would not inhibit the availability of foreign artworks or other cultural materials in the U.S. *See* Brief for the United States in Support of Respondent at 26. They argue that Wiley's interpretation still allows for importation and distribution of foreign goods as long as the distributor obtains the copyright owner's permission. *See id.* If and when the copyright owner authorizes the importation and sale of the goods in the U.S., then the first sale doctrine will apply, and the copyright owner will no longer hold exclusive rights to distribute the imported goods. *See id.* At 28-29.

5. Analysis:

The first sale doctrine authorizes an owner of a copyrighted work to sell that work without the permission of the copyright owner. *See* 17 U.S.C. § 109 (2012). The issue in this case concerns the interpretation of this doctrine. *See* Brief for Petitioner, at i; *see* Brief for Respondent, at i. Kirtsaeng contends that the doctrine applies to a copyrighted work manufactured and legally obtained abroad and then sold in the U.S. *See* Brief for Petitioner at 15-17. Wiley asserts that this doctrine only pertains to copyrighted works manufactured in the U.S. and that 17 U.S.C. §602(a)(1) governs Kirtsaeng's actions. *See* Brief for Respondent at 11-12.

RECONCILING 17 U.S.C. §109(a) WITH 17 U.S.C. §602(a)(1)

According to Kirtsaeng, §602(a)(1), which states that importing works into the U.S. without the permission of the copyright owner violates the owner's right to distribute the copies, is just as ambiguous as §109(a). Brief for Petitioner at 19. Kirtsaeng claims, however, that the two statutes can be reconciled by recognizing that, based on the wording of the Copyright Act, § 602(a)(1) is subject to §§ 107-122 which include exceptions or limitations to the rights contained in the Act. *See id.* at 21. Kirtsaeng bases this claim on the fact that § 602(a)(1) states that importing a copy without the copyright owner's permission is "an infringement of the exclusive right to distribute copies or phonorecords under section 106." Section 106 in turn, states

that “subject to sections 107 through 122,” a copyright owner has certain rights under the section. Therefore, following the chain from § 602(a)(1) to §106 to §§ 107–122, Kirtsaeng concludes, § 602(a)(1) is subject to the first sale doctrine in §109(a)(1). See id. at 22-23.

Kirtsaeng’s understanding of § 602(a)(1) concerns Wiley because most works imported into the U.S. are first sales, so that applying the first sale doctrine to works manufactured abroad would eliminate § 602(a)(1)’s significance. Brief for Respondent at 22-23. Specifically, Wiley notes that under §602(a)(1) copyright owners are protected from having their works imported into the U.S. without their permission. See id. at 22. Wiley claims, however, that applying the first sale doctrine to §602(a)(1), would override this protection by giving the owner of a copyrighted work the power to import the work into the U.S. without the copyright owner’s permission. See id. at 22-23.

In response, Kirtsaeng argues that his interpretation of the first sale doctrine as applying to copyrighted works manufactured abroad and imported into the U.S. does not deprive § 602(a)(1) of its meaning. *See* Brief for Petitioner at 43-46. Kirtsaeng cites certain objectives, such as protecting against infringement by a non-owner, that § 602(a)(1) still can achieve under his interpretation. See id. Wiley asserts, however, that although § 602(a)(1) may still serve some purpose, Kirtsaeng’s interpretation of the first sale doctrine narrows the effectiveness of the statute. *See* Brief for Respondent at 24-26. Wiley claims that Congress did not intend for § 602(a)(1) to be narrowed this way. Id. at 25.

THE PROPER CONSTRUCTION OF 17 U.S.C. §109(a)’S TEXT

Kirtsaeng asserts that the phrase “lawfully made under this title” in § 109(a) means “in accordance with the Copyright Act.” *See* Brief for Petitioner 24. Based on this interpretation and a plain reading of the statute, Kirtsaeng argues that the statute does not specifically distinguish between copies manufactured abroad and those manufactured in the U.S. See id. 24–27. Specifically, Kirtsaeng argues that reading “lawfully made under this title” to mean “manufactured on U.S. soil,” as he believes Wiley suggests, is illogical. *Id.* at 27–28. According to Kirtsaeng, there are more precise and concise ways to indicate that § 109(a) applies to works “manufactured on U.S. soil.” Id. Moreover, asserts that his interpretation of the phrase is how the United States Supreme Court has understood the statute in previous cases. Id. at 27.

Wiley responds that the phrase in question is best interpreted to mean copies made according to the Copyright Act where the Act is in effect. Brief for Respondent at 15. Wiley argues that Kirtsaeng’s interpretation is irrational because a copy cannot be “made under” the statute if the Act does not apply. Id. The Act does not apply outside the U.S. and consequently, Wiley contends that § 109(a) does not apply to works manufactured abroad. Id. at 16.

Kirtsaeng further claims that Congressional interpretation of § 109(a) accords with his interpretation of the statute. See Brief for Petitioner at 49–50. He traces the first sale doctrine back to 1600s common law, and notes that when Congress codified the doctrine in §1909, which was the original version of § 109(a), the doctrine was not restricted only to the U.S. Id. at 49–51. Kirtsaeng claims that despite making amendments to the Copyright Act, Congress never changed §1909’s original meaning. Id. at 51. He also claims that, although Congress changed the statute’s general wording in 1976, its meaning did not change. See id. at 51–55. Finally, Kirtsaeng concludes that Congress would approve of his understanding of the statute because his interpretation will produce reasonable results, unlike Wiley’s interpretation. See id. at 55–56.

Respondent, however, contends that Congress would approve of Wiley’s interpretation. Brief for Respondent at 35. Wiley notes that that lower courts have used its interpretation, but Congress has not changed the wording of “lawfully made under this title.” Id. at 36–37. This is significant to Wiley because in the past Congress has changed the Copyright Act after lower courts interpreted the Act in a way that Congress did not agree with, suggesting that Congress does indeed support Wiley’s interpretation. Id. at 37.

UNDERSTANDING 17 U.S.C. § 109(a) IN THE CONTEXT OF THE COPYRIGHT ACT

Kirtsaeng contends that his interpretation of § 109(a) makes the most sense based on the Copyright Act as a whole. Brief for Petitioner at 32-33. Noting that the phrase “under this title” appears 91 times in the Act, Kirtsaeng analyzes other Act sections that use this phrase. See id. at 33-36. He concludes that these other sections use the phrase the same way as he does. See id. For example, § 106 states that “the owner of copyright under this title has the exclusive rights to do and to authorize any of the following.” 17 U.S.C. § 106 (2012). Using Kirtsaeng’s interpretation, this statute means that an owner who has a copyright recognized by the Act has the rights that the Act grants copyright owners. See id. at 33. Comparatively, Wiley’s interpretation would make the statute mean that a copyright owner in the U.S. has the rights guaranteed under the Copyright Act. See id. According to Kirtsaeng, this interpretation is nonsensical because it suggests that a copyright owner who leaves the U.S. will be deprived of these rights. See id.

Wiley counters that Kirtsaeng’s understanding of the phrase “under this title” in the other sections of the Act is actually consistent with Wiley’s understanding of the phrase. Brief for Respondent at 26. It argues that the phrase means “pursuant to this title,” and that this understanding demonstrates that the phrase only refers to works that have the Act’s protection. Id. at 27. Consequently, Wiley reiterates that because the Act does not apply abroad, it, and thus § 109(a), only offers protection in the U.S. See id. at 26-27. Furthermore, Wiley claims that the Act’s history and purpose prove that the first sale doctrine does not apply to works manufactured

abroad because the development of the current Act reflects a desire to control the importation of copies into the U.S. See id. at 42.

INTERPRETATION OF 17 U.S.C. §109(a) UNDER QUALITY KING

Both Kirtsaeng and Wiley rely on the Supreme Court’s decision in Quality King Distributors, Inc. v. L’Anza Research International, Inc. (“Quality King”) as precedent to support their interpretation of the first sale doctrine. See Brief for Petitioner at 38; see also Brief for Respondent at 17. In Quality King, the Supreme Court held that the first sale doctrine applies to copies manufactured in the United States, sold abroad, and then sold again in the United States. See Quality King Distributors, Inc. v. L’Anza Research International, Inc. 523 U. S. 135, 150–154 (1998).

Kirtsaeng asserts that in Quality King the Supreme Court concluded that § 602 is subject to § 109(a) and that the first sale doctrine applies even if the work is first purchased abroad. Brief for Petitioner at 38-39. Conversely, Wiley claims that Kirtsaeng misconstrues the decision in Quality King and that the Supreme Court actually determined that the first sale doctrine does not apply to copies made under a foreign country’s copyright laws.

6. Holding:

The first sale doctrine, which allows the owner of a copyrighted work to sell or otherwise dispose of that copy as he wishes, applies to copies of a copyrighted work lawfully made abroad.

(C) Discussion of Publisher/Respondent’s Argument (Judith Lee)

Materials presented during discussion.

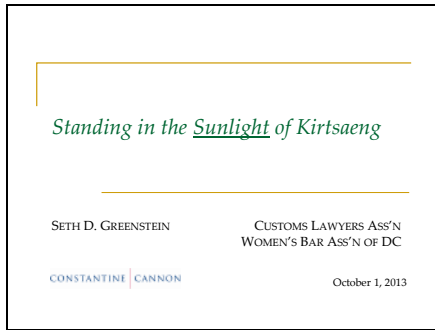
(D) Discussion of Kirtsaeng/Petitioner’s Argument (Seth Greenstein, Sherwin Siy)

1. Brief of *Amici Curiae* of Retail Industry leaders Association, American Free Trade Association, and Quality King Distributors, Inc. in Support of the Petition for Writ of Certiorari. (Seth Greenstein)

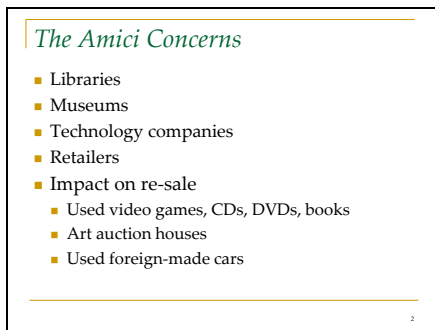
See Appendix D for Brief

Seth Greenstein’s Presentation:

Slide 1



Slide 2



Slide 3

Concerns of Retailers

- Majority of goods sold at retail are imported
- Copyrighted software pervades all products
- Elements ancillary to product can be protectable by copyright
- Leveraging Section 602 importation right as substitute for lack of gray market trademark protection

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Slide 4

Threat to Commerce in Imported Goods

[E]very little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back.

Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp., 97 F.3d 377, 380 (9th Cir. 1996).

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Copyrighted...



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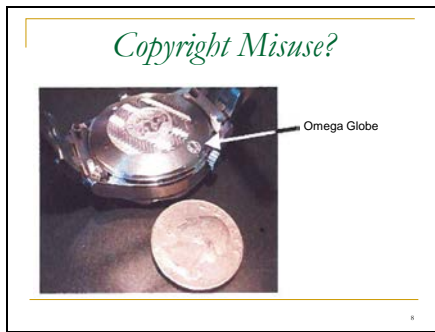
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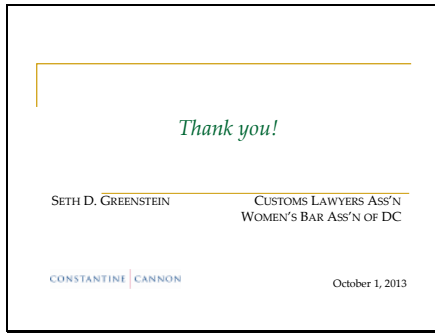
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2. Brief of *Amici Curiae* Public Knowledge, Electronic Frontier Foundation, and U.S. Public Interest Research Group In Support of Petitioner. (Sherwin Siy)

See Appendix D for Brief

Part II: CUSTOMS LAWS REGARDING INTELLECTUAL PROPERTY AND BORDER ENFORCEMENT

(There is no presentation on this portion for reasons discussed during introduction)

(A) Background:

As an administrative agency with law enforcement powers, CBP has the powers of search, seizure, and arrest, and the legal authority to make substantive determinations regarding infringement of trademarks and copyrights, pursuant to the Tariff Act of 1930, the Lanham Act of 1946, the Copyright Act of 1976, and the Digital Millennium Copyright Act of 1998. CBP enforces patents pursuant to Section 337 exclusion orders issued by the U.S. International Trade Commission (ITC). CBP issues reasoned written decisions on substantive issues of trademark and copyright infringement, as well as decisions relative to the enforcement and scope of ITC exclusion orders.

(B) Copyrights:

CBP is vested with the authority to detain and/or seize piratical copies of protected copyrighted works. For CBP purposes, “piratical copies” are identical or substantially similar copies of a registered copyrighted work which are produced and imported without authorization of the copyright owner.

Copyright law gives the author the right to prevent copying of a copyrighted work in any medium; however, the determination of copyright piracy is complex. The basic test for copyright infringement is whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work. Two steps are involved in the test for infringement: (1) access to the copyrighted work, and (2) substantial similarity not only of general ideas, but the expression of those ideas as well. Access to the copyrighted work may be presumed even without direct evidence in cases where it is apparent that the importer has ample opportunity to view the copyrighted work, and the substantial similarities between the works are so striking as to preclude the possibility that they were arrived at independently.

As a general matter, CBP regulations provide for the possibility of border enforcement action to enforce the Copyright Act of 1976 where the suspect work is (1) clearly piratical or (2) possibly piratical of the protected work.

“Clearly Piratical” is defined as overwhelming and substantial similarity between the copyrighted elements of the protected work and the suspect item so as to clearly indicate that one work was based upon the other. Imported merchandise constituting “clearly piratical” copies of a federally registered copyright recorded with CBP is subject to seizure and forfeiture pursuant to 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 602, as implemented by 19 CFR § 133.42. It should be noted that a person arriving in the United States may import one infringing copyrighted work as long as the infringing work is part of the traveler’s personal luggage, and is for private use and not for distribution.

If administratively feasible and appropriate, where a federally registered copyright has not been recorded with CBP and an agency determination is made that the merchandise is clearly piratical, such merchandise is subject to seizure pursuant to 19 U.S.C. § 1595a(c)(2)(C) for violation of 17 U.S.C. § 501.

“Possibly Piratical” encompasses situations in which CBP has “reasonable suspicion” to believe that imported merchandise is piratical of copyrighted works recorded with CBP. In this instance, possibly piratical copies shall be detained and the process outlined in 19 CFR § 133.43 is to be followed. If such merchandise is determined to be piratical, it may be seized and forfeited pursuant to 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 602.

The Digital Millennium Copyright Act (DMCA), among other things, prohibits gaining unauthorized access to a copyrighted work by circumventing a technological protection measure put in place by the copyright owner that is designed to control access to the copyrighted work.

Specifically, section 1201(a)(2) of Title 17 prohibits the manufacture or importation of devices, the provision of services, or trafficking in any technology, product, service, device, component, or part thereof, that circumvents technological measure that effectively control access to a work. To violate section 1201(a)(2), the suspect technology, service, device, or product must (1) be primarily designed or produced for the purpose of circumventing such technological measures, (2) have only limited commercially significant purpose or use other than to circumvent such measures, or (3) be marketed by the defendant or another acting in concert with that person's knowledge for use in circumventing a technological measure. Where CBP determines a device violates the DMCA, such device is subject to seizure and forfeiture under 19 U.S.C. § 1595a(c)(2)(C) for a violation of 17 U.S.C. § 1201.

(C) Exclusion Orders:

Under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337), unfair methods of competition and unfair practices in the importation or sale of goods, the effect or tendency of which is to destroy, substantially injure, or prevent the establishment of an efficiently and economically operated U.S. industry, or to restrain or monopolize trade and commerce in the United States, are unlawful. Additionally, Section 337 declares unlawful the importation into the United States of goods which infringe a U.S. patent, registered trademark, copyright, or mask work. Subsequent to an investigation of an alleged violation under Section 337, where the U.S. International Trade Commission (ITC) determines that Section 337 has been violated, it shall issue an order directing the Secretary of the Treasury, as delegated to the Secretary of Homeland Security, to exclude the subject goods from entry into the United States. The ITC may also issue seizure and forfeiture orders against specific importers where, after previously having had goods denied entry pursuant to an exclusion order and having been notified by CBP that seizure and forfeiture could result from future attempted entries of such goods, the importer attempts a subsequent importation of the same or similar goods which are the subject of the exclusion order. Once a seizure and forfeiture

notice has been issued, importation of the subject goods by the identified importer will be subject to forfeiture pursuant to 19 U.S.C. § 1337(i), as implemented by 19 CFR § 12.39(c).

Unlike trademarks and copyrights, patents registered with the U.S. Patent and Trademark Office may not be recorded with CBP. Thus, CBP's action with respect to patents is limited to the enforcement of ITC exclusion orders. In this regard, however, CBP, upon written request from an importer or interested party, may issue rulings pursuant to 19 CFR Part 177, regarding whether prospective importations fall within the scope of an exclusion order issued by the ITC.

(D) Criminal Enforcement:

CBP may seize merchandise that meets the criteria for criminal seizure under the provisions of 19 U.S.C. § 1595a(c)(2)(C) for violation of the applicable criminal copyright or trademark statute. The determination to initiate criminal prosecution for a violation of an intellectual property right law is made by the United States Department of Justice through the United States Attorney for the jurisdiction where the violation occurred.

Part III: IMPLICATIONS OF KIRTSAENG DECISION FOR COPYRIGHT HOLDERS AND GRAY MARKET GOODS (All Panelists)

40 MINUTES

The Kirtsaeng decision helped further signify the first sale doctrine as an important limitation on the rights of copyholders. It also potentially has significant applications beyond just textbooks or, more broadly, digital content and even pharmaceuticals.

Concerns exist about increased piracy and undermining creative incentives. To avoid the end of the first sale doctrine, courts and Congress need to respond. Doing so will help maintain the proper balance between the rights of consumers and copyright holders that is vital to a just copyright law.

(A) Impact on the First Sale Doctrine

(B) Enforcement Options Available to Copyright Holders

(C) Digital First Sale Right

(D) Other Issues

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APPENDICES

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APPENDIX A

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OTHER RESOURCES

- *Customs Rulings Online Search System (CROSS):*
For CBP Rulings
<http://rulings.cbp.gov/>
- United States Copyright Office: www.copyright.gov
- United States Patent & Trademark Office: www.uspto.gov

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UNITED STATES CODE

Title 17

§ 106. Exclusive rights in copyrighted works.

Subject to sections 107 through 122 [[17 USCS §§ 107](#) through [122](#)], the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

§ 109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord.

- (a) Notwithstanding the provisions of section 106(3) [[17 USCS § 106\(3\)](#)], the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A [[17 USCS § 104A](#)] that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e) [[17 USCS § 104A\(e\)](#)], may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on—
 - (1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A) [[17 USCS § 104A\(d\)\(2\)\(A\)](#)], or
 - (2) the date of the receipt of actual notice served under section 104A(d)(2)(B) [[17 USC § 104A\(d\)\(2\)\(B\)](#)], whichever occurs first.
- (b)
 - (1)
 - (A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any tape, disk, or other medium embodying such program), and in the

case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

(B) This subsection does not apply to—

- (i) a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or
- (ii) a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

(C) Nothing in this subsection affects any provision of chapter 9 of this [title \[17 USCS §§ 901 et seq.\]](#).

(2) ..

(A) Nothing in this subsection shall apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(B) Not later than three years after the date of the enactment of the Computer Software Rental Amendments Act of 1990 [enacted Dec. 1, 1990], and at such times thereafter as the Register of Copyrights considers appropriate, the Register of Copyrights, after consultation with representatives of copyright owners and librarians, shall submit to the Congress a report stating whether this paragraph has achieved its intended purpose of maintaining the integrity of the copyright system while providing nonprofit libraries the capability to fulfill their function. Such report shall advise the Congress as to any information or recommendations that the Register of Copyrights considers necessary to carry out the purposes of this subsection.

(3) Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, "antitrust laws" has the meaning given that term in the first section of the Clayton Act [[15 USCS § 12](#)] and includes section 5 of the Federal Trade Commission Act [[15 USCS § 45](#)] to the extent that section relates to unfair methods of competition.

(4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under section 501 of this [title \[17 USCS § 501\]](#) and is subject

to the remedies set forth in sections 502, 503, 504, and 505 [[17 USCS §§ 502, 503, 504, and 505](#)]. Such violation shall not be a criminal offense under section 506 [[17 USCS § 506](#)] or cause such person to be subject to the criminal penalties set forth in section 2319 of title 18.

- (c) Notwithstanding the provisions of section 106(5) [[17 USCS § 106\(5\)](#)], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.
- (d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.
- (e) [Caution: For termination of application of this subsection, see § 804(c) of Act Dec. 1, 1990, [P.L. 101-650](#), which appears as a note to this section.] Notwithstanding the provisions of sections 106(4) and 106(5) [[17 USCS §§ 106\(4\) and 106\(5\)](#)], in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game lawfully made under this title, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment, except that this subsection shall not apply to any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship.

§ 501. Infringement of copyright.

- (a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section [106A \(a\)](#), or who imports copies or phonorecords into the United States in violation of section [602](#), is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section [506](#)), any reference to copyright shall be deemed to include the rights conferred by section [106A \(a\)](#). As used in this subsection, the term “anyone” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.
- (b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section [411](#), to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.
- (c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111,

- a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.
- (d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111(c)(3), the following shall also have standing to sue:
- (i) the primary transmitter whose transmission has been altered by the cable system;
 - and
 - (ii) any broadcast station within whose local service area the secondary transmission occurs.
- (e) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under section 119 (a)(5),^[1] a network station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that station.
- (f) (1) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under section 122, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local market of that station.
- (2) A television broadcast station may file a civil action against any satellite carrier that has refused to carry television broadcast signals, as required under section 122 (a)(2), to enforce that television broadcast station's rights under section 338(a) of the Communications Act of 1934.

§ 602. Infringing importation or exportation of copies or phonorecords.

- (a) Infringing importation or exportation.
- (1) Importation. Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106 [*17 USCS § 106*], actionable under section 501 [*17 USCS § 501*].
- (2) Importation or exportation of infringing items. Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106 [*17 USCS § 106*], actionable under sections 501 and 506 [*17 USCS §§ 501 and 506*].
- (3) Exceptions. This subsection does not apply to--

- (A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;
 - (B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or
 - (C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2) [17 USCS § 108(g)(2)].
- (b) Import prohibition. In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.

§ 603. Importation prohibitions: Enforcement and disposition of excluded articles.

- (a) The Secretary of the Treasury and the United States Postal Service shall separately or jointly make regulations for the enforcement of the provisions of this title prohibiting importation.
- (b) These regulations may require, as a condition for the exclusion of articles under section 602 [17 USCS § 602]—
 - (1) that the person seeking exclusion obtain a court order enjoining importation of the articles; or
 - (2) that the person seeking exclusion furnish proof, of a specified nature and in accordance with prescribed procedures, that the copyright in which such person claims an interest is valid and that the importation would violate the prohibition in section 602 [17 USCS § 602]; the person seeking exclusion may also be required to post a surety bond for any injury that may result if the detention or exclusion of the articles proves to be unjustified.

- (c) Articles imported in violation of the importation prohibitions of this title are subject to seizure and forfeiture in the same manner as property imported in violation of the customs revenue laws. Forfeited articles shall be destroyed as directed by the Secretary of the Treasury or the court, as the case may be.

Title 19

§ 1526. Merchandise bearing American trademark.

- (a) Importation prohibited. Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trade-mark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent Office [Patent and Trademark Office] by a person domiciled in the United States, under the provisions of the Act entitled "An Act to authorize the registration of trade-marks used in commerce with foreign nations or among the several States or with Indian tribes, and to protect the same," approved February 20, 1905, as amended, and if a copy of the certificate of registration of such trade-mark is filed with the Secretary of the Treasury, in the manner provided in section 27 of such Act, unless written consent of the owner of such trade-mark is produced at the time of making entry.
- (b) Seizure and forfeiture. Any such merchandise imported into the United States in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws.
- (c) Injunction and damages. Any person dealing in any such merchandise may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trade-mark and shall be liable for the same damages and profits provided for wrongful use of a trade-mark, under the provisions of such Act of February 20, 1905, as amended.
- (d) Exemptions; publication in Federal Register; forfeitures; rules and regulations.
 - (1) The trademark provisions of this section and section 42 of the Act of July 5, 1946 ([60 Stat. 440](#); [15 U.S.C. 1124](#)) [[15 USCS § 1124](#)], do not apply to the importation of articles accompanying any person arriving in the United States when such articles are for his personal use and not for sale if (A) such articles are within the limits of types and quantities determined by the Secretary pursuant to paragraph (2) of this subsection, and (B) such person has not been granted an exemption under this subsection within thirty days immediately preceding his arrival.
 - (2) The Secretary shall determine and publish in the Federal Register lists of the types of articles and the quantities of each which shall be entitled to the exemption provided by this subsection. In determining such quantities of particular types of trade-marked articles, the Secretary shall give such consideration as he deems necessary to the numbers of such articles usually purchased at retail for personal use.

- (3) If any article which has been exempted from the restrictions on importation of the trademark laws under this subsection is sold within one year after the date of importation, such article, or its value (to be recovered from the importer), is subject to forfeiture. A sale pursuant to a judicial order or in liquidation of the estate of a decedent is not subject to the provisions of this paragraph.
 - (4) The Secretary may prescribe such rules and regulations as may be necessary to carry out the provisions of this subsection.
- (e) Merchandise bearing counterfeit mark; seizure and forfeiture; disposition of seized goods. Any such merchandise bearing a counterfeit mark (within the meaning of section 45 of the Act of July 5, 1946 (commonly referred to as the Lanham Act, [60 Stat. 427](#); [15 U.S.C. 1127](#))) imported into the United States in violation of the provisions of section 42 of the Act of July 5, 1946 ([60 Stat. 440](#); [15 U.S.C. 1124](#)), shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary shall notify the owner of the trademark, and shall, after forfeiture, destroy the merchandise. Alternatively, if the merchandise is not unsafe or a hazard to health, and the Secretary has the consent of the trademark owner, the Secretary may obliterate the trademark where feasible and dispose of the goods seized—
- (1) by delivery to such Federal, State, and local government agencies as in the opinion of the Secretary have a need for such merchandise,
 - (2) by gift to such eleemosynary institutions as in the opinion of the Secretary have a need for such merchandise, or
 - (3) more than 90 days after the date of forfeiture, by sale by the Customs Service at public auction under such regulations as the Secretary prescribes, except that before making any such sale the Secretary shall determine that no Federal, State, or local government agency or eleemosynary institution has established a need for such merchandise under paragraph (1) or (2).
- (f) Civil penalties.
- (1) Any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise for sale or public distribution that is seized under subsection (e) shall be subject to a civil fine.
 - (2) For the first such seizure, the fine shall be not more than the value that the merchandise would have had if it were genuine, according to the manufacturer's suggested retail price, determined under regulations promulgated by the Secretary.
 - (3) For the second seizure and thereafter, the fine shall be not more than twice the value that the merchandise would have had if it were genuine, as determined under regulations promulgated by the Secretary.
 - (4) The imposition of a fine under this subsection shall be within the discretion of the Customs Service, and shall be in addition to any other civil or criminal penalty or other remedy authorized by law.

§ 1595a. Forfeitures and other penalties.

- (a) Importation, removal, etc. contrary to laws of United States Except as specified in subsection (b) or (c) of section [1594](#) of this title, every vessel, vehicle, animal, aircraft, or other thing used in, to aid in, or to facilitate, by obtaining information or in any other way, the importation, bringing in, unloading, landing, removal, concealing, harboring, or subsequent transportation of any article which is being or has been introduced, or attempted to be introduced, into the United States contrary to law, whether upon such vessel, vehicle, animal, aircraft, or other thing or otherwise, may be seized and forfeited together with its tackle, apparel, furniture, harness, or equipment.
- (b) Penalty for aiding unlawful importation Every person who directs, assists financially or otherwise, or is in any way concerned in any unlawful activity mentioned in the preceding subsection shall be liable to a penalty equal to the value of the article or articles introduced or attempted to be introduced.
- (c) Merchandise introduced contrary to law

Merchandise which is introduced or attempted to be introduced into the United States contrary to law shall be treated as follows:

- (1) The merchandise shall be seized and forfeited if it—
 - (A) is stolen, smuggled, or clandestinely imported or introduced;
 - (B) is a controlled substance, as defined in the Controlled Substances Act ([21](#) U.S.C. [801](#) et seq.), and is not imported in accordance with applicable law;
 - (C) is a contraband article, as defined in section [80302](#) of title [49](#); or
 - (D) is a plastic explosive, as defined in section [841 \(q\)](#) of title [18](#), which does not contain a detection agent, as defined in section 841(p) of such title.
- (2) The merchandise may be seized and forfeited if—
 - (A) its importation or entry is subject to any restriction or prohibition which is imposed by law relating to health, safety, or conservation and the merchandise is not in compliance with the applicable rule, regulation, or statute;
 - (B) its importation or entry requires a license, permit or other authorization of an agency of the United States Government and the merchandise is not accompanied by such license, permit, or authorization;
 - (C) it is merchandise or packaging in which copyright, trademark, or trade name protection violations are involved (including, but not limited to, violations of section 1124, 1125, or 1127 of title [15](#), section [506](#) of title 17, or section [2318](#) or [2320](#) of title [18](#));
 - (D) it is trade dress merchandise involved in the violation of a court order citing section [1125](#) of title [15](#);
 - (E) it is merchandise which is marked intentionally in violation of section [1304](#) of this title;or

- (F) it is merchandise for which the importer has received written notices that previous importations of identical merchandise from the same supplier were found to have been marked in violation of section [1304](#) of this title.
- (3) If the importation or entry of the merchandise is subject to quantitative restrictions requiring a visa, permit, license, or other similar document, or stamp from the United States Government or from a foreign government or issuing authority pursuant to a bilateral or multilateral agreement, the merchandise shall be subject to detention in accordance with section [1499](#) of this title unless the appropriate visa, license, permit, or similar document or stamp is presented to the Customs Service; but if the visa, permit, license, or similar document or stamp which is presented in connection with the importation or entry of the merchandise is counterfeit, the merchandise may be seized and forfeited.
- (4) If the merchandise is imported or introduced contrary to a provision of law which governs the classification or value of merchandise and there are no issues as to the admissibility of the merchandise into the United States, it shall not be seized except in accordance with section [1592](#) of this title.
- (5) In any case where the seizure and forfeiture of merchandise are required or authorized by this section, the Secretary may—
- (A) remit the forfeiture under section [1618](#) of this title, or
 - (B) permit the exportation of the merchandise, unless its release would adversely affect health, safety, or conservation or be in contravention of a bilateral or multilateral agreement or treaty.
- (d) Merchandise exported contrary to law. Merchandise exported or sent from the United States or attempted to be exported or sent from the United States contrary to law, or the proceeds or value thereof, and property used to facilitate the exporting or sending of such merchandise, the attempted exporting or sending of such merchandise, or the receipt, purchase, transportation, concealment, or sale of such merchandise prior to exportation shall be seized and forfeited to the United States.

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CBP REGULATIONS

19 CFR

§ 133.21. Articles bearing counterfeit trademarks

- (a) Counterfeit trademark defined. A counterfeit trademark is a spurious trademark that is identical to, or substantially indistinguishable from, a registered trademark.
- (b) Seizure. Any article of domestic or foreign manufacture imported into the United States bearing a counterfeit trademark shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the customs laws.
- (c) Notice to trademark owner. When merchandise is seized under this section, Customs shall disclose to the owner of the trademark the following information, if available, within 30 days, excluding weekends and holidays, of the date of the notice of seizure:
 - (1) The date of importation;
 - (2) The port of entry;
 - (3) A description of the merchandise;
 - (4) The quantity involved;
 - (5) The name and address of the manufacturer;
 - (6) The country of origin of the merchandise;
 - (7) The name and address of the exporter; and
 - (8) The name and address of the importer.
- (d) Samples available to the trademark owner. At any time following seizure of the merchandise, Customs may provide a sample of the suspect merchandise to the owner of the trademark for examination, testing, or other use in pursuit of a related private civil remedy for trademark infringement. To obtain a sample under this section, the trademark/trade name owner must furnish Customs a bond in the form and amount specified by the port director, conditioned to hold the United States, its officers and employees, and the importer or owner of the imported article harmless from any loss or damage resulting from the furnishing of a sample by Customs to the trademark owner. Customs may demand the return of the sample at any time. The owner must return the sample to Customs upon demand or at the conclusion of the examination, testing, or other use in pursuit of a related private civil remedy for trademark infringement. In the event that the sample is damaged, destroyed, or lost while in the possession of the trademark owner, the owner shall, in lieu of return of the sample, certify to Customs that: "The sample described as [insert description] and provided pursuant to 19 CFR 133.21(d) was (damaged/destroyed/lost) during examination, testing, or other use.
- (e) Failure to make appropriate disposition. Unless the trademark owner, within 30 days of notification, provides written consent to importation of the articles, exportation, entry after obliteration of the trademark, or other appropriate disposition, the articles shall be disposed of in

accordance with 133.52, subject to the importer's right to petition for relief from the forfeiture under the provisions of part 171 of this chapter.

Subpart C: Importations Bearing Registered and/or Recorded Trademarks or Recorded Trade Names

§ 133.23. Restrictions on importation of gray market articles.

- (a) Restricted gray market articles defined. Restricted gray market articles are foreign-made articles bearing a genuine trademark or trade name identical with or substantially indistinguishable from one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States and imported without the authorization of the U.S. owner. Restricted gray market goods include goods bearing a genuine trademark or trade name which is:
- (1) Independent licensee. Applied by a licensee (including a manufacturer) independent of the U.S. owner, or
 - (2) Foreign owner. Applied under the authority of a foreign trademark or trade name owner other than the U.S. owner, a parent or subsidiary of the U.S. owner, or a party otherwise subject to common ownership or control with the U.S. owner (see §§ 133.2(d) and 133.12(d) of this part), from whom the U.S. owner acquired the domestic title, or to whom the U.S. owner sold the foreign title(s); or
 - (3) “Lever-rule”. Applied by the U.S. owner, a parent or subsidiary of the U.S. owner, or a party otherwise subject to common ownership or control with the U.S. owner (see §§ 133.2(d) and 133.12(d) of this part), to goods that the Customs Service has determined to be physically and materially different from the articles authorized by the U.S. trademark owner for importation or sale in the U.S. (as defined in § 133.2 of this part).
- (b) Labeling of physically and materially different goods. Goods determined by the Customs Service to be physically and materially different under the procedures of this part, bearing a genuine mark applied under the authority of the U.S. owner, a parent or subsidiary of the U.S. owner, or a party otherwise subject to common ownership or control with the U.S. owner (see §§ 133.2(d) and 133.12(d) of this part), shall not be detained under the provisions of paragraph (c) of this section where the merchandise or its packaging bears a conspicuous and legible label designed to remain on the product until the first point of sale to a retail consumer in the United States stating that: “This product is not a product authorized by the United States trademark owner for importation and is physically and materially different from the authorized product.” The label must be in close proximity to the trademark as it appears in its most prominent location on the article itself or the retail package or container. Other information designed to dispel consumer confusion may also be added.
- (c) Denial of entry. All restricted gray market goods imported into the United States shall be denied entry and subject to detention as provided in § 133.25, except as provided in paragraph (b) of this section.

- (d) Relief from detention of gray market articles. Gray market goods subject to the restrictions of this section shall be detained for 30 days from the date on which the goods are presented for Customs examination, to permit the importer to establish that any of the following exceptions, as well as the circumstances described above in § 133.22(c), are applicable:
- (1) The trademark or trade name was applied under the authority of a foreign trademark or trade name owner who is the same as the U.S. owner, a parent or subsidiary of the U.S. owner, or a party otherwise subject to common ownership or control with the U.S. owner (in an instance covered by §§ 133.2(d) and 133.12(d) of this part); and/or
 - (2) For goods bearing a genuine mark applied under the authority of the U.S. owner, a parent or subsidiary of the U.S. owner, or a party otherwise subject to common ownership or control with the U.S. owner, that the merchandise as imported is not physically and materially different, as described in 133.2(e), from articles authorized by the U.S. owner for importation or sale in the United States; or
 - (3) Where goods are detained for violation of 133.23(a)(3), as physically and materially different from the articles authorized by the U.S. trademark owner for importation or sale in the U.S., a label in compliance with 133.23(b) is applied to the goods.
- (e) Release of detained articles. Articles detained in accordance with 133.25 may be released to the importer during the 30-day period of detention if any of the circumstances allowing exemption from trademark restriction set forth in 133.22(c) of this subpart or in paragraph (d) of this section are established.
- (f) Seizure. If the importer has not obtained release of detained articles within the 30-day period of detention, the merchandise shall be seized and forfeiture proceedings instituted. The importer shall be notified of the seizure and liability of forfeiture and his right to petition for relief in accordance with the provisions of part 171 of this chapter.

§ 133.33. Documents and fee to accompany application.

- (a) Documents. The application for recordation shall be accompanied by the following documents:
- (1) An "additional certificate" of copyright registration issued by the U.S. Copyright Office. If the name of the applicant differs from the name of the copyright owner identified in the certificate, the application shall be accompanied by a certified copy of any assignment, exclusive license, or other document recorded in the U.S. Copyright Office showing that the applicant has acquired copyright ownership in the copyright.
 - (2) Five photographic or other likenesses reproduced on paper approximately 8 X " x 10 1/2 X " in size of any copyrighted work. An application shall be excepted from this requirement if it covers a work such as a book, magazine, periodical, or similar copyrighted matter readily identifiable by title and author or if it covers a sound recording. Five likenesses of a component part of a copyrighted work, together with the name or title, if any, by which the part depicted is identifiable, may accompany an application covering an entire copyrighted work.

- (b) Fee. Each application shall be accompanied by a fee of \$ 190 for each copyright to be recorded. A check or money order shall be made payable to the United States Customs Service.

Subpart C: Importations Bearing Registered and/or Recorded Trademarks or Recorded Trade Names

§ 133.43. Procedure on suspicion of infringing copies.

- (a) Notice to the importer. If the port director has any reason to believe that an imported article may be an infringing copy or phonorecord of a recorded copyrighted work, he shall withhold delivery, notify the importer of his action, and advise him that if the facts so warrant he may file a statement denying that the article is in fact an infringing copy and alleging that the detention of the article will result in a material depreciation of its value, or a loss or damage to him. The port director also shall advise the importer that in the absence of receipt within 30 days of a denial by the importer that the article constitutes an infringing copy or phonorecord, it shall be considered to be such a copy and shall be subject to seizure and forfeiture.
- (b) Notice to copyright owner. If the importer of suspected infringing copies or phonorecords files a denial as provided in paragraph (a) of this section, the port director shall furnish to the copyright owner the following information, if available, within 30 days, excluding weekends and holidays, of the receipt of the importer's denial:
- (1) The date of importation;
 - (2) The port of entry;
 - (3) A description of the merchandise;
 - (4) The quantity involved;
 - (5) The country of origin of the merchandise; and
 - (6) Notice that the imported article will be released to the importer unless, within 30 days from the date of the notice, the copyright owner files with the port director:
 - (i) A written demand for the exclusion from entry of the detained imported article; and
 - (ii) A bond, in the form and amount specified by the port director, conditioned to hold the importer or owner of the imported article harmless from any loss or damage resulting from Customs detention in the event the Commissioner or his designee determines that the article is not an infringing copy prohibited importation under section 602 of the Copyright Act of 1976 (17 U.S.C. 602) (See part 113 of this chapter).
- (c) Samples available to the copyright owner. At any time following presentation of the merchandise for Customs examination, but prior to seizure, Customs may provide a sample of the suspect merchandise to the owner of the copyright for examination or testing to assist in determining whether the article imported is a piratical copy. To obtain a sample under this section, the copyright owner must furnish Customs a bond in the form and amount specified by the port director, conditioned to hold the United States, its officers and employees, and the importer or owner of the imported article harmless from any loss or damage resulting from the furnishing of a sample by Customs to the copyright owner. Customs may demand the return of

the sample at any time. The owner must return the sample to Customs upon demand or at the conclusion of the examination or testing. In the event that the sample is damaged, destroyed, or lost while in the possession of the copyright owner, the owner shall, in lieu of return of the sample, certify to Customs that: "The sample described as [insert description] provided pursuant to 19 CFR 133.43(c) was (damaged/destroyed/lost) during examination or testing for copyright infringement.

- (d) Result of action or inaction by copyright owner. After notice to the copyright owner that delivery is being withheld for imported articles suspected of being infringing copies of his recorded copyrighted work, the port director shall proceed in accordance with the following procedures:
 - (1) Demand and bond; exchange of briefs. If the copyright owner files a written demand for exclusion of the suspected infringing copies together with a proper bond, the port director shall promptly notify the importer and copyright owner that, during a specified time limited to not more than 30 days, they may submit any evidence, legal briefs or other pertinent material to substantiate the claim or denial of infringement. The burden of proof shall be upon the party claiming that the article is in fact an infringing copy.
 - (i) Exchange of briefs. Before timely submitting the additional evidence, legal briefs, or other pertinent material to Customs, pursuant to paragraph (c)(1) of this section, in regard to the disputed claim of infringement, the importer and the copyright owner shall first provide each other with a copy of all such information, including the importer's denial of infringement and the copyright owner's demand for exclusion. The subsequent submission of this information to Customs shall be accompanied by a written statement confirming that a copy has already been provided to the opposing party. The port director shall notify the importer and the copyright owner that they shall have additional time, not to exceed 30 days, in which to provide a response to the arguments submitted by the opposing party, and that rebuttal arguments, timely submitted, shall be fully considered in the decision-making process. During this rebuttal period and before timely submitting the rebuttal arguments to Customs, the importer and the copyright owner shall first provide each other with a copy of all such material. The submission of this rebuttal material to Customs shall be accompanied by a written statement confirming that a copy has been provided to the opposing party. The port director shall not accept any additional material from the parties to substantiate the claim or denial of infringement after the final 30-day rebuttal period expires.
 - (ii) Decision. Upon receipt of rebuttal arguments, or 30 days after notification if no rebuttal arguments are submitted, the port director shall forward the entire file, together with a sample of each style that is considered possibly infringing, to CBP Headquarters, (Attention: Border Security and Trade Compliance Division, Regulations and Rulings, Office of International Trade), for decision on the disputed claim of infringement. The final decision on the disputed claim of infringement shall be forwarded to the port director who shall send a copy thereof to the copyright owner as well as to the importer.
 - (2) Infringement disclaimed or unsupported. If the copyright owner disclaims that the specified imported article is an infringing copy of his recorded copyrighted work, or fails to present

- sufficient evidence or proof to substantiate a claim of infringement, the port director shall release the detained shipment to the importer and all further importations of the same article, by whomever imported, without further notice to the copyright owner.
- (3) Failure to file demand or bond. If the copyright owner fails to file a written demand for exclusion and bond as required by paragraph (b) of this section, the port director shall release the detained articles to the importer and notify the copyright owner of the release.
 - (4) Withdrawal of bond. Where the copyright owner has posted a bond on the grounds that the imported article is infringing, the copyright owner may not withdraw the bond until a decision on the issue of infringement has been reached.
- (e) Alternative procedure: court action. As an alternative to the administrative procedure described in this section, the copyright owner, whether or not he has recorded his copyright with Customs, may seek a court order enjoining importation of the article. To obtain Customs enforcement of an injunction, the copyright owner shall submit a certified copy of the court order to the Commissioner of Customs, Attention: Office of the Chief Counsel, Washington, DC 20229. In addition, if the copyright in question is not recorded with Customs, the copyright owner shall submit the \$190 fee required by § 133.33(b) and, if the work is a three-dimensional or other work not readily identifiable by title and author, 5 photographic or other likenesses reproduced on paper approximately 8" × 10 ½" in size.

CUSTOMS RELATED TERMINOLOGY

- (1) **Bill of Lading:** A document that establishes the terms and conditions of a contract between a shipper and a transportation company, and acknowledges receipt of the goods. Also see Waybill.
- (2) **CBP Form 28:** A form used by CBP to request information from the importer when there is insufficient information in the entry summary package to determine admissibility, appraised value, or classification of imported merchandise. The verification of a claim of preferential tariff treatment under an FTA is initiated when CBP sends a CBP Form 28 to the importer.
- (3) **CBP Form 29: Notice of Action.** A form used by CBP to communicate to the importer that CBP is either proposing to assess additional duties or has assessed additional duties and begun the liquidation process.
- (4) **Consignee:** The person or company to whom the goods are being shipped.
- (5) **Customs Declaration:** Any statement or action, in any form prescribed or accepted by CBP, giving information or particulars required by CBP.
- (6) **Entry:** Entry has two meanings. The first describes the formal process (i.e. the entry process) by which the documentation necessary for the importation of specific items of merchandise in to the United States is presented to CBP. The second describes a specific document, or more generally, all of the documents needed for entry. The entry papers consist of a number of specific items including a Customs Form 7501 (the Customs Entry) and a commercial invoice, as well as any specific additional documents which need to be filed for certain types of merchandise (for example, an origin declaration with certain textile products). Customs is moving toward a paperless system and some of these documents may now be “electronic” in nature.
- (7) **Exports:** Goods and services produced in one country and sold in other countries in exchange for goods and services, gold, foreign exchange or settlement of debt.
- (8) **Gray Market:** Foreign-manufactured goods bearing a genuine trademark or trade name identical with, or substantially indistinguishable from, one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States which are imported into the U.S. without the authorization of the U.S. trademark owner. In other words, gray market goods are genuine products bearing a trademark/name which has been applied with the approval of the right owner for use in a country other than the United States. *See* 19 U.S.C. § 1526; Kmart Corp v. Cartier, 486 U.S. 281 (1988).
- (9) **Importer of Record:** The person or company responsible for payment of duties and taxes, as well as the retention of importing records.

- (10) **Import:** The inflow of goods and services into a country's market for consumption.
- (11) **Temporary Importation Entries:** Under certain circumstances, CBP will permit full or partial relief of duties for particular goods imported into Canada on a temporary basis. They must be exported or destroyed under CBP supervision within a prescribed time-frame or CBP will require full duties to be paid.
- (12) **Trademark:** Any word, name, symbol, or device, or any combination thereof, used by a person to identify and distinguish his or her goods from those manufactured and sold by others and to indicate the source of the goods, even if that source is unknown. *See* 15 U.S.C. § 1127.

APPENDIX B

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3 of 4 DOCUMENTS

**SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER v. JOHN WILEY
& SONS, INC.**

No. 11-697.

SUPREME COURT OF THE UNITED STATES

133 S. Ct. 1351; 185 L. Ed. 2d 392; 2013 U.S. LEXIS 2371; 81 U.S.L.W. 4167; 106 U.S.P.Q.2D (BNA) 1001; Copy. L. Rep. (CCH) P30,396; 35 Int'l Trade Rep. (BNA) 1049; 41 Media L. Rep. 1441; 24 Fla. L. Weekly Fed. S 87

October 29, 2012, Argued

March 19, 2013, Decided

NOTICE:

The LEXIS pagination of this document is subject to change pending release of the final published version.

SUBSEQUENT HISTORY: As Amended April 4, 2013.

PRIOR HISTORY: [*1]**

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 2011 U.S. App. LEXIS 16830 (2d Cir. N.Y., 2011)

DISPOSITION: *654 F.3d 210*, reversed and remanded.

SYLLABUS

[*1352] [**396] The "exclusive rights" that a copyright owner has "to distribute copies . . . of [a] copyrighted work," *17 U.S.C. §106(3)*, are qualified by the application of several limitations set out in §§*107 through 122*, including the "first sale" doctrine, which provides that "the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled,

without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord," §*109(a)*. Importing a copy made abroad without the copyright owner's permission is an infringement of §*106(3)*. See §*602(a)(1)*. In *Quality King Distribs. v. Lanza Research Int'l*, *523 U.S. 135, 145, 118 S. Ct. 1125, 140 L. Ed. 2d 254*, this Court held that §*602(a)(1)*'s reference to §*106(3)* incorporates the §§*107 through 122* limitations, including §*109*'s "first sale" doctrine. However, the copy in *Quality King* was initially manufactured in the United States and then sent abroad and sold.

Respondent, John Wiley & Sons, Inc., an academic textbook publisher, often assigns to its wholly owned foreign subsidiary (Wiley [***2] Asia) rights to publish, print, and sell foreign editions of Wiley's English language textbooks abroad. Wiley Asia's books state that they are not to be taken (without permission) into the United States. When petitioner Kirtsaeng moved from Thailand to the United States to study mathematics, he asked friends and family to buy foreign edition English-language textbooks in Thai book shops, where they sold at low prices, and to mail them to him in the United States. He then sold the books, reimbursed his family and friends, and kept the profit.

Wiley filed suit, claiming that Kirtsaeng's

unauthorized importation and resale of its books was an infringement of Wiley's §106(3) exclusive right to distribute and §602's import prohibition. Kirtsaeng replied that because his books were "lawfully made" and acquired legitimately, §109(a)'s "first sale" doctrine permitted importation and resale without Wiley's further permission. The District Court held that Kirtsaeng could not assert this defense because the doctrine does not apply to goods manufactured abroad. The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights and assessed damages. The Second Circuit affirmed, [***3] concluding that §109(a)'s "lawfully made under this title" language indicated that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad.

Held: The "first sale" doctrine applies to copies of a copyrighted work lawfully made abroad. Pp. 7-33.

(a) Wiley reads "lawfully made under this title" to impose a *geographical* limitation that prevents §109(a)'s doctrine from applying to Wiley Asia's books. Kirtsaeng, however, reads the phrase as imposing the *non-geographical* limitation made "in accordance with" or "in compliance with" the Copyright Act, which would permit the doctrine to apply to copies manufactured abroad with the copyright owner's permission. Pp. 7-8.

(b) *Section 109(a)*'s language, its context, and the "first sale" doctrine's common-law history favor Kirtsaeng's reading. Pp. 8-24.

[**397] (1) *Section 109(a)* says nothing about geography. "Under" can logically mean "in accordance with." And a nongeographical [*1353] interpretation provides each word in the phrase "lawfully made under this title" with a distinct purpose: "lawfully made" suggests an effort to distinguish copies that were made lawfully from those that were not, and "under this title" sets [***4] forth the standard of "lawful[ness]" (*i.e.*, the U.S. Copyright Act). This simple reading promotes the traditional copyright objective of combatting piracy and makes word-by-word linguistic sense.

In contrast, the geographical interpretation bristles with linguistic difficulties. Wiley first reads "under" to mean "in conformance with the Copyright Act *where the Copyright Act is applicable*." Wiley then argues that the Act "is applicable" only in the United States. However, neither "under" nor any other word in "lawfully made under this title" means "where." Nor can a geographical

limitation be read into the word "applicable." The fact that the Act does not instantly protect an American copyright holder from unauthorized piracy taking place abroad does not mean the Act is inapplicable to copies made abroad. Indeed, §602(a)(2) makes foreign-printed pirated copies subject to the Copyright Act. And §104 says that works "subject to protection" include unpublished works "without regard to the [author's] nationality or domicile," and works "first published" in any of the nearly 180 nations that have signed a copyright treaty with the United States. Pp. 8-12.

(2) Both historical and contemporary [***5] statutory context indicate that Congress did not have geography in mind when writing the present version of §109(a). A comparison of the language in §109(a)'s predecessor and the present provision supports this conclusion. The former version referred to those who are not owners of a copy, but mere possessors who "lawfully obtained" a copy, while the present version covers only owners of a "lawfully made" copy. This new language, including the five words at issue, makes clear that a lessee of a copy will not receive "first sale" protection but one who owns a copy will be protected, provided that the copy was "lawfully made." A nongeographical interpretation is also supported by other provisions of the present statute. For example, the "manufacturing clause," which limited importation of many copies printed outside the United States, was phased out in an effort to equalize treatment of copies made in America and copies made abroad. But that "equal treatment" principle is difficult to square with a geographical interpretation that would grant an American copyright holder permanent control over the American distribution chain in respect to copies printed abroad but not those printed in [***6] America. Finally, the Court normally presumes that the words "lawfully made under this title" carry the same meaning when they appear in different but related sections, and it is unlikely that Congress would have intended the consequences produced by a geographical interpretation. Pp. 12-16.

(3) A nongeographical reading is also supported by the canon of statutory interpretation that "when a statute covers an issue previously governed by the common law," it is presumed that "Congress intended to retain the substance of the common law." *Samantar v. Yousuf*, 560 U.S. ___, ___, [**398] 130 S. Ct. 2278, 2290, 176 L. Ed. 2d 1047, 1064. The common-law "first sale" doctrine, which has an impeccable historic pedigree, makes no geographical distinctions. Nor can such distinctions be

found in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 28 S. Ct. 722, 52 L. Ed. 1086, 6 Ohio L. Rep. 323, where this Court first applied the "first sale" doctrine, or in §109(a)'s predecessor provision, which Congress enacted a year later. Pp. 17-19.

[*1354] (4) Library associations, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular "promot[ing] the Progress of Science [***7] and useful Arts," Art. I, §8, cl. 8. For example, a geographical interpretation of the first-sale doctrine would likely require libraries to obtain permission before circulating the many books in their collections that were printed overseas. Wiley counters that such problems have not occurred in the 30 years since a federal court first adopted a geographical interpretation. But the law has not been settled for so long in Wiley's favor. The Second Circuit in this case was the first Court of Appeals to adopt a purely geographical interpretation. Reliance on the "first sale" doctrine is also deeply embedded in the practices of booksellers, libraries, museums, and retailers, who have long relied on its protection. And the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders to assert geographically based resale rights. Thus, the practical problems described by petitioner and his *amici* are too serious, extensive, and likely to come about to be dismissed as insignificant--particularly in light of the ever-growing importance of foreign trade to America. Pp. 19-24.

(c) Several additional arguments that Wiley and the dissent make in support of a geographical [***8] interpretation are unpersuasive. Pp. 24-33.

654 F.3d 210, reversed and remanded.

COUNSEL: E. Joshua Rosenkranz argued the cause for petitioner.

Theodore B. Olson argued the cause for respondent.

Malcolm L. Stewart argued the cause for the United States, as *amicus curiae*.

JUDGES: BREYER, J., delivered the opinion of the Court, in which ROBERTS, C. J., and THOMAS, ALITO, SOTOMAYOR, and KAGAN, JJ., joined. KAGAN, J., filed a concurring opinion, in which ALITO,

J., joined. GINSBURG, J., filed a dissenting opinion, in which KENNEDY, J., joined, and in which SCALIA, J., joined except as to Parts III and V-B-1.

OPINION BY: BREYER

OPINION

JUSTICE BREYER delivered the opinion of the Court.

Section 106 of the Copyright Act grants "the owner of copyright under this title" certain "exclusive rights," including the right "to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership." 17 U.S.C. §106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§107 through 122. Those sections, typically entitled "Limitations on exclusive rights," include, for example, the principle of "fair use" (§107), permission for limited library archival reproduction, (§108), and the doctrine at issue here, the "first sale" doctrine (§109).

[**399] *Section 109(a)* sets forth the "first sale" doctrine as follows:

"Notwithstanding [***9] the provisions of *section 106(3)* [the section that grants the owner exclusive distribution rights], the [*1355] owner of a particular copy or phonorecord *lawfully made under this title* . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." (Emphasis added.)

Thus, even though §106(3) forbids distribution of a copy of, say, the copyrighted novel *Herzog* without the copyright owner's permission, §109(a) adds that, once a copy of *Herzog* has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of *that copy* and subsequent owners are free to dispose of it as they wish. In copyright jargon, the "first sale" has "exhausted" the copyright owner's §106(3) exclusive distribution right.

What, however, if the copy of *Herzog* was printed abroad and then initially sold with the copyright owner's permission? Does the "first sale" doctrine still apply? Is the buyer, like the buyer of a domestically manufactured

copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an "importation" provision, §602(a)(1), says that

"[i]mportation into the [***10] United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106" 17 U.S.C. §602(a)(1) (2006 ed., Supp. V) (emphasis added).

Thus §602(a)(1) makes clear that importing a copy without permission violates the owner's exclusive distribution right. But in doing so, §602(a)(1) refers explicitly to the §106(3) exclusive distribution right. As we have just said, §106 is by its terms "[s]ubject to" the various doctrines and principles contained in §§107 through 122, including §109(a)'s "first sale" limitation. Do those same modifications apply--in particular, does the "first sale" modification apply--when considering whether §602(a)(1) prohibits importing a copy?

In *Quality King Distribs. v. Lanza Research Int'l*, 523 U.S. 135, 145, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (1998), we held that §602(a)(1)'s reference to §106(3)'s exclusive distribution right incorporates the later subsections' limitations, including, in particular, the "first sale" doctrine of §109. Thus, it might seem that, §602(a)(1) notwithstanding, one who buys a [***11] copy abroad can freely import that copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But *Quality King* considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like *Quality King* but for one important fact. The copies at issue here were manufactured abroad. That fact is important because §109(a) says that the "first sale" doctrine applies to "a particular copy or phonorecord lawfully made under this title." And we must decide here whether the five words, "lawfully made under this title," make a critical legal difference.

[**400] Putting section numbers to the side, we ask whether the "first sale" doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner's permission?

In our view, the answers [***12] to these questions are, yes. We hold that the "first [*1356] sale" doctrine applies to copies of a copyrighted work lawfully made abroad.

I

A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions--to the point that we can, for present purposes, refer to Wiley as the relevant American copyright owner. See 654 F.3d 210, 213, n. 6 (CA2 2011). Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley's English language textbooks abroad. App. to Pet. for Cert. 47a-48a. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States. 654 F.3d, at 213.

For example, a copy of Wiley's American edition says, "Copyright © 2008 John Wiley & Sons, Inc. All rights reserved. . . . Printed in the United States of America." J. Walker, *Fundamentals of Physics*, p. vi (8th ed. 2008). A copy of Wiley Asia's Asian edition of that book says:

"Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] [***13] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action

to enforce its rights. . . . Printed in Asia." J. Walker, *Fundamentals of Physics*, p. vi (8th ed. 2008 Wiley Int'l Student ed.).

Both the foreign and the American copies say:

"No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means . . . except as permitted under *Sections 107* or *108* of the 1976 United States Copyright Act." Compare, e.g., *ibid.* (Int'l ed.), with Walker, *supra*, at vi (American ed.).

The upshot is that there are two essentially equivalent versions of a Wiley textbook, *654 F.3d, at 213*, each version manufactured and sold with Wiley's permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) [***14] into the United States. *Ibid.*

Petitioner, Supap Kirtsang, a citizen of Thailand, moved to the United States in 1997 to study mathematics [***401] at Cornell University. *Ibid.* He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return. Brief for Petitioner 7. Kirtsang successfully completed his undergraduate courses at Cornell, successfully completed a Ph. D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. *Ibid.* While he was studying in the United States, Kirtsang asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. *Id.*, at 7-8. Kirtsang would then sell them, reimburse his family and friends, and keep the profit. App. to Pet. for Cert. 48a-49a. [*1357]

B

In 2008 Wiley brought this federal lawsuit against Kirtsang for copyright infringement. *654 F.3d, at 213*. Wiley claimed that Kirtsang's unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley's §106(3) [***15] exclusive right to distribute as well as §602's related import

prohibition. *17 U.S.C. §§106(3) (2006 ed.), 602(a) (2006 ed., Supp. V)*. See also §501 (2006 ed.) (authorizing infringement action). App. 204-211. Kirtsang replied that the books he had acquired were "lawfully made" and that he had acquired them legitimately. Record in No. 1:08-CV-7834-DCP (SDNY), Doc. 14, p. 3. Thus, in his view, §109(a)'s "first sale" doctrine permitted him to resell or otherwise dispose of the books without the copyright owner's further permission. *Id.*, at 2-3.

The District Court held that Kirtsang could not assert the "first sale" defense because, in its view, that doctrine does not apply to "foreign-manufactured goods" (even if made abroad with the copyright owner's permission). App. to Pet. for Cert. 72a. The jury then found that Kirtsang had willfully infringed Wiley's American copyrights by selling and importing without authorization copies of eight of Wiley's copyrighted titles. And it assessed statutory damages of \$600,000 (\$75,000 per work). *654 F.3d, at 215*.

On appeal, a split panel of the Second Circuit agreed with the District Court. *Id.*, at 222. It pointed out that §109(a)'s "first sale" [***16] doctrine applies only to "the owner of a particular copy . . . lawfully made under this title." *Id.*, at 218-219 (emphasis added). And, in the majority's view, this language means that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad. *Id.*, at 221. A dissenting judge thought that the words "lawfully made under this title" do not refer "to a place of manufacture" but rather "focu[s] on whether a particular copy was manufactured lawfully under" America's copyright statute, and that "the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law." *Id.*, at 226 (opinion of Murtha, J.).

We granted Kirtsang's petition for certiorari to consider this question in light of different views among the Circuits. Compare *id.*, at 221 (case below) ("first sale" doctrine does not apply to copies manufactured outside the United States), with *Omega S. A. v. Costco Wholesale Corp.*, *541 F.3d 982, 986 (CA9 2008)* ("first sale" doctrine applies to copies manufactured [***402] outside the United States only if an authorized first sale occurs within the United States), *aff'd* by an equally divided court, *562 U.S. ___, 131 S. Ct. 565, 178 L. Ed. 2d 470 (2010)*, and *Sebastian [***17] Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, *847 F.2d 1093, 1098, n. 1 (CA3 1988)* (limitation of the first sale doctrine to

copies made within the United States "does not fit comfortably within the scheme of the Copyright Act").

II

We must decide whether the words "lawfully made under this title" restrict the scope of §109(a)'s "first sale" doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as *amicus*) all read those words as imposing a form of *geographical* limitation. The Second Circuit held that they limit the "first sale" doctrine to particular copies "made in territories *in which the Copyright Act is law*," which (the Circuit says) are copies "manufactured domestically," not "outside of the United States." 654 F.3d, at 221-222 (emphasis added). Wiley agrees that those five words limit [*1358] the "first sale" doctrine "to copies made in conformance with the [United States] Copyright Act *where the Copyright Act is applicable*," which (Wiley says) means it does not apply to copies made "outside the United States" and at least not to "foreign production of a copy for distribution exclusively abroad." Brief for Respondent 15-16. Similarly, the Solicitor General says that those five words limit the "first sale" doctrine's applicability to copies "'made subject to and in compliance with [the Copyright Act]," which (the Solicitor General says) are copies "made in the United States." Brief for United States as *Amicus Curiae* 5 (hereinafter Brief for United States) (emphasis added). And the Ninth Circuit has held that those words limit the "first sale" doctrine's applicability (1) to copies lawfully made in the United States, and (2) to copies lawfully made outside the United States but initially sold in the United States with the copyright owner's permission. *Denbicare U.S. A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1149-1150 (1996).

Under any of these geographical interpretations, §109(a)'s "first sale" doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner's permission to *make* copies abroad, one who *buys* a copy of any such book or other copyrighted work--whether at a retail store, over the Internet, or at a library sale--could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words "lawfully made under this title" as imposing [***19] a *non-geographical* limitation. He says that they mean made "in accordance with" or "in compliance with" the Copyright Act. Brief

for Petitioner 26. In that case, §109(a)'s "first sale" doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner. See §106 (referring to the owner's right to authorize).

In our view, §109(a)'s language, its context, and the common-law history of the "first sale" doctrine, taken together, favor a *non-geographical* interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation [***403] would threaten ordinary scholarly, artistic, commercial, and consumer activities. See Part II-D, *infra*. We consequently conclude that Kirtsaeng's nongeographical reading is the better reading of the Act.

A

The language of §109(a) read literally favors Kirtsaeng's nongeographical interpretation, namely, that "lawfully made under this title" means made "in accordance with" or "in compliance with" the Copyright Act. [***20] The language of §109(a) says nothing about geography. The word "under" can mean "[i]n accordance with." 18 Oxford English Dictionary 950 (2d ed. 1989). See also Black's Law Dictionary 1525 (6th ed. 1990) ("according to"). And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, "lawfully made," suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, "under this title," set forth the standard of "lawful[ness]." Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It [***1359] gives the word "lawfully" little, if any, linguistic work to do. (How could a book be *unlawfully* "made under this title"?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word "under." Indeed, [***21] Wiley

reads "under this title" to mean "in conformance with the Copyright Act *where the Copyright Act is applicable.*" Brief for Respondent 15. Wiley must then take a second step, arguing that the Act "is applicable" only in the United States. *Ibid.* And the Solicitor General must do the same. See Brief for United States 6 ("A copy is 'lawfully made under this title' if Title 17 governs the copy's creation *and* the copy is made in compliance with Title 17's requirements"). See also *post*, at 7 (GINSBURG, J., dissenting) ("under" describes something "governed or regulated by another").

One difficulty is that neither "under" nor any other word in the phrase means "where." See, e.g., 18 Oxford English Dictionary, *supra*, at 947-952 (definition of "under"). It might mean "subject to," see *post*, at 6, but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. See *Kucana v. Holder*, 558 U.S. 233, 245, 130 S. Ct. 827, 175 L. Ed. 2d 694 (2010) ("under" is chameleon"); *Ardestani v. INS*, 502 U.S. 129, 135, 112 S. Ct. 515, 116 L. Ed. 2d 496 (1991) ("under" has "many dictionary definitions" and "must draw its meaning from its context").

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second [***22] step's effort to read the necessary geographical limitation into the word "applicable" (or the equivalent). Where, precisely, is the Copyright Act "applicable"? The Act does not instantly *protect* an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is *inapplicable* to copies made abroad. As a matter of ordinary English, [***404] one can say that a statute imposing, say, a tariff upon "any rhododendron grown in Nepal" applies to *all* Nepalese rhododendrons. And, similarly, one can say that the American Copyright Act is *applicable* to *all* pirated copies, including those printed overseas. Indeed, the Act itself makes clear that (in the Solicitor General's language) foreign-printed pirated copies are "subject to" the Act. §602(a)(2) (2006 ed., Supp. V) (referring to importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable"); Brief for United States 5. See also *post*, at 6 (suggesting that "made under" may be read as "subject to").

The appropriateness of this linguistic usage is underscored by the fact that §104 of [***23] the Act

itself says that works "*subject to protection under this title*" include unpublished works "without regard to the nationality or domicile of the author," and works "first published" in any one of the nearly 180 nations that have signed a copyright treaty with the United States. §§104(a), (b) (2006 ed.) (emphasis added); §101 (2006 ed., Supp. V) (defining "treaty party"); U.S. Copyright Office, Circular No. 38A, International Copyright Relations of the United States (2010). Thus, ordinary English permits us to say that the Act "applies" to an Irish manuscript lying in its author's Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery. Cf. 4 M. Nimmer & D. Nimmer, *Copyright* §17.02, pp. 17-18, 17-19 (2012) (hereinafter Nimmer [*1360] on Copyright) (noting that the principle that "copyright laws do not have any extraterritorial operation" "requires some qualification").

The Ninth Circuit's geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the "first sale" doctrine to cover both (1) copies manufactured in the United States and (2) copies manufactured [***24] abroad but first sold in the United States with the American copyright owner's permission. *Denbicare U.S. A.*, 84 F.3d, at 1149-1150. See also Brief for Respondent 16 (suggesting that the clause *at least* excludes "the foreign production of a copy for distribution exclusively abroad"); *id.*, at 51 (the Court need "not decide whether the copyright owner would be able to restrict further distribution" in the case of "a downstream domestic purchaser of *authorized* imports"); Brief for Petitioner in *Costco Wholesale Corp. v. Omega, S. A.*, O. T. 2010, No. 08-1423, p. 12 (excepting imported copies "made by unrelated foreign copyright holders" (emphasis deleted)).

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, see Part II-D, *infra*, without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress fabric (with a design copyright) made in China, *even* if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher [***25] such as Wiley would be free to print its books abroad, allow their importation and sale within the United States, but prohibit students from later selling

their used texts at a campus bookstore. We see no way, [**405] however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, "lawfully made under this title." As a matter of English, it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in Kirtsaeng's, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of §109(a), did not have geography in mind. In respect to history, we compare §109(a)'s present language with the language of its immediate predecessor. That predecessor said:

"[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained.*" Copyright Act of 1909, §41, 35 Stat. 1084 (emphasis [***26] added).

See also Copyright Act of 1947, §27, 61 Stat. 660. The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly *introduced* a geographical limitation that previously was lacking. See also Part II-C, *infra* (discussing 1909 codification of common-law principle).

A comparison of language indicates that it did not. The predecessor says that the "first sale" doctrine protects "the transfer of any copy *the possession of which has been lawfully obtained.*" The present version says that "*the owner* of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or [*1361] phonorecord." What does this change in language accomplish?

The language of the former version referred to those *who are not owners* of a copy, but mere possessors who "lawfully obtained" a copy. The present version covers

only those who are *owners* of a "lawfully made" copy. Whom does the change leave out? Who might have lawfully *obtained* a copy of a copyrighted work but not *owned* that copy? One answer is owners of movie theaters, who during the 1970's (and before) often [***27] *leased* films from movie distributors or filmmakers. See S. Donahue, American Film Distribution 134, 177 (1987) (describing producer-distributor and distributor-exhibitor agreements); Note, The Relationship Between Motion Picture Distribution and Exhibition: An Analysis of the Effects of Anti-Blind Bidding Legislation, 9 Comm/Ent. L. J. 131, 135 (1986). Because the theater owners had "lawfully obtained" their copies, the earlier version could be read as allowing them to sell that copy, *i.e.*, it might have given them "first sale" protection. Because the theater owners were lessees, not owners, of their copies, the change in language makes clear that they (like bailees and other lessees) cannot take advantage of the "first sale" doctrine. (Those who find legislative history useful will find confirmation in, *e.g.*, House Committee on the Judiciary, Copyright Law Revision, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st [**406] Sess., pt. 6, p. 30 (Comm. Print 1965) (hereinafter Copyright Law Revision) ("[W]here a person has rented a print of a motion picture from the copyright owner, he would have no right [***28] to lend, rent, sell, or otherwise dispose of the print without first obtaining the copyright owner's permission"). See also *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 851 (CA2 1963) (Friendly, J.) (pointing out predecessor statute's leasing problem)).

This objective perfectly well explains the new language of the present version, including the five words here at issue. *Section 109(a)* now makes clear that a lessee of a copy will *not* receive "first sale" protection but one who *owns* a copy *will* receive "first sale" protection, *provided*, of course, that the copy was "*lawfully made*" and not pirated. The new language also takes into account that a copy may be "lawfully made under this title" when the copy, say of a phonorecord, comes into its owner's possession through use of a compulsory license, which "this title" provides for elsewhere, namely, in §115. Again, for those who find legislative history useful, the relevant legislative report makes this clear. H. R. Rep. No. 94-1476, p. 79 (1976) ("For example, any resale of an illegally 'pirated' phonorecord would be an infringement, but the disposition of a phonorecord legally

made under the compulsory licensing provisions [***29] of section 115 would not").

Other provisions of the present statute also support a nongeographical interpretation. For one thing, the statute phases out the "manufacturing clause," a clause that appeared in earlier statutes and had limited importation of many copies (of copyrighted works) printed outside the United States. §601, 90 Stat. 2588 ("Prior to July 1, 1982 . . . the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material . . . is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada"). The phasing out of this clause sought to equalize treatment of copies manufactured in America and copies manufactured abroad. See H. R. Rep. No. 94-1476, at 165-166.

[*1362] The "equal treatment" principle, however, is difficult to square with a geographical interpretation of the "first sale" clause that would grant the holder of an American copyright (perhaps a foreign national, see *supra*, at 10) permanent control over the American distribution chain (sales, resales, gifts, and other distribution) in respect to copies printed abroad but not in respect to copies [***30] printed in America. And it is particularly difficult to believe that Congress would have sought this unequal treatment while saying nothing about it and while, in a related clause (the manufacturing phase-out), seeking the opposite kind of policy goal. Cf. *Golan v. Holder*, 565 U.S. ___, ___, 132 S. Ct. 873, 893, 181 L. Ed. 2d 835, 859 (2012) (Congress has moved from a copyright regime that, prior to 1891, entirely excluded foreign works from U.S. copyright protection to a regime that now "ensure[s] that most works, whether foreign or domestic, would be governed by the same legal regime" (emphasis added)).

Finally, we normally presume that the words "lawfully made under this title" carry the same meaning when they appear in different but related sections. *Department of Revenue of Ore. v. ACF Industries, Inc.*, [**407] 510 U.S. 332, 342, 114 S. Ct. 843, 127 L. Ed. 2d 165 (1994). But doing so here produces surprising consequences. Consider:

(1) *Section 109(c)* says that, despite the copyright owner's exclusive right "to display" a copyrighted work (provided in

§106(5)), the owner of a particular copy "lawfully made under this title" may publicly display it without further authorization. To interpret these words geographically would mean that one who buys [***31] a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner's further authorization.

(2) *Section 109(e)* specifically provides that the owner of a particular copy of a copyrighted video arcade game "lawfully made under this title" may "publicly perform or display that game in coin-operated equipment" without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not ("without the authority of the copyright owner") perform or display arcade games (whether new or used) originally made in Japan. Cf. *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (CA4 1989).

(3) *Section 110(1)* says that a teacher, without the copyright owner's authorization, is allowed to perform or display a copyrighted work (say, an audiovisual work) "in the course of face-to-face teaching activities"--unless the teacher knowingly used "a copy that was not lawfully made under this title." To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made [***32] in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, §106 provides the Act's basic exclusive rights to an "owner of a copyright under this title." The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires

that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II-D, *infra*, why we find it unlikely that Congress would have intended these, and other related consequences. [*1363]

C

A relevant canon of statutory interpretation favors a nongeographical reading. "[W]hen a statute covers an issue previously governed by the common law," we must presume that "Congress intended to retain the substance of the common law." *Samantar v. Yousuf*, 560 U.S. ___, ___, n. 13, 130 S. Ct. 2278, 2290, 176 L. Ed. 2d 1047, 1064 (2010)). See also *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783, 72 S. Ct. 1011, 96 L. Ed. 1294 (1952) ("Statutes which invade the common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to [***33] the contrary is evident").

The "first sale" doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law's refusal to permit restraints [*408] on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, *Two Contributions to Coke Studies*, 72 *U. Chi. L. Rev.* 1127, 1135 (2005), Lord Coke wrote:

"[If] a man be possessed of . . . a horse, or of any other chattell . . . and give or sell his whole interest . . . therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest . . . is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him." 1 E. Coke, *Institutes of the Laws of England* §360, p. 223 (1628).

A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly "against Trade and Traffi[c], and bargaining and contracting." *Ibid.*

With these last few words, Coke emphasizes the

importance [***34] of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to resell, can work to the advantage of the consumer. See, e.g., *Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U.S. 877, 886, 127 S. Ct. 2705, 168 L. Ed. 2d 623 (2007) (restraints with "manifestly anticompetitive effects" are *per se* illegal; others are subject to the rule of reason (internal quotation marks omitted)); 1 P. Areeda & H. Hovenkamp, *Antitrust Law* ¶100, p. 4 (3d ed. 2006) ("[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively").

The "first sale" doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the "first sale" doctrine has played an important role in American copyright law. See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 28 S. Ct. 722, 52 L. Ed. 1086, 6 *Ohio L. Rep.* 323 (1908); Copyright Act of 1909, §41, 35 Stat. 1084. See also Copyright Law Revision, *Further Discussions and Comments* [***35] on Preliminary Draft for Revised U.S. Copyright Law, 88th Cong., 2d Sess., pt. 4, p. 212 (Comm. Print 1964) (Irwin Karp of Authors' League of America expressing concern for "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale").

The common-law doctrine makes no geographical distinctions; nor can we find any in *Bobbs-Merrill* (where this Court first applied the "first sale" doctrine) or in §109(a)'s predecessor provision, which Congress enacted a year later. See *supra*, [*1364] at 12. Rather, as the Solicitor General acknowledges, "a straightforward application of *Bobbs-Merrill*" would not preclude the "first sale" defense from applying to authorized copies made overseas. Brief for United States 27. And we can find no language, context, purpose, or history that would rebut a "straightforward application" of that doctrine here.

The dissent argues that another principle of statutory interpretation works against our reading, and points [*409] out that elsewhere in the statute Congress used different words to express something like the non-geographical reading we adopt. *Post*, at 8-9 (quoting

§602(a)(2) (prohibiting the importation of copies "the making [***36] of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable" (emphasis deleted))). Hence, Congress, the dissent believes, must have meant §109(a)'s different language to mean something different (such as the dissent's own geographical interpretation of §109(a)). We are not aware, however, of any canon of interpretation that forbids interpreting different words used in different parts of the same statute to mean roughly the same thing. Regardless, were there such a canon, the dissent's interpretation of §109(a) would also violate it. That is because Congress elsewhere in the 1976 Act included the words "manufactured in the United States or Canada," 90 Stat. 2588, which express just about the same geographical thought that the dissent reads into §109(a)'s very different language.

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular "promot[ing] the Progress of Science and useful Arts." *U.S. Const., Art. I, §8, cl. 8.*

The [***37] American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under *17 U.S.C. §104*, see *supra*, at 10); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books. Brief for American Library Association et al. as *Amici Curiae* 4, 15-20. Cf. *id.*, at 16-20, 28 (discussing limitations of potential defenses, including the fair use and archival exceptions, §§107-108). See also Library and Book Trade Almanac 511 (D. Bogart ed., 55th ed. 2010) (during 2000-2009 "a significant amount of book printing moved to foreign nations").

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of

a foreign book, perhaps written decades ago? They may not know the copyright holder's [***38] present address. Brief for American Library Association 15 (many books lack indication of place of manufacture; "no practical way to learn where [a] book was printed"). And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

Used-book dealers tell us that, from the time when Benjamin Franklin and Thomas [*1365] Jefferson built commercial and personal libraries of foreign books, American readers have bought used books published and printed abroad. Brief for Powell's Books Inc. [***410] et al. as *Amici Curiae* 7 (citing M. Stern, *Antiquarian Bookselling in the United States* (1985)). The dealers say that they have "operat[ed] . . . for centuries" under the assumption that the "first sale" doctrine applies. Brief for Powell's Books 7. But under a geographical interpretation a contemporary tourist who buys, say, at Shakespeare and Co. (in Paris), a dozen copies of a foreign book for American friends might find that she had violated the copyright law. The used-book dealers cannot easily predict what the foreign [***39] copyright holder may think about a reader's effort to sell a used copy of a novel. And they believe that a geographical interpretation will injure a large portion of the used-book business.

Technology companies tell us that "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers" contain copyrightable software programs or packaging. Brief for Public Knowledge et al. as *Amici Curiae* 10. See also Brief for Association of Service and Computer Dealers International, Inc., et al. as *Amici Curiae* 2. Many of these items are made abroad with the American copyright holder's permission and then sold and imported (with that permission) to the United States. Brief for Retail Litigation Center, Inc., et al. as *Amici Curiae* 4. A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. See Tr. of Oral Arg. 29-30. Without that permission a foreign car owner [***40] could not sell his or her used car.

Retailers tell us that over \$2.3 trillion worth of foreign goods were imported in 2011. Brief for Retail Litigation Center 8. American retailers buy many of these goods after a first sale abroad. *Id.*, at 12. And, many of these items bear, carry, or contain copyrighted "packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals." *Id.*, at 10-11. The retailers add that American sales of more traditional copyrighted works, "such as books, recorded music, motion pictures, and magazines" likely amount to over \$220 billion. *Id.*, at 9. See also *id.*, at 10 (electronic game industry is \$16 billion). A geographical interpretation would subject many, if not all, of them to the disruptive impact of the threat of infringement suits. *Id.*, at 12.

Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, René Magritte, Henri Matisse, Pablo Picasso, and others. See *supra*, at 10 (describing how §104 often makes such works "subject to" American copyright protection). A geographical interpretation, [***41] they say, would require the museums to obtain permission from the copyright owners before they could display the work, see *supra*, at 15--even if the copyright owner has already sold or donated the work to a foreign museum. Brief for Association of Art Museum Directors et al. as *Amici Curiae* 10-11. What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs [**411] is arguing about who owns which copyright? *Id.*, at 14.

These examples, and others previously mentioned, help explain *why* Lord Coke considered the "first sale" doctrine necessary [*1366] to protect "Trade and Traffi[c], and bargaining and contracting," and they help explain *why* American copyright law has long applied that doctrine. Cf. *supra*, at 17-18.

Neither Wiley nor any of its many *amici* deny that a geographical interpretation could bring about these "horribles"--at least in principle. Rather, Wiley essentially says that the list is artificially invented. Brief for Respondent 51-52. It points out that a federal court first adopted a geographical interpretation more than 30 years ago. *CBS, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 49 (ED Pa. 1983), summarily [***42] *aff'd*, 738 F.2d 424 (CA3 1984) (table). Yet, it adds, these problems have not occurred. Why not? Because, says

Wiley, the problems and threats are purely theoretical; they are unlikely to reflect reality. See also *post*, at 30-31.

We are less sanguine. For one thing, the law has not been settled for long in Wiley's favor. The Second Circuit, in its decision below, is the first Court of Appeals to adopt a purely geographical interpretation. The Third Circuit has favored a nongeographical interpretation. *Sebastian Int'l*, 847 F.2d 1093. The Ninth Circuit has favored a modified geographical interpretation with a nongeographical (but textually unsustainable) corollary designed to diminish the problem. *Denbicare U.S. A.*, 84 F.3d 1143. See *supra*, at 11-12. And other courts have hesitated to adopt, and have cast doubt upon, the validity of the geographical interpretation. *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407 (SDNY 2009); *Red-Baron Franklin Park, Inc. v. Taito Corp., No. 88-0156-A*, 1988 U.S. Dist. LEXIS 15735, 1988 WL 167344, *3 (ED Va. 1988), *rev'd* on other grounds, 883 F.2d 275 (CA4 1989).

For another thing, reliance upon the "first sale" doctrine is deeply embedded in the practices of those, such as booksellers, [***43] libraries, museums, and retailers, who have long relied upon its protection. Museums, for example, are not in the habit of asking their foreign counterparts to check with the heirs of copyright owners before sending, *e.g.*, a Picasso on tour. Brief for Association of Art Museum Directors 11-12. That inertia means a dramatic change is likely necessary before these institutions, instructed by their counsel, would begin to engage in the complex permission-verifying process that a geographical interpretation would demand. And this Court's adoption of the geographical interpretation could provide that dramatic change. These intolerable consequences (along with the absurd result that the copyright owner can exercise downstream control even when it authorized the import or first sale) have understandably led the Ninth Circuit, the Solicitor General as *amicus*, and the dissent to adopt textual readings of the statute that attempt to mitigate these harms. Brief for United States 27-28; *post*, at 24-28. But those readings are not defensible, for they require too many unprecedented jumps over linguistic and other hurdles that in our view are insurmountable. See, *e.g.*, *post*, at 26 [**412] (acknowledging [***44] that its reading of §106(3) "significantly curtails the independent effect of §109(a)").

Finally, the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so

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far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

[*1367] Thus, we believe that the practical problems that petitioner and his *amici* have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant--particularly in light of the ever-growing importance of foreign trade to America. See The World Bank, Imports of goods and services (% of GDP) (imports in 2011 18% of U.S. gross domestic product compared to 11% in 1980), online at [http:// data.worldbank.org/indicator/NE.IMP.GNFS .ZS?](http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS?) (as visited Mar. 15, 2013, and available in Clerk of Court's case file). The upshot is that copyright-related consequences along with language, [***45] context, and interpretive canons argue strongly against a geographical interpretation of §109(a).

III

Wiley and the dissent make several additional important arguments in favor of the geographical interpretation. *First*, they say that our *Quality King* decision strongly supports its geographical interpretation. In that case we asked whether the Act's "importation provision," now §602(a)(1) (then §602(a)), barred importation (without permission) of a copyrighted item (labels affixed to hair care products) where an American copyright owner authorized the first sale and export of hair care products with copyrighted labels made in the United States, and where a buyer sought to import them back into the United States without the copyright owner's permission. 523 U.S., at 138-139, 118 S. Ct. 1125, 140 L. Ed. 2d 254.

We held that the importation provision did *not* prohibit sending the products back into the United States (without the copyright owner's permission). That section says:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States *is an infringement* of the exclusive right to

distribute copies [***46] or phonorecords *under section 106.*" 17 U.S.C. §602(a)(1) (2006 ed., Supp. V) (emphasis added). See also §602(a) (1994 ed.).

We pointed out that this section makes importation an infringement of the "exclusive right to distribute . . . *under 106.*" We noted that §109(a)'s "first sale" doctrine limits the scope of the §106 exclusive distribution right. We took as given the fact that the products at issue had at least once been sold. And we held that consequently, importation of the copyrighted labels does not violate §602(a)(1). 523 U.S., at 145, 118 S. Ct. 1125, 140 L. Ed. 2d 254.

In reaching this conclusion we endorsed *Bobbs-Merrill* and its statement that the copyright laws were not "intended to create a right which would permit the holder of the copyright [***413] to fasten, by notice in a book . . . a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it." 210 U.S., at 349-350, 28 S. Ct. 722, 52 L. Ed. 2d 1086.

We also explained why we rejected the claim that our interpretation would make §602(a)(1) pointless. Those advancing that claim had pointed out that the 1976 Copyright Act amendments retained a prior anti-piracy provision, prohibiting the importation [***47] of *pirated* copies. *Quality King*, *supra*, at 146, 118 S. Ct. 1125, 140 L. Ed. 2d 254. Thus, they said, §602(a)(1) must prohibit the importation of lawfully made copies, for to allow the importation of those lawfully made copies *after a first sale*, as *Quality King's* holding would do, would leave §602(a)(1) without much to prohibit. It would become superfluous, without any real work to do.

[*1368] We do not believe that this argument is a strong one. Under *Quality King's* interpretation, §602(a)(1) would still forbid importing (without permission, and subject to the exceptions in §602(a)(3)) copies lawfully made abroad, for example, where (1) a foreign publisher operating as the licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send them to the United States; (2) a foreign printer or other manufacturer (if not the "owner" for purposes of §109(a), *e.g.*, before an authorized sale) sought to send copyrighted goods to the United States; (3) "a book publisher transports copies

to a wholesaler" and the wholesaler (not yet the owner) sends them to the United States, see Copyright Law Revision, pt. 4, at 211 (giving this example); or (4) a foreign film distributor, having leased [***48] films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States. See, e.g., 2 *Nimmer on Copyright* §8.12[B][1][a], at 8-159 ("Section 109(a) provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies"). These examples show that §602(a)(1) retains significance. We concede it has less significance than the dissent believes appropriate, but the dissent also adopts a construction of §106(3) that "significantly curtails" §109(a)'s effect, *post*, at 26, and so limits the scope of that provision to a similar, or even greater, degree.

In *Quality King* we rejected the "superfluous" argument for similar reasons. But, when rejecting it, we said that, where an author gives exclusive American distribution rights to an American publisher and exclusive British distribution rights to a British publisher, "presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of §109(a)." 523 U.S., at 148, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (emphasis added). Wiley now [***49] argues that this phrase in the *Quality King* opinion means that books published abroad (under license) must fall outside the words "lawfully made under this title" and that we have consequently already given those words the geographical interpretation that it favors.

We cannot, however, give the *Quality King* statement the legal weight for which Wiley argues. The language "lawfully made under this title" was [**414] not at issue in *Quality King*; the point before us now was not then fully argued; we did not canvas the considerations we have here set forth; we there said nothing to suggest that the example assumes a "first sale"; and we there hedged our statement with the word "presumably." Most importantly, the statement is pure dictum. It is dictum contained in a rebuttal to a counterargument. And it is unnecessary dictum even in that respect. Is the Court having once written dicta calling a tomato a vegetable bound to deny that it is a fruit forever after?

To the contrary, we have written that we are not

necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct. *Central Va. Community College v. Katz*, 546 U.S. 356, 363, 126 S. Ct. 990, 163 L. Ed. 2d 945 (2006) ("[W]e are not bound to follow [***50] our dicta in a prior case in which the point now at issue was not fully debated"); *Humphrey's Ex'r v. United States*, 295 U.S. 602, 627-628, 55 S. Ct. 869, 79 L. Ed. 1611 (1935) (rejecting, under *stare decisis*, dicta, "which may be followed if sufficiently persuasive but which are not controlling"). And, given the bit part that our *Quality King* statement played in our [*1369] *Quality King* decision, we believe the view of *stare decisis* set forth in these opinions applies to the matter now before us.

Second, Wiley and the dissent argue (to those who consider legislative history) that the Act's legislative history supports their interpretation. But the historical events to which it points took place more than a decade before the enactment of the Act and, at best, are inconclusive.

During the 1960's, representatives of book, record, and film industries, meeting with the Register of Copyrights to discuss copyright revision, complained about the difficulty of dividing international markets. Copyright Law Revision Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., pt. 2, p. 212 (Comm. Print 1963) (English editions of "particular" books "fin[d]" [***51] their "way into this country"); *id.*, at 213 (works "publi[shed] in a country where there is no copyright protection of any sort" are put into "the free stream of commerce" and "shipped to the United States"); *ibid.* (similar concern in respect to films).

The then-Register of Copyrights, Abraham Kaminstein, found these examples "very troubl[ing]." *Ibid.* And the Copyright Office released a draft provision that it said "deals with the matter of the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." *Id.*, pt. 4, at 203. That draft version, without reference to §106, simply forbids unauthorized imports. It said:

"Importation into the United States of

copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [17 U.S.C. §501].” *Id.*, Preliminary [***52] Draft for Revised U.S. Copyright Law and Discussions and Comments, 88th Cong., 2d Sess., pt. 3, pp. 32-33 (Comm. Print 1964).

[**415] In discussing the draft, some of those present expressed concern about its effect on the “first sale” doctrine. For example, Irwin Karp, representing the Authors League of America asked, “If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?” *Id.*, pt. 4, at 211. The Copyright Office representative replied, “This could vary from one situation to another, I guess. I should guess, for example, that if a book publisher transports [*i.e.*, does not sell] copies to a wholesaler [*i.e.*, a *nonowner*], this is not *yet* the kind of transaction that exhausts the right to control disposition.” *Ibid.* (emphasis added).

The Office later withdrew the draft, replacing it with a draft, which, by explicitly referring to §106, was similar to the provision that became law, now §602(a)(1). The Office noted in a report that, under the new draft, importation of a copy (without permission) “would violate the exclusive rights of the U.S. copyright owner . . . where the copyright owner [***53] had authorized the making of copies in a foreign country for distribution only in that country.” *Id.*, pt. 6, at 150.

Still, that part of the report says nothing about the “first sale” doctrine, about §109(a), or about the five words, “lawfully made under this title.” And neither the report nor its accompanying 1960’s draft answers the question before us here. Cf. *Quality King*, 523 U.S., at 145, 118 S. Ct. 1125, [*1370] 140 L. Ed. 2d 254 (without those five words, the import clause, via its reference to §106, imports the “first sale” doctrine).

But to ascertain the best reading of §109(a), rather than dissecting the remarks of industry representatives concerning §602 at congressional meetings held 10 years before the statute was enacted, see *post*, at 13-16, we

would give greater weight to the congressional report accompanying §109(a), written a decade later when Congress passed the new law. That report says:

“Section 109(a) restates and confirms the principle that, where the *copyright* owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means. Under this principle, which has been established [***54] by the court decisions and . . . the present law, the copyright owner’s exclusive right of public distribution would have no effect upon anyone who owns ‘a particular copy or phonorecord lawfully made under this title’ and who wishes to transfer it to someone else or to destroy it.

. . . .

“To come within the scope of *section 109(a)*, a copy or phonorecord must have been ‘lawfully made under this title,’ though not necessarily with the copyright owner’s authorization. For example, any resale of an illegally ‘pirated’ phonorecord would be an infringement but the disposition of a phonorecord legally made under the compulsory licensing provisions of *section 115* would not.” H. R. Rep. No. 94-1476, at 79 (emphasis added).

Accord, S. Rep. No. 94-473, pp. 71-72 (1975).

This history reiterates the importance of the “first sale” doctrine. See, [**416] *e.g.*, Copyright Law Revision, 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., pt. 5, p. 66 (Comm. Print 1965) (“[F]ull ownership of a lawfully-made copy authorizes its owner to dispose of it freely”). It explains, as we have explained, the nongeographical purposes of the words “lawfully made under this title.” Part II-B, *supra*. And [***55] it says nothing about geography. Nor, importantly, did §109(a)’s predecessor provision. See *supra*, at 12. This means that, contrary to the dissent’s suggestion, any lack of legislative history pertaining to the “first sale” doctrine only tends to bolster our position

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that Congress' 1976 revision did not intend to create a drastic geographical change in its revision to that provision. See *post*, at 18, n. 13. We consequently believe that the legislative history, on balance, supports the nongeographical interpretation.

Third, Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

The Constitution describes the nature of American copyright law by providing Congress with the power to "secur[e]" to "[a]uthors" "for limited [t]imes" the "exclusive [r]ight [***56] to their . . . [w]ritings." Art. I, §8, cl. 8. The Founders, too, discussed the need to grant an author a limited right to exclude competition. Compare Letter from Thomas Jefferson to James Madison (July 31, 1788), in 13 Papers of Thomas [***1371] Jefferson 440, 442-443 (J. Boyd ed. 1956) (arguing against any monopoly) with Letter from James Madison to Thomas Jefferson (Oct. 17, 1788), in 14 *id.*, at 16, 21 (J. Boyd ed. 1958) (arguing for a limited monopoly to secure production). But the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions. Cf. Copyright Law Revision, pt. 2, at 194 (statement of Barbara Ringer, Copyright Office) (division of territorial markets was "primarily a matter of private contract").

To the contrary, Congress enacted a copyright law that (through the "first sale" doctrine) limits [***57] copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. Cf. *Palmer v. BRG of Ga., Inc.*, 498 U.S. 46, 49-50, 111 S. Ct. 401, 112 L. Ed. 2d 349 (1990) (*per curiam*) ("[A]greements between competitors to allocate territories to minimize

competition are illegal"). Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

Fourth, the dissent and Wiley contend that our decision launches [***417] United States copyright law into an unprecedented regime of "international exhaustion." *Post*, at 18-23; Brief for Respondent 45-46. But they point to nothing indicative of congressional intent in 1976. The dissent also claims that it is clear that the United States now opposes adopting such a regime, but the Solicitor General as *amicus* has taken no such position in this case. In fact, when pressed at oral argument, the Solicitor General stated that the consequences of Wiley's reading of the statute (perpetual downstream control) were "worse" than those of Kirtsaeng's reading (restriction [***58] of market segmentation). Tr. of Oral Arg. 51. And the dissent's reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with our reading of §109(a). Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 1470, p. 30 ("When . . . Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so expressly"); *ibid.* (calling it "distinctly unlikely" that Congress would have provided an incentive for overseas manufacturing).

Moreover, the exhaustion regime the dissent apparently favors would provide that "the sale in one country of a good" does not "exhaus[t] the intellectual-property owner's right to control the distribution of that good elsewhere." *Post*, at 18-19. But our holding in *Quality King* that §109(a) is a defense in U.S. courts even when "the first sale occurred abroad," 523 U.S., at 145, n. 14, 118 S. Ct. 1125, 140 L. Ed. 2d 254, has already significantly eroded such a principle.

IV

For these reasons we conclude that the considerations supporting Kirtsaeng's nongeographical interpretation of the words "lawfully made under this title" are the more persuasive. The judgment of the Court of Appeals is reversed, and [***59] the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

CONCUR BY: KAGAN

CONCUR

[*1372] JUSTICE KAGAN, with whom JUSTICE ALITO joins, concurring.

I concur fully in the Court's opinion. Neither the text nor the history of 17 U.S.C. §109(a) supports removing first-sale protection from every copy of a protected work manufactured abroad. See *ante*, at 8-16, 28-31. I recognize, however, that the combination of today's decision and *Quality King Distrib. v. Lanza Research Int'l*, 523 U.S. 135, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (1998), constricts the scope of §602(a)(1)'s ban on unauthorized importation. I write to suggest that any problems associated with that limitation come not from our reading of §109(a) here, but from *Quality King*'s holding that §109(a) limits §602(a)(1).

As the Court explains, the first-sale doctrine has played an integral part in American copyright law for over a century. See *ante*, at 17-19; *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 28 S. Ct. 722, 52 L. Ed. 1086, 6 Ohio L. Rep. 323 (1908). No codification of the doctrine prior to 1976 even arguably limited its application to copies made in the United States. See *ante*, at [*418] 12. And nothing in the text or history of §109(a)--the Copyright Act of 1976's first-sale provision--suggests [***60] that Congress meant to enact the new, geographical restriction John Wiley proposes, which at once would deprive American consumers of important rights and encourage copyright holders to manufacture abroad. See *ante*, at 8-16, 28-31.

That said, John Wiley is right that the Court's decision, when combined with *Quality King*, substantially narrows §602(a)(1)'s ban on unauthorized importation. *Quality King* held that the importation ban does not reach any copies receiving first-sale protection under §109(a). See 523 U.S., at 151-152, 118 S. Ct. 1125, 140 L. Ed. 2d 254. So notwithstanding §602(a)(1), an "owner of a particular copy . . . lawfully made under this title" can import that copy without the copyright owner's permission. §109(a). In now holding that copies "lawfully made under this title" include copies manufactured abroad, we unavoidably diminish §602(a)(1)'s scope--indeed, limit it to a fairly esoteric set of applications. See *ante*, at 26-27.

But if Congress views the shrinking of §602(a)(1) as

a problem, it should recognize *Quality King*--not our decision today--as the culprit. Here, after all, we merely construe §109(a); *Quality King* is the decision holding that §109(a) limits §602(a)(1). Had we come out the opposite [***61] way in that case, §602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine.¹ That result would enable the copyright owner to divide international markets in the way John Wiley claims Congress intended when enacting §602(a)(1). But it would do so without imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad. In other words, [*1373] that outcome would target unauthorized importers alone, and not the "libraries, used-book dealers, technology companies, consumer-goods retailers, and museums" with whom the Court today is rightly concerned. *Ante*, at 19. Assuming Congress adopted §602(a)(1) to permit market segmentation, I suspect that is how Congress thought the provision would work--not by removing first-sale protection from every copy manufactured abroad (as John Wiley urges us to do here), but by enabling the copyright holder to control imports even when the first-sale doctrine applies (as *Quality King* now prevents).²

1 Although *Quality King* concluded that the statute's text foreclosed that outcome, see 523 U.S., at 151-152, 118 S. Ct. 1125, 140 L. Ed. 2d 254, the Solicitor General offered [***62] a cogent argument to the contrary. He reasoned that §109(a) does not limit §602(a)(1) because the former authorizes owners only to "sell" or "dispose" of copies--not to import them: The Act's first-sale provision and its importation ban thus regulate separate, non-overlapping spheres of conduct. See Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 96-1470, pp. 5, 8-10. That reading remains the Government's preferred way of construing the statute. See Tr. of Oral Arg. 44 ("[W]e think that we still would adhere to our view that section 109(a) should not be read as a limitation on section 602(a)(1)"); see also *ante*, at 32-33; *post*, at 21, n. 15 (GINSBURG, J., dissenting).

2 Indeed, allowing the copyright owner to restrict imports irrespective of the first-sale doctrine--i.e., reversing *Quality King*--would yield a far more sensible scheme of market segmentation than would adopting John Wiley's

argument here. That is because only the former approach turns on the *intended market* for copies; the latter rests instead on their *place of manufacture*. To see the difference, imagine that John Wiley prints all its textbooks in New York, but wants to distribute certain versions [***63] only in Thailand. Without *Quality King*, John Wiley could do so--*i.e.*, produce books in New York, ship them to Thailand, and prevent anyone from importing them back into the United States. But with *Quality King*, that course is not open to John Wiley even under its reading of §109(a): To prevent someone like Kirtsaeng from reimporting the books--and so to segment the Thai market--John Wiley would have to move its printing facilities abroad. I can see no reason why Congress would have conditioned a copyright owner's power to divide markets on outsourcing its manufacturing to a foreign country.

[**419] At bottom, John Wiley (together with the dissent) asks us to misconstrue §109(a) in order to restore §602(a)(1) to its purportedly rightful function of enabling copyright holders to segment international markets. I think John Wiley may have a point about what §602(a)(1) was designed to do; that gives me pause about *Quality King's* holding that the first-sale doctrine limits the importation ban's scope. But the Court today correctly declines the invitation to save §602(a)(1) from *Quality King* by destroying the first-sale protection that §109(a) gives to every owner of a copy manufactured abroad. That [***64] would swap one (possible) mistake for a much worse one, and make our reading of the statute only less reflective of Congressional intent. If Congress thinks copyright owners need greater power to restrict importation and thus divide markets, a ready solution is at hand--not the one John Wiley offers in this case, but the one the Court rejected in *Quality King*.

DISSENT BY: GINSBURG

DISSENT

JUSTICE GINSBURG, with whom JUSTICE KENNEDY joins, and with whom JUSTICE SCALIA joins except as to Parts III and V-B-1, dissenting.

"In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress." *United States v. American Trucking Assns., Inc.*, 310 U.S. 534, 542, 60 S.

Ct. 1059, 84 L. Ed. 1345 (1940). Instead of adhering to the Legislature's design, the Court today adopts an interpretation of the Copyright Act at odds with Congress' aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works. The Court's bold departure from Congress' design is all the more stunning, for it places the United States at the vanguard of the movement for "international exhaustion" of copyrights--a movement the [***65] United States has steadfastly resisted on the world stage.

To justify a holding that shrinks to insignificance copyright protection against the unauthorized importation of foreign-made copies, the Court identifies several "practical problems." *Ante*, at 24. The Court's parade of horrors, however, is largely imaginary. Congress' objective in [*1374] enacting 17 U.S.C. §602(a)(1)'s importation prohibition can be honored without generating the absurd consequences hypothesized in the Court's opinion. I dissent from the Court's embrace of "international exhaustion," and would affirm the sound judgment of the Court of Appeals.

I

Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted [**420] to import copies from low-price regions and sell them in high-price regions. The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U.S. law.

To answer this question, one must examine [***66] three provisions of Title 17 of the U.S. Code: §§106(3), 109(a), and 602(a)(1). *Section 106* sets forth the "exclusive rights" of a copyright owner, including the right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." §106(3). This distribution right is limited by §109(a), which provides: "Notwithstanding the provisions of *section 106(3)*, the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." *Section 109(a)* codifies the "first sale doctrine," a doctrine articulated in

Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 349-351, 28 S. Ct. 722, 52 L. Ed. 1086, 6 Ohio L. Rep. 323 (1908), which held that a copyright owner could not control the price at which retailers sold lawfully purchased copies of its work. The first sale doctrine recognizes that a copyright owner should not be permitted to exercise perpetual control over the distribution of copies of a copyrighted work. At some point--ordinarily the time of the first commercial sale--the copyright owner's exclusive right under §106(3) [***67] to control the distribution of a particular copy is exhausted, and from that point forward, the copy can be resold or otherwise redistributed without the copyright owner's authorization.

Section 602(a)(1) (2006 ed., Supp. V) ¹--last, but most critical, of the three copyright provisions bearing on this case--is an importation ban. It reads:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501."

1 In 2008, Congress renumbered what was previously §602(a) as §602(a)(1). See Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PROIPA), §105(b)(2), 122 Stat. 4259. Like the Court, I refer to the provision by its current numbering.

In *Quality King Distrib. v. L'anza Research Int'l*, 523 U.S. 135, 143-154, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (1998), the Court held that a copyright owner's right to control importation under §602(a)(1) is a component of the distribution right set forth in §106(3) and is therefore subject to §109(a)'s codification [***68] of the first sale doctrine. *Quality King* thus held that the importation of copies made in the United States but sold abroad did not rank as copyright infringement [*1375] under §602(a)(1). *Id.*, at 143-154, 118 S. Ct. 1125, 140 L. Ed. 2d 254. See also *id.*, at 154, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (GINSBURG, J., concurring) (*Quality King* "involve[d] a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again"). ² Important to the Court's holding, the

copies at issue in *Quality King* had been "lawfully [**421] made under [Title 17]"--a prerequisite for application of §109(a). *Id.*, at 143, n. 9, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (quoting §109(a)). Section 602(a)(1), the Court noted, would apply to "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.*, at 147, 118 S. Ct. 1125, 140 L. Ed. 2d 254. Drawing on an example discussed during a 1964 public meeting on proposed revisions to the U.S. copyright laws, ³ the Court stated:

"If the author of [a] work gave the exclusive United States distribution rights--enforceable under the Act--to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, . . . presumably only those [copies] made by the publisher [***69] of the United States edition would be 'lawfully made under this title' within the meaning of §109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under §602(a) (or, for that matter, to an action under §106(3), if there was a distribution of the copies)." *Id.*, at 148, 118 S. Ct. 1125, 140 L. Ed. 2d 254.

2 Although JUSTICE KAGAN's concurrence suggests that *Quality King* erred in "holding that §109(a) limits §602(a)(1)," *ante*, at 2, that recent, unanimous holding must be taken as a given. See *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 139, 128 S. Ct. 750, 169 L. Ed. 2d 591 (2008) ("[S]tare decisis in respect to statutory interpretation has 'special force,' for 'Congress remains free to alter what we have done.'" (quoting *Patterson v. McLean Credit Union*, 491 U.S. 164, 172-173, 109 S. Ct. 2363, 105 L. Ed. 2d 132 (1989))). The Court's objective in this case should be to avoid unduly "constrict[ing] the scope of §602(a)(1)'s ban on unauthorized importation," *ante*, at 1 (opinion of KAGAN, J.), while at the same time remaining faithful to *Quality King*'s holding and to the text and history

133 S. Ct. 1351, *1375; 185 L. Ed. 2d 392, **421;
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of other Copyright Act provisions. This aim is not difficult to achieve. See Parts II-V, *infra*. [***70] JUSTICE KAGAN and I appear to agree to this extent: Congress meant the ban on unauthorized importation to have real force. See *ante*, at 3 (acknowledging that "Wiley may have a point about what §602(a)(1) was designed to do").

3 See *Quality King Distribs. v. Lanza Research Int'l*, 523 U.S. 135, 148, n. 20, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (1998) (quoting Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (hereinafter Copyright Law Revision Part 4) (statement of Harriet Pilpel)).

As the District Court and the Court of Appeals concluded, see 654 F.3d 210, 221-222 (CA2 2011); App. to Pet. for Cert. 70a-73a, application of the *Quality King* analysis to the facts of this case would preclude any invocation of §109(a). Petitioner Supap Kirtsaeng imported and then sold at a profit over 600 copies of copyrighted textbooks printed outside the United States by the Asian subsidiary of respondent John Wiley & Sons, Inc. (Wiley). App. 29-34. See also *ante*, at 3-5 (opinion of the Court). In the words the Court used in *Quality King*, these copies "were 'lawfully made' not under the United States [***71] Copyright Act, but instead, under the law of some other country." 523 U.S., at 147, 118 S. Ct. 1125, 140 L. Ed. 2d 254. Section 109(a) therefore does not apply, and Kirtsaeng's unauthorized importation constitutes copyright infringement under §602(a)(1).

The Court does not deny that under the language I have quoted from *Quality* [*1376] *King*, Wiley would prevail. *Ante*, at 27. [***422] Nevertheless, the Court dismisses this language, to which all Members of the *Quality King* Court subscribed, as ill-considered dictum. *Ante*, at 27-28. I agree that the discussion was dictum in the sense that it was not essential to the Court's judgment. See *Quality King*, 523 U.S., at 154, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (GINSBURG, J., concurring) ("[W]e do not today resolve cases in which the allegedly infringing imports were manufactured abroad."). But I disagree with the Court's conclusion that this dictum was ill considered. Instead, for the reasons explained below, I would hold, consistently with *Quality King*'s dictum, that §602(a)(1) authorizes a copyright owner to bar the importation of a

copy manufactured abroad for sale abroad.

II

The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made [***72] copies of their copyrighted works. As the Court recognizes, *ante*, at 3, this case turns on the meaning of the phrase "lawfully made under this title" in §109(a). In my view, that phrase is most sensibly read as referring to instances in which a copy's creation is governed by, and conducted in compliance with, Title 17 of the U.S. Code. This reading is consistent with the Court's interpretation of similar language in other statutes. See *Florida Dept. of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 52-53, 128 S. Ct. 2326, 171 L. Ed. 2d 203 (2008) ("under" in 11 U.S.C. §1146(a), a Bankruptcy Code provision exempting certain asset transfers from stamp taxes, means "pursuant to"); *Ardestani v. INS*, 502 U.S. 129, 135, 112 S. Ct. 515, 116 L. Ed. 2d 496 (1991) (the phrase "under section 554" in the Equal Access to Justice Act means "subject to" or "governed by" 5 U.S.C. §554 (internal quotation marks omitted)). It also accords with dictionary definitions of the word "under." See, e.g., *American Heritage Dictionary* 1887 (5th ed. 2011) ("under" means, among other things, "[s]ubject to the authority, rule, or control of").

Section 109(a), properly read, affords Kirtsaeng no defense against Wiley's claim of copyright infringement. The Copyright Act, [***73] it has been observed time and again, does not apply extraterritorially. See *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260, 264, 28 S. Ct. 290, 52 L. Ed. 478, 1908 Dec. Comm'r Pat. 559 (1908) (copyright statute requiring that U.S. copyright notices be placed in all copies of a work did not apply to copies published abroad because U.S. copyright laws have no "force" beyond the United States' borders); 4 M. Nimmer & D. Nimmer, *Copyright* §17.02, p. 17-18 (2012) (hereinafter Nimmer) ("[C]opyright laws do not have any extraterritorial operation."); 4 W. Patry, *Copyright* §13:22, p. 13-66 (2012) (hereinafter Patry) ("Copyright laws are rigorously territorial."). The printing of Wiley's foreign-manufactured textbooks therefore was not governed by Title 17. The textbooks thus were not "lawfully made under [Title 17]," the crucial precondition for application of §109(a). And if §109(a) does not apply, there is no dispute that Kirtsaeng's conduct constituted copyright infringement under §602(a)(1).

The Court's point of departure is similar to mine. According to the Court, the phrase "'lawfully made under this title' means made 'in accordance with' or 'in compliance with' the Copyright Act." *Ante*, at 8. [**423] But the Court overlooks that, according [***74] to the very dictionaries it cites, *ante*, at 9, the word "under" commonly signals a relationship of subjection, where one thing is governed or regulated by another. See Black's Law Dictionary 1525 (6th ed. 1990) ("under" [*1377] "frequently" means "inferior" or "subordinate" (internal quotation marks omitted)); 18 Oxford English Dictionary 950 (2d ed. 1989) ("under" means, among other things, "[i]n accordance with (*some regulative power or principle*)" (emphasis added)). See also Webster's Third New International Dictionary 2487 (1961) ("under" means, among other things, "in . . . a condition of subjection, regulation, or subordination" and "suffering restriction, restraint, or control by"). Only by disregarding this established meaning of "under" can the Court arrive at the conclusion that Wiley's foreign-manufactured textbooks were "lawfully made under" U.S. copyright law, even though that law did not govern their creation. It is anomalous, however, to speak of particular conduct as "lawful" under an inapplicable law. For example, one might say that driving on the right side of the road in England is "lawful" under U.S. law, but that would be so only because U.S. law has nothing to say [***75] about the subject. The governing law is English law, and English law demands that driving be done on the left side of the road.⁴

4 The Court asserts that my position gives the word "lawfully" in §109(a) "little, if any, linguistic work to do." *Ante*, at 9. That is not so. My reading gives meaning to each word in the phrase "lawfully made under this title." The word "made" signifies that the conduct at issue is the creation or manufacture of a copy. See Webster's Third New International Dictionary 1356 (1961) (defining "made" as "artificially produced by a manufacturing process"). The word "lawfully" indicates that for §109(a) to apply, the copy's creation must have complied with some body of law. Finally, the prepositional phrase "under this title" clarifies what that body of law is--namely, the copyright prescriptions contained in Title 17 of the U.S. Code.

The logical implication of the Court's definition of the word "under" is that *any* copy manufactured

abroad--even a piratical one made without the copyright owner's authorization and in violation of the law of the country where it was created--would fall within the scope of §109(a). Any such copy would have been made "in [***76] accordance with" or "in compliance with" the U.S. Copyright Act, in the sense that manufacturing the copy did not violate the Act (because the Act does not apply extraterritorially).

The Court rightly refuses to accept such an absurd conclusion. Instead, it interprets §109(a) as applying only to copies whose making actually complied with Title 17, or would have complied with Title 17 had Title 17 been applicable (*i.e.*, had the copies been made in the United States). See *ante*, at 8 ("§109(a)'s 'first sale' doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law."). Congress, however, used express language when it called for such a counterfactual inquiry in 17 U.S.C. §602(a)(2) and (b). See §602(a)(2) ("Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or *which would have constituted an infringement of copyright if this title had been applicable*, is an infringement of the exclusive right to distribute copies or phonorecords under section 106." [***77] [**424] (emphasis added)); §602(b) ("In a case where the making of the copies or phonorecords *would have constituted an infringement of copyright if this title had been applicable*, their importation is prohibited." (emphasis added)). Had Congress intended courts to engage in a similarly hypothetical inquiry under §109(a), Congress would presumably have included similar language in that section. See *Russello v. United States*, 464 U.S. 16, 23, 104 S. Ct. 296, 78 L. Ed. 2d 17 (1983) ("[W]here Congress includes [*1378] particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." (quoting *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (CA5 1972) (*per curiam*); brackets in original)).⁵

5 Attempting to show that my reading of §109(a) is susceptible to the same criticism, the Court points to the now-repealed "manufacturing clause," which required "copies of a work consisting preponderantly of nondramatic literary

material . . . in the English language" to be "manufactured in the United States or Canada." Copyright Act of 1976, §601(a), 90 Stat. 2588. Because Congress expressly referred to [***78] manufacturing in this provision, the Court contends, the phrase "lawfully made under this title" in §109(a) cannot mean "manufactured in the United States." *Ante*, at 19. This argument is a non sequitur. I do *not* contend that the phrases "lawfully made under this title" and "manufactured in the United States" are interchangeable. To repeat, I read the phrase "lawfully made under this title" as referring to instances in which a copy's creation is governed by, and conducted in compliance with, Title 17 of the U.S. Code. See *supra*, at 6. Not all copies "manufactured in the United States" will satisfy this standard. For example, piratical copies manufactured in the United States without the copyright owner's authorization are not "lawfully made under [Title 17]." Nor would the phrase "lawfully manufactured in the United States" be an exact substitute for "lawfully made under this title." The making of a copy may be lawful under Title 17 yet still violate some other provision of law. Consider, for example, a copy made with the copyright owner's authorization by workers who are paid less than minimum wage. The copy would be "lawfully made under [Title 17]" in the sense that its creation [***79] would not violate any provision of that title, but the copy's manufacturing would nonetheless be unlawful due to the violation of the minimum-wage laws.

Not only does the Court adopt an unnatural construction of the §109(a) phrase "lawfully made under this title." Concomitantly, the Court reduces §602(a)(1) to insignificance. As the Court appears to acknowledge, see *ante*, at 26, the only independent effect §602(a)(1) has under today's decision is to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies. See *17 U.S.C. §109(a)* (§109(a) applies to any "owner of a particular copy or phonorecord lawfully made under this title" (emphasis added)).⁶ If this is enough to avoid rendering §602(a)(1) entirely "superfluous," *ante*, at 26, it hardly suffices to give the owner's importation right the scope Congress intended it to have. Congress used broad language in §602(a)(1); it did so to achieve a broad objective. Had Congress intended [**425] simply to

provide a copyright remedy against larcenous lessees, licensees, consignees, and bailees of films and other copyright-protected goods, see *ante*, at 13-14, 26, it likely would have [***80] used language tailored to that narrow purpose. See 2 *Nimmer* §8.12[B][6][c], at 8-184.31, n. 432 ("It may be wondered whether . . . potential causes of action [against licensees and the like] are more than theoretical."). See also *ante*, at 2 (KAGAN, J., concurring) (the Court's decision limits §602(a)(1) "to a fairly esoteric set of applications").⁷

6 When §602(a)(1) was originally enacted in 1976, it played an additional role--providing a private cause of action against importers of piratical goods. See *Quality King*, 523 U.S., at 146, 118 S. Ct. 1125, 140 L. Ed. 2d 254. In 2008, however, Congress amended §602 to provide for such a cause of action in §602(a)(2), which prohibits the unauthorized "[i]mportation into the United States . . . of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if [Title 17] had been applicable." See PROIPA, §105(b)(3), 122 Stat. 4259-4260. Thus, under the Court's interpretation, the only conduct reached by §602(a)(1) but not §602(a)(2) is a nonowner's unauthorized importation of a nonpiratical copy.

7 Notably, the Court ignores the history of §602(a)(1), which reveals that the primary purpose [***81] of the prescription was not to provide a remedy against rogue licensees, consignees, and bailees, against whom copyright owners could frequently assert breach-of-contract claims even in the absence of §602(a)(1). Instead, the primary purpose of §602(a)(1) was to reach third-party importers, enterprising actors like Kirtsaeng, against whom copyright owners could not assert contract claims due to lack of privity. See Part III, *infra*.

[*1379] The Court's decision also overwhelms *17 U.S.C. §602(a)(3)*'s exceptions to §602(a)(1)'s importation prohibition. 2 P. Goldstein, *Copyright* §7.6.1.2(a), p. 7:141 (3d ed. 2012) (hereinafter Goldstein).⁸ Those exceptions permit the importation of copies without the copyright owner's authorization for certain governmental, personal, scholarly, educational, and religious purposes. *17 U.S.C. §602(a)(3)*. Copies imported under these exceptions "will often be lawfully

made gray market goods purchased through normal market channels abroad." 2 Goldstein §7.6.1.2(a), at 7:141. ⁹ But if, as the Court holds, such copies can in any event be imported by virtue of §109(a), §602(a)(3)'s work has already been done. For example, had Congress conceived of §109(a)'s sweep [***82] as the Court does, what earthly reason would there be to provide, as Congress did in §602(a)(3)(C), that a library may import "no more than five copies" of a non-audiovisual work for its "lending or archival purposes"?

8 Section 602(a)(3) provides:

"This subsection [*i.e.*, §602(a)] does not apply to--

"(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

"(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

"(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work [***83] solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2)."

⁹ The term "gray market good" refers to a good that is "imported outside the distribution channels that have been contractually negotiated by the intellectual property owner." Forsyth & Rothnie,

Parallel Imports, in *The Interface Between Intellectual Property Rights and Competition Policy* 429 (S. Anderman ed. 2007). Such goods are also commonly called "parallel imports." *Ibid.*

The far more plausible reading of §§109(a) and 602(a), then, is that Congress intended §109(a) to apply to copies made in the United States, not to copies manufactured and sold [***426] abroad. That reading of the first sale and importation provisions leaves §602(a)(3)'s exceptions with real, meaningful work to do. See *TRW Inc. v. Andrews*, 534 U.S. 19, 31, 122 S. Ct. 441, 151 L. Ed. 2d 339 (2001) ("It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed [***84] that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant." (internal quotation marks omitted)). In the range of circumstances covered by the exceptions, §602(a)(3) frees individuals and entities [*1380] who purchase foreign-made copies abroad from the requirement they would otherwise face under §602(a)(1) of obtaining the copyright owner's permission to import the copies into the United States. ¹⁰

¹⁰ The Court asserts that its reading of §109(a) is bolstered by §104, which extends the copyright "protection[s]" of Title 17 to a wide variety of foreign works. See *ante*, at 10-11. The "protection under this title" afforded by §104, however, is merely protection against infringing conduct within the United States, the only place where Title 17 applies. See 4 W. Patry, *Copyright* §13:44.10, pp. 13-128 to 13-129 (2012) (hereinafter Patry). Thus, my reading of the phrase "under this title" in §109(a) is consistent with Congress' use of that phrase in §104. Furthermore, §104 describes which *works* are entitled to copyright protection under U.S. law. But no one disputes that Wiley's copyrights in the works at issue in this case are valid. The only question [***85] is whether Kirtsaeng's importation of *copies* of those works infringed Wiley's copyrights. It is basic to copyright law that "[o]wnership of a copyright . . . is distinct from ownership of any material object in which the work is embodied." 17 U.S.C. §202. See also §101 ("Copies' are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or

otherwise communicated, either directly or with the aid of a machine or device."). Given the distinction copyright law draws between works and copies, §104 is inapposite to the question here presented. 4 Patry §13:44.10, at 13-129 ("There is no connection, linguistically or substantively, between Section[s] 104 and 109: *Section 104* deals with national eligibility for the *intangible* work of authorship; *Section 109(a)* deals with the *tangible*, physical embodiment of the work, the 'copy.'").

III

The history of §602(a)(1) reinforces the conclusion I draw from the text of the relevant provisions: §109(a) does not apply to copies manufactured abroad. *Section 602(a)(1)* was enacted as part of the Copyright Act of 1976, 90 Stat. 2589-2590. That Act [***86] was the product of a lengthy revision effort overseen by the U.S. Copyright Office. See *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159-160, 105 S. Ct. 638, 83 L. Ed. 2d 556 (1985). In its initial 1961 report on recommended revisions, the Copyright Office noted that publishers had "suggested that the [then-existing] import ban on piratical copies should be extended to bar the importation of . . . foreign edition[s]" in violation of "agreements to divide international markets for copyrighted works." Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 126 (H. R. Judiciary Comm. Print 1961) (hereinafter Copyright Law Revision). See Copyright Act of 1947, §106, 61 Stat. 663 ("The importation into the United States . . . of any piratical copies of any work copyrighted in the United States . . . is prohibited."). The Copyright Office originally recommended against such an extension of the importation ban, reasoning that enforcement of territorial restrictions was best left to contract law. Copyright Law Revision 126.

Publishing-industry representatives argued strenuously against the position initially taken by the Copyright Office. At a 1962 [***87] panel discussion [**427] on the Copyright Office's report, for example, Horace Manges of the American Book Publishers Council stated:

"When a U.S. book publisher enters into a contract with a British publisher to acquire exclusive U.S. rights for a

particular book, he often finds that the English edition . . . of that particular book finds its way into this country. Now it's all right to say, 'Commence a lawsuit for breach of contract.' But this is expensive, burdensome, and, for the most part, ineffective." Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights [*1381] on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., 212 (H. R. Judiciary Comm. Print 1963).

Sidney Diamond, representing London Records, elaborated on Manges' statement. "There are many situations," he explained, "in which it is not necessarily a question of the inadequacy of a contract remedy--in the sense that it may be difficult or not quick enough to solve the particular problem." *Id.*, at 213. "Very frequently," Diamond stated, publishers "run into a situation where . . . copies of [a] work . . . produced in a foreign country . . . may be shipped [to the United States] [***88] without violating any contract of the U.S. copyright proprietor." *Ibid.* To illustrate, Diamond noted, if a "British publisher [sells a copy] to an individual who in turn ship[s] it over" to the United States, the individual's conduct would not "violate [any] contract between the British and the American publisher." *Ibid.* In such a case, "no possibility of any contract remedy" would exist. *Ibid.* The facts of Kirtsaeng's case fit Diamond's example, save that the copies at issue here were printed and initially sold in Asia rather than Great Britain.

After considering comments on its 1961 report, the Copyright Office "prepared a preliminary draft of provisions for a new copyright statute." Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess., V (H. R. Judiciary Comm. Print 1964). Section 44 of the draft statute addressed the concerns raised by publishing-industry representatives. In particular, §44(a) provided:

"Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of [***89] the exclusive right to distribute copies or records under

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this title, constitute an infringement of copyright actionable under section 35 [*i.e.*, the section providing for a private cause of action for copyright infringement]." *Id.*, at 32-33.

In a 1964 panel discussion regarding the draft statute, Abe Goldman, the Copyright Office's General Counsel, left no doubt about the meaning of §44(a). It represented, he explained, a "shif[t]" from the Copyright Office's 1961 report, which had recommended against using copyright law to facilitate publishers' efforts to segment international markets. Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law, 88th Cong., 2d Sess., 203 (H. R. Judiciary Comm. Print 1964). Section 44(a), Goldman stated, would allow copyright owners to bring infringement actions against importers of "foreign copies that were made under proper [**428] authority." *Ibid.* See also *id.*, at 205-206 (Goldman agreed with a speaker's comment that §44(a) "enlarge[d]" U.S. copyright law by extending import prohibitions "to works legally produced in Europe" and other foreign countries).¹¹

11 As the Court observes, *ante*, at 29, Irwin [***90] Karp of the Authors League of America stated at the 1964 panel discussion that §44(a) ran counter to "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale." Copyright Law Revision Part 4, at 212. When asked if he was "presenting . . . an argument against" §44(a), however, Karp responded that he was "neutral on th[e] provision." *Id.*, at 211. There is thus little reason to believe that any changes to the wording of §44(a) before its codification in §602(a) were made in response to Karp's discussion of "the problem of restricting [the] transfer of . . . lawfully obtained [foreign] copies." *Ibid.*

The next step in the copyright revision process was the introduction in Congress [*1382] of a draft bill on July 20, 1964. See Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., III (H. R. Judiciary Comm. Print 1965). After another round of public comments, a revised bill was introduced on February 4, 1965. See Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S.

Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., V (H. R. Judiciary [***91] Comm. Print 1965) (hereinafter Copyright Law Revision Part 6). In language closely resembling the statutory text later enacted by Congress, §602(a) of the 1965 bill provided:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work for the purpose of distribution to the public is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." *Id.*, at 292.¹²

12 There is but one difference between this language from the 1965 bill and the corresponding language in the current version of §602(a)(1): In the current version, the phrase "for the purpose of distribution to the public" is omitted and the phrase "that have been acquired outside the United States" appears in its stead. There are no material differences between the quoted language from the 1965 bill and the corresponding language contained in the 1964 bill. See Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., 292-293 (H. R. Judiciary Comm. Print 1965).

The Court [***92] implies that the 1965 bill's "explici[t] refer[ence] to §106" showed a marked departure from §44(a) of the Copyright Office's prior draft. *Ante*, at 29. The Copyright Office, however, did not see it that way. In its summary of the 1965 bill's provisions, the Copyright Office observed that §602(a) of the 1965 bill, like §44(a) of the Copyright Office's prior draft, see *supra*, at 15-16, permitted copyright owners to bring infringement actions against unauthorized importers in cases "where the copyright owner had authorized the making of [the imported] copies in a foreign country for distribution only in that country." Copyright Law Revision Part 6, at 149-150. See also *id.*, at XXVI (Under §602(a) of the 1965 bill, "[a]n unauthorized importer could be enjoined and sued for

damages both where the copies or phonorecords he was importing were 'piratical' (that is, where their making would have constituted an infringement if the U.S. copyright law could [**429] have been applied), and where their making was 'lawful.'").

The current text of §602(a)(1) was finally enacted into law in 1976. See Copyright Act of 1976, §602(a), 90 Stat. 2589-2590. The House and Senate Committee Reports on the 1976 Act [***93] demonstrate that Congress understood, as did the Copyright Office, just what that text meant. Both Reports state:

"Section 602 [deals] with two separate situations: importation of 'piratical' articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. *The general approach of section 602 is to make unauthorized importation an act of infringement in both cases*, but to permit the Bureau of Customs to prohibit importation only of 'piratical' articles." S. Rep. No. 94-473, p. 151 (1975) (emphasis added). See also H. R. Rep. No. 94-1476, p. 169 (1976) (same).

In sum, the legislative history of the Copyright Act of 1976 is hardly "inconclusive." *Ante*, at 28. To the contrary, it confirms what the plain text of the Act [*1383] conveys: Congress intended §602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner's authorization.¹³

13 The Court purports to find support for its position in the House and Senate Committee Reports on the 1976 Copyright [***94] Act. *Ante*, at 30-31. It fails to come up with anything in the Act's legislative history, however, showing that Congress understood the words "lawfully made under this title" in §109(a) to encompass foreign-made copies.

IV

Unlike the Court's holding, my position is consistent with the stance the United States has taken in

international-trade negotiations. This case bears on the highly contentious trade issue of interterritorial exhaustion. The issue arises because intellectual property law is territorial in nature, see *supra*, at 6, which means that creators of intellectual property "may hold a set of parallel" intellectual property rights under the laws of different nations. Chiappetta, *The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things*, 21 *Mich. J. Int'l L.* 333, 340-341 (2000) (hereinafter Chiappetta). There is no international consensus on whether the sale in one country of a good incorporating protected intellectual property exhausts the intellectual property owner's right to control the distribution of that good elsewhere. Indeed, the members of the World Trade Organization, "agreeing to disagree,"¹⁴ provided in Article 6 [***95] of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, 33 *I. L. M.* 1197, 1200, that "nothing in this Agreement shall be used to address the issue of . . . exhaustion." See Chiappetta 346 (observing that exhaustion of intellectual property rights was "hotly debated" [**430] during the TRIPS negotiations and that Article 6 "reflects [the negotiators'] ultimate inability to agree" on a single international standard). Similar language appears in other treaties to which the United States is a party. See World Intellectual Property Organization (WIPO) Copyright Treaty, Art. 6(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 7 ("Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right [to control distribution of copies of a copyrighted work] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author."); WIPO Performances and Phonograms Treaty, Art. 8(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 28 (containing language nearly identical to Article 6(2) of the WIPO Copyright Treaty).

14 Chiappetta, [***96] *The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things*, 21 *Mich. J. Int'l L.* 333, 340 (2000) (hereinafter Chiappetta) (internal quotation marks omitted).

In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright

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owner's right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. See Forsyth & Rothnie, *Parallel Imports*, in *The Interface Between Intellectual Property Rights and Competition Policy* 429, 430 (S. Anderman ed. 2007) (hereinafter Forsyth & Rothnie). Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner's distribution [*1384] right everywhere with respect to that copy. See *ibid.* The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner's distribution right throughout that region. See *id.*, at 430, 445. [***97] *Section 602(a)(1)*, in my view, ties the United States to a national-exhaustion framework. The Court's decision, in contrast, places the United States solidly in the international-exhaustion camp.

Strong arguments have been made both in favor of, and in opposition to, international exhaustion. See Chiappetta 360 ("[r]easonable people making valid points can, and do, reach conflicting conclusions" regarding the desirability of international exhaustion). International exhaustion subjects copyright-protected goods to competition from lower priced imports and, to that extent, benefits consumers. Correspondingly, copyright owners profit from a national-exhaustion regime, which also enlarges the monetary incentive to create new copyrightable works. See Forsyth & Rothnie 432-437 (surveying arguments for and against international exhaustion).

Weighing the competing policy concerns, our Government reached the conclusion that widespread adoption of the international-exhaustion framework would be inconsistent with the long-term economic interests of the United States. See Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, pp. 22-26 (hereinafter *Quality King* Brief). [***98] ¹⁵ Accordingly, the United States has steadfastly "taken the position in international trade negotiations [**431] that domestic copyright owners should . . . have the right to prevent the unauthorized importation of copies of their work sold abroad." *Id.*, at 22. The United States has "advanced this position in multilateral trade negotiations," including the negotiations on the TRIPS Agreement. *Id.*, at 24. See also D. Gervais, *The TRIPS Agreement: Drafting History and Analysis* §2.63, p. 199

(3d ed. 2008). It has also taken a dim view of our trading partners' adoption of legislation incorporating elements of international exhaustion. See Clapperton & Coronas, *Locking in Customers, Locking Out Competitors: Anti-Circumvention Laws in Australia and Their Potential Effect on Competition in High Technology Markets*, 30 *Melbourne U. L. Rev.* 657, 664 (2006) (United States expressed concern regarding international-exhaustion legislation in Australia); Montén, Comment, *The Inconsistency Between Section 301 and TRIPS: Counterproductive With Respect to the Future of International Protection of Intellectual Property Rights?* 9 *Marq. Intellectual Property L. Rev.* 387, 417-418 (2005) (same with respect to [***99] New Zealand and Taiwan).

15 The Court states that my "reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with [the] reading of §109(a)" that the Court today adopts. *Ante*, at 33. The United States' principal concern in both *Quality King* and this case, however, has been to protect copyright owners' "right to prevent parallel imports." Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, p. 6 (hereinafter *Quality King* Brief). See also Brief for United States as *Amicus Curiae* 14 (arguing that Kirtsaeng's interpretation of §109(a), which the Court adopts, would "subver[t] *Section 602(a)(1)*'s ban on unauthorized importation"). In *Quality King*, the Solicitor General urged this Court to hold that §109(a)'s codification of the first sale doctrine does not limit the right to control importation set forth in §602(a). *Quality King* Brief 7-30. After *Quality King* rejected that contention, the United States reconsidered its position, and it now endorses the interpretation of the §109(a) phrase "lawfully made under this title" I would adopt. Brief for United States as *Amicus Curiae* 6-7, 13-14.

[*1385] Even if the text and history [***100] of the Copyright Act were ambiguous on the answer to the question this case presents--which they are not, see Parts II-III, *supra* ¹⁶--I would resist a holding out of accord with the firm position the United States has taken on exhaustion in international negotiations. *Quality King*, I acknowledge, discounted the Government's concerns about potential inconsistency with United States

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obligations under certain bilateral trade agreements. See 523 U.S., at 153-154, 118 S. Ct. 1125, 140 L. Ed. 2d 254. See also *Quality King* Brief 22-24 (listing the agreements). That decision, however, dealt only with copyright-protected products made in the United States. See 523 U.S., at 154, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (GINSBURG, J., concurring). *Quality King* left open the question whether owners of U.S. copyrights could retain control over the importation of copies manufactured and sold abroad--a point the Court obscures, see *ante*, at 33 (arguing that *Quality King* "significantly eroded" the national-exhaustion principle that, in my view, §602(a)(1) embraces). The Court today answers that question with a resounding "no," and in doing so, it risks undermining the United States' credibility on the world stage. While the Government has urged our trading [**432] partners to refrain [***101] from adopting international-exhaustion regimes that could benefit consumers within their borders but would impact adversely on intellectual-property producers in the United States, the Court embraces an international-exhaustion rule that could benefit U.S. consumers but would likely disadvantage foreign holders of U.S. copyrights. This dissonance scarcely enhances the United States' "role as a trusted partner in multilateral endeavors." *Vimar Seguros y Reaseguros, S. A. v. M/V Sky Reefer*, 515 U.S. 528, 539, 115 S. Ct. 2322, 132 L. Ed. 2d 462 (1995).

16 Congress hardly lacks capacity to provide for international exhaustion when that is its intent. Indeed, Congress has expressly provided for international exhaustion in the narrow context of semiconductor chips embodying protected "mask works." See 17 U.S.C. §§905(2), 906(b). See also 2 M. Nimmer & D. Nimmer, *Copyright* §8A.06[E], p. 8A-37 (2012) (hereinafter Nimmer) ("[T]he first sale doctrine under [§906(b)] expressly immunizes unauthorized importation.").

V

I turn now to the Court's justifications for a decision difficult to reconcile with the Copyright Act's text and history.

A

The Court asserts that its holding "is consistent with antitrust laws that ordinarily forbid [***102] market divisions." *Ante*, at 32. See also *ante*, at 18 (again referring to antitrust principles). *Section 602(a)(1)*,

however, read as I do and as the Government does, simply facilitates copyright owners' efforts to impose "vertical restraints" on distributors of copies of their works. See Forsyth & Rothnie 435 ("Parallel importation restrictions enable manufacturers and distributors to erect 'vertical restraints' in the market through exclusive distribution agreements."). See generally *Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U.S. 877, 127 S. Ct. 2705, 168 L. Ed. 2d 623 (2007) (discussing vertical restraints). We have held that vertical restraints are not *per se* illegal under §1 of the Sherman Act, 15 U.S.C. §1, because such "restraints can have procompetitive effects." 551 U.S., at 881-882, 127 S. Ct. 2705, 168 L. Ed. 2d 623.¹⁷

17 Despite the Court's suggestion to the contrary, this case in no way implicates the *per se* antitrust prohibition against *horizontal* "[a]greements between competitors to allocate territories to minimize competition." *Ante*, at 32 (quoting *Palmer v. BRG of Ga., Inc.*, 498 U.S. 46, 49, 111 S. Ct. 401, 112 L. Ed. 2d 349 (1990) (*per curiam*)). Wiley is not requesting authority to enter into collusive agreements with other textbook publishers that [***103] would, for example, make Wiley the exclusive supplier of textbooks on particular subjects within particular geographic regions. Instead, Wiley asserts no more than the prerogative to impose *vertical* restraints on the distribution of its own textbooks. See Hovenkamp, *Post-Sale Restraints and Competitive Harm: The First Sale Doctrine in Perspective*, 66 N. Y. U. Ann. Survey Am. L. 487, 488 (2011) ("vertical restraints" include "limits [on] the way a seller's own product can be distributed").

[*1386]

B

The Court sees many "horribles" following from a holding that the §109(a) phrase "lawfully made under this title" does not encompass foreign-made copies. *Ante*, at 22 (internal quotation marks omitted). If §109(a) excluded foreign-made copies, the Court fears, then copyright owners could exercise perpetual control over the downstream distribution or public display of such copies. A ruling in Wiley's favor, the Court asserts, would shutter libraries, put used-book dealers out of business, cripple art museums, and prevent the resale of a

wide range of consumer goods, from cars to calculators. *Ante*, at 19-22. See also *ante*, at 2-3 (KAGAN, J., concurring) (expressing concern about "imposing downstream [***104] liability on those who purchase and resell in the United States copies that happen to have been manufactured [**433] abroad"). Copyright law and precedent, however, erect barriers to the anticipated horrors.¹⁸

18 As the Court observes, *ante*, at 32-33, the United States stated at oral argument that the types of "horrors" predicted in the Court's opinion would, if they came to pass, be "worse than the frustration of market segmentation" that will result from the Court's interpretation of §109(a). Tr. of Oral Arg. 51. The United States, however, recognized that this purported dilemma is a false one. As the United States explained, the Court's horrors can be avoided while still giving meaningful effect to §602(a)(1)'s ban on unauthorized importation. *Ibid*.

1

Recognizing that foreign-made copies fall outside the ambit of §109(a) would not mean they are forever free of the first sale doctrine. As earlier observed, see *supra*, at 2, the Court stated that doctrine initially in its 1908 *Bobbs-Merrill* decision. At that time, no statutory provision expressly codified the first sale doctrine. Instead, copyright law merely provided that copyright owners had "the sole liberty of printing, reprinting, [***105] publishing, completing, copying, executing, finishing, and vending" their works. Copyright Act of 1891, §1, 26 Stat. 1107.

In *Bobbs-Merrill*, the Court addressed the scope of the statutory right to "ven[d]." In granting that right, the Court held, Congress did not intend to permit copyright owners "to fasten . . . a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it." 210 U.S., at 349-350, 28 S. Ct. 722, 52 L. Ed. 2d 1086. "[O]ne who has sold a copyrighted article . . . without restriction," the Court explained, "has parted with all right to control the sale of it." *Id.*, at 350, 28 S. Ct. 722, 52 L. Ed. 2d 1086. Thus, "[t]he purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Ibid*.

Under the logic of *Bobbs-Merrill*, the sale of a foreign-manufactured copy in the United States carried out with the copyright owner's authorization would exhaust the copyright owner's right to "vend" that copy. The copy could thenceforth be resold, lent out, or otherwise redistributed [*1387] without further authorization from the copyright [***106] owner. Although §106(3) uses the word "distribute" rather than "vend," there is no reason to think Congress intended the word "distribute" to bear a meaning different from the construction the Court gave to the word "vend" in *Bobbs-Merrill*. See *ibid*. (emphasizing that the question before the Court was "purely [one] of statutory construction").¹⁹ Thus, in accord with *Bobbs-Merrill*, the first authorized distribution of a foreign-made copy in the United States exhausts the copyright owner's distribution right under §106(3). After such an authorized distribution, a library may lend, or a used-book dealer may resell, the foreign-made copy without seeking the copyright owner's permission. Cf. *ante*, at 19-21.

19 It appears that the Copyright Act of 1976 omitted the word "vend" and introduced the word "distribute" to avoid the "redundan[cy]" present in pre-1976 law. Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 21 (H. R. Judiciary Comm. Print 1961) (noting that the exclusive rights to "publish" and "vend" works under the Copyright Act of 1947, §1(a), 61 Stat. 652-653, were "redundant").

For example, if [***107] Wiley, rather than Kirtsaeng, had imported into the United States and then sold the [**434] foreign-made textbooks at issue in this case, Wiley's §106(3) distribution right would have been exhausted under the rationale of *Bobbs-Merrill*. Purchasers of the textbooks would thus be free to dispose of the books as they wished without first gaining a license from Wiley.

This line of reasoning, it must be acknowledged, significantly curtails the independent effect of §109(a). If, as I maintain, the term "distribute" in §106(3) incorporates the first sale doctrine by virtue of *Bobbs-Merrill*, then §109(a)'s codification of that doctrine adds little to the regulatory regime.²⁰ Section 109(a), however, does serve as a statutory bulwark against courts deviating from *Bobbs-Merrill* in a way that increases copyright owners' control over downstream

distribution, and legislative history indicates that is precisely the role Congress intended §109(a) to play. Congress first codified the first sale doctrine in §41 of the Copyright Act of 1909, 35 Stat. 1084. ²¹ It [*1388] did so, the House Committee Report on the 1909 Act explains, "in order to make . . . clear that [Congress had] no intention [of] enlarg[ing] in any [***108] way the construction to be given to the word 'vend.'" H. R. Rep. No. 2222, 60th Cong., 2d Sess., 19 (1909). According to the Committee Report, §41 was "not intended to change [existing law] in any way." *Ibid.* The position I have stated and explained accords with this expression of congressional intent. In enacting §41 and its successors, I would hold, Congress did not "change . . . existing law," *ibid.*, by stripping the word "vend" (and thus its substitute "distribute") of the limiting construction imposed in *Bobbs-Merrill*.

20 My position that *Bobbs-Merrill* lives on as a limiting construction of the §106(3) distribution right does not leave §109(a) with no work to do. There can be little doubt that the books at issue in *Bobbs-Merrill* were published and first sold in the United States. See *Bobbs-Merrill Co. v. Straus*, 139 F. 155, 157 (CC SDNY 1905) (the publisher claiming copyright infringement in *Bobbs-Merrill* was incorporated and had its principal office in Indiana). See also Copyright Act of 1891, §3, 26 Stat. 1107-1108 (generally prohibiting importation, even by the copyright owner, of foreign-manufactured copies of copyrighted books); 4 Patry §13:40, at 13-111 (under the Copyright [***109] Act of 1891, "copies of books by both foreign and U.S. authors had to be printed in the United States"). But cf. *ante*, at 18 (asserting, without acknowledging the 1891 Copyright Act's general prohibition against the importation of foreign-made copies of copyrighted books, that the Court is unable to find any "geographical distinctions . . . in *Bobbs-Merrill*"). Thus, exhaustion occurs under *Bobbs-Merrill* only when a copy is distributed within the United States with the copyright owner's permission, not when it is distributed abroad. But under §109(a), as interpreted in *Quality King*, any authorized distribution of a U.S.-made copy, even a distribution occurring in a foreign country, exhausts the copyright owner's distribution right under §106(3). See 523 U.S., at 145, n. 14, 118 S. Ct. 1125, 140 L. Ed. 2d 254.

Section 109(a) therefore provides for exhaustion in a circumstance not reached by *Bobbs-Merrill*.

21 Section 41 of the 1909 Act provided: "[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." 35 Stat. 1084. This language was repeated without material change in §27 of the Copyright Act of 1947, 61 Stat. 660. [***110] As noted above, see *supra*, at 2, 17 U.S.C. §109(a) sets out the current codification of the first sale doctrine.

In any event, the reading of the Copyright Act to which I subscribe honors Congress' aim in enacting §109(a) while the Court's reading of the Act severely diminishes §602(a)(1)'s role. See *supra*, at 10-12. My position in no way tugs against the principle underlying §109(a)--*i.e.*, that certain conduct by the copyright owner exhausts the owner's §106(3) distribution right. The Court, [***435] in contrast, fails to give meaningful effect to Congress' manifest intent in §602(a)(1) to grant copyright owners the right to control the importation of foreign-made copies of their works.

2

Other statutory prescriptions provide further protection against the absurd consequences imagined by the Court. For example, §602(a)(3)(C) permits "an organization operated for scholarly, educational, or religious purposes" to import, without the copyright owner's authorization, up to five foreign-made copies of a non-audiovisual work--notably, a book--for "library lending or archival purposes." But cf. *ante*, at 19-20 (suggesting that affirming the Second Circuit's decision might prevent libraries from lending [***111] foreign-made books). ²²

22 A group of *amici* representing libraries expresses the concern that lower courts might interpret §602(a)(3)(C) as authorizing only the importing, but not the lending, of foreign-made copies of non-audiovisual works. See Brief for American Library Association et al. 20. The United States maintains, and I agree, however, that §602(a)(3)(C) "is fairly (and best) read as implicitly authorizing lending, in addition to importation, of all works other than audiovisual works." Brief for United States as *Amicus Curiae* 30, n. 6.

The Court also notes that *amici* representing art museums fear that a ruling in Wiley's favor would prevent museums from displaying works of art created abroad. *Ante*, at 22 (citing Brief for Association of Art Museum Directors et al.). These *amici* observe that a museum's right to display works of art often depends on 17 U.S.C. §109(c). See Brief for Association of Art Museum Directors et al. 11-13. ²³ That provision addresses exhaustion of a copyright owner's exclusive right under §106(5) to publicly display the owner's work. Because §109(c), like §109(a), applies only to copies "lawfully made under this title," *amici* contend that a ruling in [***112] Wiley's favor would prevent museums from invoking §109(c) with respect to foreign-made works of art. *Id.*, at 11-13. ²⁴

23 Title 17 U.S.C. §109(c) provides: "Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located."

24 The word "copy," as it appears in §109(c), applies to the original of a work of art because the Copyright Act defines the term "copies" to "includ[e] the material object . . . in which the work is first fixed." §101.

[*1389] Limiting §109(c) to U.S.-made works, however, does not bar art museums from lawfully displaying works made in other countries. Museums can, of course, seek the copyright owner's permission to display a work. Furthermore, the sale of a work of art to a U.S. museum may carry with it an implied license to publicly display the work. See 2 Patry §5:131, at 5-280 ("[C]ourts have noted the potential availability of an implied nonexclusive licens[e] when [***113] the circumstances . . . demonstrate that the parties intended that the work would be used for a specific purpose."). Displaying a work of art as part of a museum exhibition might also qualify as a "fair use" under 17 U.S.C. §107. Cf. *Bouchat v. Baltimore Ravens Ltd. Partnership*, 619 F.3d 301, 313-316 (CA4 2010) (display of copyrighted logo in museum-like exhibition constituted "fair use").

[**436] The Court worries about the resale of foreign-made consumer goods "contain[ing]

copyrightable software programs or packaging." *Ante*, at 21. For example, the Court observes that a car might be programmed with diverse forms of software, the copyrights to which might be owned by individuals or entities other than the manufacturer of the car. *Ibid*. Must a car owner, the Court asks, obtain permission from all of these various copyright owners before reselling her car? *Ibid*. Although this question strays far from the one presented in this case and briefed by the parties, principles of fair use and implied license (to the extent that express licenses do not exist) would likely permit the car to be resold without the copyright owners' authorization. ²⁵

25 Principles of fair use and implied license may also [***114] allow a U.S. tourist "who buys a copyrighted work of art, a poster, or . . . a bumper sticker" abroad to publicly "display it in America without the copyright owner's further authorization." *Ante*, at 15. (The tourist could lawfully bring the work of art, poster, or bumper sticker into the United States under 17 U.S.C. §602(a)(3)(B), which provides that §602(a)(1)'s importation ban does not apply to "importation . . . by any person arriving from outside the United States . . . with respect to copies . . . forming part of such person's personal baggage."). Furthermore, an individual clearly would not incur liability for infringement merely by displaying a foreign-made poster or other artwork in her home. See §106(5) (granting the owners of copyrights in "literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works" the exclusive right "to display the copyrighted work *publicly*" (emphasis added)). See also §101 (a work is displayed "publicly" if it is displayed "at a place open to the public or at any place where a substantial number of persons *outside of a normal circle of a family and its social acquaintances* is gathered" (emphasis [***115] added)). Cf. 2 *Nimmer* §8.14[C][1], at 8-192.2(1) ("[A] performance limited to members of the family and invited guests is not a public performance." (footnote omitted)).

Most telling in this regard, no court, it appears, has been called upon to answer any of the Court's "horribles" in an actual case. Three decades have passed since a federal court first published an opinion reading §109(a)

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as applicable exclusively to copies made in the United States. See *Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 49 (ED Pa. 1983), summarily aff'd, 738 F.2d 424 (CA3 1984) (table). Yet Kirtsaeng and his supporting amici cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity. The [*1390] absence of such lawsuits is unsurprising. Routinely suing one's customers is hardly a best business practice.²⁶ Manufacturers, moreover, may be hesitant to do business with software programmers taken to suing consumers. Manufacturers may also insist that software programmers agree to contract terms barring such lawsuits.

26 Exerting [***116] extensive control over secondary markets may not always be in a manufacturer's best interest. Carmakers, for example, often trumpet the resale value of their vehicles. See, e.g., Nolan, UD grad leads Cadillac marketing, Dayton Daily News, Apr. 2, 2009, p. A8 ("Cadillac plays up its warranty coverage and reliable resale value to prospective customers."). If the transaction costs of reselling vehicles were to rise, consumers' perception of a new car's value, and thus the price they are willing to pay for such a car, might fall--an outcome hardly favorable to automobile manufacturers.

The Court provides a different explanation for the absence of the untoward consequences predicted in its opinion--namely, that lower court decisions regarding the scope of §109(a)'s first sale prescription have not been uniform. *Ante*, [*437] at 23. Uncertainty generated by these conflicting decisions, the Court notes, may have deterred some copyright owners from pressing infringement claims. *Ante*, at 23-24. But if, as the Court suggests, there are a multitude of copyright owners champing at the bit to bring lawsuits against libraries, art museums, and consumers in an effort to exercise perpetual control over the downstream [***117] distribution and public display of foreign-made copies, might one not expect that at least a handful of such lawsuits would have been filed over the past 30 years? The absence of such suits indicates that the "practical problems" hypothesized by the Court are greatly exaggerated. *Ante*, at 24.²⁷ They surely do not warrant disregarding Congress' intent, expressed in §602(a)(1), to grant copyright owners the authority to bar the

importation of foreign-made copies of their works. Cf. *Hartford Underwriters Ins. Co. v. Union Planters Bank, N. A.*, 530 U.S. 1, 6, 120 S. Ct. 1942, 147 L. Ed. 2d 1 (2000) ("[W]hen the statute's language is plain, the sole function of the courts--at least where the disposition required by the text is not absurd--is to enforce it according to its terms." (internal quotation marks omitted)).

27 It should not be overlooked that the ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them. The Court's holding, however, prevents copyright owners from barring the importation of such low-priced copies into the United States, where [***118] they will compete with the higher priced editions copyright owners make available for sale in this country. To protect their profit margins in the U.S. market, copyright owners may raise prices in less developed countries or may withdraw from such markets altogether. See Brief for United States as *Amicus Curiae* 26; Brief for Text and Academic Authors Association as *Amicus Curiae* 12; Brief for Association of American Publishers as *Amicus Curiae* 37. See also Chiappetta 357-358 (a rule of national exhaustion "encourages entry and participation in developing markets at lower, locally more affordable prices by eliminating them as risky sources of cheaper parallel imports back into premium markets"). Such an outcome would disserve consumers--and especially students--in developing nations and would hardly advance the "American foreign policy goals" of supporting education and economic development in such countries. *Quality King* Brief 25-26.

VI

To recapitulate, the objective of statutory interpretation is "to give effect to the intent of Congress." *American Trucking Assns.*, 310 U.S., at 542, 60 S. Ct. 1059, 84 L. Ed. 2d 1345. Here, two congressional aims are evident. First, in enacting §602(a)(1), Congress intended to grant copyright [***119] owners permission [*1391] to segment international markets by barring the importation of foreign-made copies into the United

133 S. Ct. 1351, *1391; 185 L. Ed. 2d 392, **437;
2013 U.S. LEXIS 2371, ***119; 81 U.S.L.W. 4167

States. Second, as codification of the first sale doctrine underscores, Congress did not want the exclusive distribution right conferred in §106(3) to be boundless. Instead of harmonizing these objectives, the Court subordinates the first entirely to the second. It is unsurprising that none of the three major treatises on U.S. copyright law embrace the Court's construction of §109(a). See 2 *Nimmer* §8.12[B][6][c], at 8-184.34 to 8-184.35; 2 *Goldstein* §7.6.1.2(a), at 7:141; 4 *Patry* §§13:22, 13:44, 13:44.10.

Rather than adopting the very international-exhaustion rule the United States has consistently resisted in international-trade negotiations, I would adhere to the national-exhaustion framework set by the Copyright Act's text and history. [**438] Under that regime, codified in §602(a)(1), Kirtsaeng's unauthorized importation of the foreign-made textbooks involved in this case infringed Wiley's copyrights. I would therefore affirm the Second Circuit's judgment.

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APPENDIX C

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**QUALITY KING DISTRIBUTORS, INC., PETITIONER v. L'ANZA
RESEARCH INTERNATIONAL, INC.**

No. 96-1470

SUPREME COURT OF THE UNITED STATES

**523 U.S. 135; 118 S. Ct. 1125; 140 L. Ed. 2d 254; 1998 U.S. LEXIS
1606; 66 U.S.L.W. 4188; 45 U.S.P.Q.2D (BNA) 1961; Copy. L. Rep.
(CCH) P27,750; 26 Media L. Rep. 1385; 98 Cal. Daily Op. Service
1651; 98 Daily Journal DAR 2291; 1998 Colo. J. C.A.R. 1216; 11 Fla.
L. Weekly Fed. S 383**

**December 8, 1997, Argued
March 9, 1998, Decided**

PRIOR HISTORY: ON WRIT OF
CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE NINTH
CIRCUIT.

DISPOSITION: 98 F.3d 1109, reversed.

SYLLABUS

Respondent L'anza, a California manufacturer, sells its hair care products in this country exclusively to distributors who have agreed to resell within limited geographic areas and only to authorized retailers. L'anza promotes its domestic sales with extensive advertising and special retailer training. In foreign markets, however, it does not engage in comparable advertising or promotion; its foreign prices are substantially lower than its domestic prices. It appears that after L'anza's United Kingdom distributor arranged for the sale of several tons of L'anza products, affixed with copyrighted labels, to a distributor in Malta, that distributor sold the goods to

petitioner, which imported them back into this country without L'anza's permission and then resold them at discounted prices to unauthorized retailers. L'anza filed suit, alleging that petitioner's actions violated L'anza's exclusive rights under the Copyright Act of 1976 (Act), 17 U.S.C. §§ 106, 501, and 602, to reproduce and distribute the copyrighted material in the United States. The District Court rejected petitioner's "first sale" defense under § 109(a) and entered summary judgment for L'anza. Concluding that § 602(a), which gives copyright owners the right to prohibit the unauthorized importation of copies, would be "meaningless" if § 109(a) provided a defense, the Ninth Circuit affirmed.

Held: The first sale doctrine endorsed in § 109(a) is applicable to imported copies. Pp. 3-18.

(a) In *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 349-350, 52 L. Ed. 1086, 28 S. Ct. 722, this Court held that the exclusive right to "vend" under the copyright statute then in force applied only to the first sale of a copyrighted

work. Congress subsequently codified *Bobbs-Merrill's* first sale doctrine in the Act. Section 106(3) gives the copyright holder the exclusive right "to distribute copies . . . by sale or other transfer of ownership," but § 109(a) provides: "Notwithstanding . . . [§]106(3), the owner of a particular copy . . . lawfully made under this title, . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy" Although the first sale doctrine prevents L'anza from treating unauthorized resales by its domestic distributors as an infringement of the exclusive right to distribute, L'anza claims that § 602(a), properly construed, prohibits its foreign distributors from reselling its products to American vendors unable to buy from its domestic distributors. Pp. 3-7.

(b) The statutory language clearly demonstrates that the right granted by § 602(a) is subject to § 109(a). Significantly, § 602(a) does not categorically prohibit the unauthorized importation of copyrighted materials, but provides that, with three exceptions, such "importation . . . is an infringement of the exclusive right to distribute . . . under [§]106" Section 106 in turn expressly states that all of the exclusive rights therein granted -- including the distribution right granted by subsection (3) -- are limited by §§ 107 through 120. One of those limitations is provided by § 109(a), which expressly permits the owner of a lawfully made copy to sell that copy "notwithstanding the provisions of [§]106(3)." After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under [§]106," and since that limited right does not encompass resales by lawful

owners, § 602(a)'s literal text is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import and resell them here. Pp. 7-9.

(c) The Court rejects L'anza's argument that § 602(a), and particularly its exceptions, are superfluous if limited by the first sale doctrine. The short answer is that this argument does not adequately explain why the words "under [§]106" appear in § 602(a). Moreover, there are several flaws in L'anza's reasoning that, because § 602(b) already prohibits the importation of unauthorized or "piratical" copies, § 602(a) must cover nonpiratical ("lawfully made") copies sold by the copyright owner. First, even if § 602(a) applied only to piratical copies, it at least would provide a private remedy against the importer, whereas § 602(b)'s enforcement is vested in the Customs Service. Second, because § 109(a)'s protection is available only to the "owner" of a lawfully made copy, the first sale doctrine would not provide a defense to a § 602(a) action against a non-owner such as a bailee. Third, § 602(a) applies to a category of copies that are neither piratical nor "lawfully made under this title": those that are "lawfully made" under another country's law. Pp. 9-12.

(d) Also rejected is L'anza's argument that because § 501(a) defines an "infringer" as one "who violates . . . [§]106 . . . , or who imports . . . in violation of [§]602," a violation of the latter type is distinct from one of the former, and thus not subject to § 109(a). This argument's force is outweighed by other statutory considerations, including the fact that § 602(a) unambiguously states that the prohibited importation is an infringement "under [§]106," thereby identifying § 602 violations as a species of § 106 violations. More important is the fact that the § 106 rights are subject to all of the provisions of "[§§]107 through 120." If § 602(a) functioned independently, none of those sections would limit its coverage. Pp. 12-15.

(e) The Court finds unpersuasive the Solicitor General's argument that "importation" describes an act that is not protected by § 109(a)'s authorization to a subsequent owner "to sell or otherwise dispose of the possession of" a copy. An ordinary interpretation of that language includes the right to ship the copy to another person in another country. More important, the Solicitor General's cramped reading is at odds with § 109(a)'s necessarily broad reach. The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution. There is no reason to assume that Congress intended § 109(a) to limit the doctrine's scope. Pp. 15-16.

(f) The wisdom of protecting domestic copyright owners from the unauthorized importation of validly copyrighted copies of their works, and the fact that the Executive Branch has recently entered into at least five international trade agreements apparently intended to do just that, are irrelevant to a proper interpretation of the Act. Pp. 16-17.

98 F.3d 1109, reversed.

COUNSEL: Allen R. Snyder argued the cause for petitioner.

Raymond H. Goettsch argued the cause for respondent.

Lawrence G. Wallace argued the cause for the United States, as amicus curiae, by special leave of court.

JUDGES: STEVENS, J., delivered the opinion for a unanimous Court. GINSBURG, J., filed a concurring opinion.

OPINION BY: STEVENS

OPINION

[*138] [**1127] [***260] JUSTICE STEVENS delivered the opinion of the Court.

Section 106(3) of the Copyright Act of 1976 (Act), 17 U.S.C. § 106(3), gives the owner of a copyright the exclusive right to distribute copies of a copyrighted work. That exclusive right is expressly limited, however, by the provisions of §§ 107 through 120. Section 602(a) gives the copyright owner the right to prohibit the unauthorized importation of copies. The question presented by this case is whether the right granted by § 602(a) is also limited by §§ 107 through 120. More narrowly, the question is whether the "first sale" doctrine endorsed in § 109(a) is applicable to imported copies.

I

Respondent, L'anza Research International, Inc. (L'anza), is a California corporation engaged in the business of manufacturing and selling shampoos, conditioners, and other hair care products. L'anza has copyrighted the labels that are affixed to those products. In the United States, L'anza sells exclusively to domestic distributors who have agreed to resell within limited geographic areas and then only to authorized retailers such as barber shops, beauty salons, and professional hair care colleges. L'anza has found that the American "public is generally unwilling to pay the price charged for high quality products, such as L'anza's products, when they are sold along with the less expensive lower quality products that are generally carried by supermarkets and [*139] drug stores." App. 54 (declaration of Robert Hall). L'anza promotes the domestic sales of its products with extensive advertising in various trade magazines and at point of sale, and by providing special training to authorized retailers.

L'anza also sells its products in foreign markets. In those markets, however, it does not engage in comparable advertising or promotion; its prices to foreign distributors are

35% to 40% lower than the prices charged to domestic distributors. In 1992 and [***261] 1993, L'anza's distributor in the United Kingdom arranged the sale of three shipments to a distributor in Malta; ¹ each shipment contained several tons of L'anza products with copyrighted labels affixed. ² The record does not establish whether the initial purchaser was the distributor in the United Kingdom or the distributor in Malta, or whether title passed when the goods were delivered to the [**1128] carrier or when they arrived at their destination, but it is undisputed that the goods were manufactured by L'anza and first sold by L'anza to a foreign purchaser.

1 See App. 64 (declaration of Robert De Lanza).

2 See *id.*, at 70-83.

It is also undisputed that the goods found their way back to the United States without the permission of L'anza and were sold in California by unauthorized retailers who had purchased them at discounted prices from Quality King Distributors, Inc. (petitioner). There is some uncertainty about the identity of the actual importer, but for the purpose of our decision we assume that petitioner bought all three shipments from the Malta distributor, imported them, and then resold them to retailers who were not in L'anza's authorized chain of distribution.

After determining the source of the unauthorized sales, L'anza brought suit against petitioner and several other defendants. ³ The complaint alleged that the importation and [*140] subsequent distribution of those products bearing copyrighted labels violated L'anza's "exclusive rights under 17 U.S.C. §§ 106, 501 and 602 to reproduce and distribute the copyrighted material in the United States." App. 32. The District Court rejected petitioner's defense based on the "first sale" doctrine recognized by § 109 and entered summary judgment in favor of L'anza. Based largely on

its conclusion that § 602 would be "meaningless" if § 109 provided a defense in a case of this kind, the Court of Appeals affirmed. 98 F.3d 1109, 1114 (CA9 1996). Because its decision created a conflict with the Third Circuit, see *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (1988), we granted the petition for certiorari. 117 S. Ct. 2406, 138 L. Ed. 2d 173 (1997).

3 L'anza's claims against the retailer defendants were settled. The Malta distributor apparently never appeared in this action and a default judgment was entered against it.

II

This is an unusual copyright case because L'anza does not claim that anyone has made unauthorized copies of its copyrighted labels. Instead, L'anza is primarily interested in protecting the integrity of its method of marketing the products to which the labels are affixed. Although the labels themselves have only a limited creative component, our interpretation of the relevant statutory provisions would apply equally to a case involving more familiar copyrighted materials such as sound recordings or books. Indeed, we first endorsed the first sale doctrine in a case involving a claim by a publisher that the resale of its books at discounted prices infringed its copyright on the books. *Bobbs-Merrill [***262] Co. v. Straus*, 210 U.S. 339, 52 L. Ed. 1086, 28 S. Ct. 722 (1908). ⁴

4 The doctrine had been consistently applied by other federal courts in earlier cases. See *Kipling v. G. P. Putnam's Sons*, 120 F. 631, 634 (CA2 1903); *Doan v. American Book Co.*, 105 F. 772, 776 (CA7 1901); *Harrison v. Maynard, Merrill & Co.*, 61 F. 689, 691 (CA2 1894); *Bobbs-Merrill Co. v. Snellenburg*, 131 F. 530, 532 (ED Pa. 1904); *Clemens v. Estes*, 22 F. 899, 900 (Mass. 1885);

Stowe v. Thomas, 2 Wall. Jr. 547, 23 F. Cas. 201, 206-207 (ED Pa. 1853).

In that case, the publisher, Bobbs-Merrill, had inserted a notice in its books that any retail sale at a price under [*141] \$ 1.00 would constitute an infringement of its copyright. The defendants, who owned Macy's department store, disregarded the notice and sold the books at a lower price without Bobbs-Merrill's consent. We held that the exclusive statutory right to "vend" ⁵ applied only to the first sale of the copyrighted work:

"What does the statute mean in granting 'the sole right of vending the same? Was it intended to create a right which would permit the holder of the copyright to fasten, by notice in a book or upon one of the articles mentioned within the statute, a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it? It is not denied that one who has sold a copyrighted article, without restriction, has parted with [**1129] all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.

"In this case the stipulated facts show that the books sold by the appellant were sold at wholesale, and purchased by those who made no agreement as to the control of future sales of the book, and took upon themselves no obligation to enforce the notice printed in the book, undertaking to restrict retail

sales to a price of one dollar per copy." 210 U.S. 339 at 349-350, 28 S. Ct. 722, 52 L. Ed. 1086.

5 In 1908, when *Bobbs-Merrill* was decided, the copyright statute provided that copyright owners had "the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and *vending*" their copyrighted works. Copyright Act of 1891, § 4952, 26 Stat. 1107 (emphasis added).

The statute in force when *Bobbs-Merrill* was decided provided that the copyright owner had the exclusive right to "vend" the copyrighted work. ⁶ Congress subsequently codified [*142] our holding in *Bobbs-Merrill* that the exclusive right to "vend" was limited to first sales of the work. ⁷ Under the 1976 Act, the comparable exclusive right granted in 17 U.S.C. § 106(3) is the right "to distribute copies . . . by sale or other transfer of ownership." ⁸ The comparable limitation on that right is provided [***263] not by judicial interpretation, but by an express statutory provision. Section 109(a) provides:

"Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord" ⁹

[*143] The *Bobbs-Merrill* opinion emphasized the critical distinction between statutory rights and contract rights.¹⁰ In this case, L'anza relies on the terms of its contracts with its domestic distributors to limit their sales to authorized retail outlets. Because the basic holding in *Bobbs-Merrill* is now codified in § 109(a) of the Act, and because those domestic distributors are owners of the products that they purchased from L'anza (the labels of which were "lawfully made under this title"), L'anza does not, and could not, claim that the statute would enable L'anza to treat unauthorized resales by its domestic distributors as an infringement of its exclusive right to distribute copies of its labels. L'anza does claim, however, that contractual provisions are inadequate to protect it from the actions of foreign distributors who may resell L'anza's products to American vendors [*1130] unable to buy from L'anza's domestic distributors, and that § 602(a) of the Act, properly construed, prohibits such unauthorized competition. To evaluate that submission, we must, of course, consider the text of § 602(a).

6 See n. 5, *supra*.

7 Congress codified the first sale doctrine in § 41 of the Copyright Act of 1909, ch. 320, 35 Stat. 1084, and again in § 27 of the 1947 Act, ch. 391, 61 Stat. 660.

8 The full text of § 106 reads as follows:

" § 106. Exclusive rights in copyrighted works

"Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

"(1) to reproduce the copyrighted work in copies or phonorecords;

"(2) to prepare derivative works based upon the copyrighted work;

"(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

"(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

"(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

"(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission." 17 U.S.C. § 106 (1994 ed., Supp. I).

9 The comparable section in the 1909 and 1947 Acts provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1084; see also Copyright Act of 1947, ch. 391, § 27, 61 Stat. 660. It is noteworthy that § 109(a) of the 1978 Act does not apply to "any copy"; it applies only to a copy that was "lawfully made under this title."

10 "We do not think the statute can be given such a construction, and it is to be remembered that this is purely a question of statutory construction. There is no claim in this case of contract limitation, nor license agreement controlling the subsequent sales of the book." *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350, 52 L. Ed. 1086, 28 S. Ct. 722 (1908).

III

The most relevant portion of § 602(a) provides:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive [*144] right to distribute copies or phonorecords [***264] under section 106, actionable under section 501" ¹¹

It is significant that this provision does not categorically prohibit the unauthorized importation of copyrighted materials. Instead, it provides that such importation is an infringement of the exclusive right to distribute copies "under section 106." Like the exclusive right to "vend" that was construed in *Bobbs-Merrill*, the exclusive right to distribute is a limited right. The introductory language in § 106 expressly states that all of the exclusive rights granted by that section -- including, of course, the distribution right granted by subsection (3) -- are limited by the provisions of §§ 107 through 120. ¹² One of those limitations, as we have noted, is provided by the terms of § 109(a), which expressly permit the owner of a lawfully made copy to sell that copy "notwithstanding the provisions of section 106(3)." ¹³

11 The remainder of § 602(a) reads as follows:

"This subsection does not apply to --

"(1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in

schools, or copies of any audiovisual work imported for purposes other than archival use;

"(2) importation, for the private use of the importer and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

"(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2)."

¹² See n. 8, *supra*.

¹³ See text accompanying n. 9, *supra*.

[*145] After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106," and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to

import them and resell them in the United States.¹⁴

14 Despite L'anza's contention to the contrary, see Brief for Respondent 26-27, the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s "acquired abroad" language does.

Notwithstanding the clarity of the text of §§ 106(3), 109(a), and 602(a), L'anza argues that the language of the Act supports a construction of the right granted by § 602(a) as "distinct from the right under Section [***265] 106(3) standing alone," and thus not subject to § 109(a). Brief for Respondent 15. Otherwise, L'anza argues, both the § 602(a) right itself and its exceptions¹⁵ would be superfluous. Moreover, supported by various *amici curiae*, including the Solicitor General of the United States, L'anza contends that its construction is supported by important [**1131] policy considerations. We consider these arguments separately.

15 See n. 11, *supra*.

IV

L'anza advances two primary arguments based on the text of the Act: (1) that § 602(a), and particularly its three exceptions, are superfluous if limited by the first sale doctrine; and (2) that the text of § 501 defining an "infringer" refers [*146] separately to violations of § 106, on the one hand, and to imports in violation of § 602. The short answer to both of these arguments is that neither adequately explains why the words "under section 106" appear in § 602(a). The Solicitor General makes an additional textual argument: he contends that the word "importation" in § 602(a) describes an act that is not protected by

the language in § 109(a) authorizing a subsequent owner "to sell or otherwise dispose of the possession of" a copy. Each of these arguments merits separate comment.

The Coverage of § 602(a)

Prior to the enactment of § 602(a), the Act already prohibited the importation of "piratical," or unauthorized, copies.¹⁶ Moreover, that earlier prohibition is retained in § 602(b) of the present act.¹⁷ L'anza therefore argues (as do the Solicitor General and other *amici curiae*) that § 602(a) is superfluous unless it covers non-piratical ("lawfully made") copies sold by the copyright owner, because importation nearly always implies a first sale. There are several flaws in this argument.

16 See 17 U.S.C. §§ 106, 107 (1970).

17 Section 602(b) provides in relevant part: "In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited" The first sale doctrine of § 109(a) does not protect owners of piratical copies, of course, because such copies were not "lawfully made."

First, even if § 602(a) did apply only to piratical copies, it at least would provide the copyright holder with a private remedy against the importer, whereas the enforcement of § 602(b) is vested in the Customs Service.¹⁸ Second, because the protection afforded by § 109(a) is available only to the "owner" of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense [*147] to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession [***266] of the copy was unlawful.¹⁹ Third, § 602(a) applies to a category of copies that are neither piratical nor "lawfully made under this title." That category encompasses copies that

were "lawfully made" not under the United States Copyright Act, but instead, under the law of some other country.

18 See n. 17, *supra*.

19 In its opinion in this case, the Court of Appeals quoted a statement by a representative of the music industry expressing the need for protection against the importation of stolen motion picture prints: "We've had a similar situation with respect to motion picture prints, which are sent all over the world -- legitimate prints made from the authentic negative. These prints get into illicit hands. They're stolen, and there's no contractual relationship Now those are not piratical copies." Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., 213 (H. R. Judiciary Comm. Print 1963) (statement of Mr. Sargoy), quoted in 98 F.3d 1109, 1116 (CA9 1996).

The category of copies produced lawfully under a foreign copyright was expressly identified in the deliberations that led to the enactment of the 1976 Act. We mention one example of such a comment in 1961 simply to demonstrate that the category is not a merely hypothetical one. In a report to Congress, the Register of Copyrights stated, in part:

"When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries. It has been suggested that the import ban on piratical copies should be extended to bar

the importation of the foreign edition in contravention of such an agreement." Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the [**1132] U.S. Copyright Law, 87th Cong., 1st Sess., 125-126 (H. R. Judiciary Comm. Print 1961).

[*148] Even in the absence of a market allocation agreement between, for example, a publisher of the U.S. edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive U.S. distribution rights -- enforceable under the Act -- to the publisher of the U.S. edition and the exclusive British distribution rights to the publisher of the British edition,²⁰ however, presumably only those made by the publisher of the U.S. edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market [***267] with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

20 A participant in a 1964 panel discussion expressed concern about this particular situation. Copyright Law Revision Part 4: Further Discussion and Comments on Preliminary Draft for Revised U.S. Copyright Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (statement of Mrs. Pilpel) ("For example, if someone were to import a copy of the British edition of an American book and the author had transferred exclusive United States and Canadian rights to an American publisher, would that British edition be in violation so that this would constitute an

infringement under this section?"); see also *id.*, at 209 (statement of Mr. Manges) (describing similar situation as "a troublesome problem that confronts U.S. book publishers frequently").

The argument that the statutory exceptions to § 602(a) are superfluous if the first sale doctrine is applicable rests on the assumption that the coverage of that section is co-extensive with the coverage of § 109(a). But since it is, in fact, broader because it encompasses copies that are not subject to the first sale doctrine -- *e.g.*, copies that are lawfully made under the law of another country -- the exceptions do protect the traveler who may have made an isolated purchase of a copy of a work that could not be imported in bulk for purposes of resale. As we read the Act, although both the first sale doctrine embodied in § 109(a) and the exceptions in § 602(a) may [*149] be applicable in some situations, the former does not subsume the latter; those provisions retain significant independent meaning.

Section 501's Separate References to §§ 106 and 602

The text of § 501 does lend support to L'anza's submission. In relevant part, it provides:

"(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be"

The use of the words "*or who imports*," rather than words such as "*including one who*

imports," is more consistent with an interpretation that a violation of § 602 is distinct from a violation of § 106 (and thus not subject to the first sale doctrine set out in § 109(a)) than with the view that it is a species of such a violation. Nevertheless, the force of that inference is outweighed by other provisions in the statutory text.

Most directly relevant is the fact that the text of § 602(a) itself unambiguously states that the prohibited importation is an infringement of the exclusive distribution right "under section 106, actionable under section 501." Unlike that phrase, which identifies § 602 violations as a species of § 106 violations, the text of § 106A, which is also cross-referenced in § 501, uses starkly different language. It states that the author's right protected by § 106A is "independent of the exclusive rights provided in Section 106." The contrast between the relevant language in § 602 and that in § 106A strongly implies that only the latter describes an independent right.²¹

21 The strength of the implication created by the relevant language in § 106A is not diminished by the fact that Congress enacted § 106A more recently than § 602(a), which is part of the Copyright Act of 1976. Section 106A was passed as part of the Visual Artists Rights Act of 1990 in order to protect the moral rights of certain visual artists. Section 106A is analogous to Article 6*bis* of the Berne Convention for the Protection of Literary and Artistic Works, but its coverage is more limited. See 2 P. Goldstein, *Copyright* § 5.12, p. 5:225 (2d ed. 1996) ("§ 106A encompasses aspects of the moral rights guaranteed by Article 6*bis* of the Berne Convention, "but effectively gives these rights a narrow subject matter and scope").

[**1133] [*150] Of even greater importance is the fact that the § 106 rights are subject not only to the first sale defense in § 109(a), but also to all of the other provisions of "sections 107 through 120." If § 602(a) functioned independently, [***268] none of those sections would limit its coverage. For example, the "fair use" defense embodied in § 107²² would be unavailable to importers if § 602(a) created a separate right not subject to the limitations on the § 106(3) distribution right. Under L'anza's interpretation of the Act, it presumably would be unlawful for a distributor to import copies of a British newspaper that contained a book review quoting excerpts from an American [*151] novel protected by a United States copyright.²³ Given the importance of the fair use defense to publishers of scholarly works, as well as to publishers of periodicals, it is difficult to believe that Congress intended to impose an absolute ban on the importation of all such works containing any copying of material protected by a United States copyright.

22 Title 17 U.S.C. § 107 provides as follows:

" § 107. Limitations on exclusive rights: Fair use

"Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include --

"(1) the purpose and character of the use, including whether such use is of a

commercial nature or is for nonprofit educational purposes;

"(2) the nature of the copyrighted work;

"(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

"(4) the effect of the use upon the potential market for or value of the copyrighted work.

"The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

23 The § 602(a) exceptions, which are substantially narrower than § 107, would not permit such importation. See n. 11, *supra*.

In the context of this case, involving copyrighted labels, it seems unlikely that an importer could defend an infringement as a "fair use" of the label. In construing the statute, however, we must remember that its principal purpose was to promote the progress of the "useful Arts," U.S. Const., Art. I, § 8, cl. 8, by rewarding creativity, and its principal function is the protection of original works, rather than ordinary commercial products that use copyrighted material as a marketing aid. It is therefore appropriate to take into account the impact of the denial of the fair use defense for the importer of foreign publications. As applied to such publications, L'anza's construction of § 602 "would merely inhibit access to ideas without any countervailing benefit." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 450-451, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984).²⁴

24 L'anza's reliance on § 602(a)(3)'s reference to § 108(g)(2), see n. 11, *supra*, to demonstrate that all of the *other* limitations set out in §§ 107 through 120 -- including the first sale and fair use

doctrines -- do not apply to imported copies is unavailing for the same reasons.

Does an importer "sell or otherwise dispose" of copies as those words are used in § 109(a)?

Whether viewed from the standpoint of the importer or from that of the copyright holder, the textual argument advanced by the [***269] Solicitor General ²⁵ -- that the act of "importation" [*152] is neither a sale nor a disposal of a copy under § 109(a) -- is unpersuasive. Strictly speaking, an importer could, of course, carry merchandise from one country to another without surrendering custody of it. In a typical commercial transaction, however, the shipper transfers "possession, custody, control and title to the products" ²⁶ to a different [**1134] person, and L'anza assumes that petitioner's importation of the L'anza shipments included such a transfer. An ordinary interpretation of the statement that a person is entitled "to sell or otherwise dispose of the possession" of an item surely includes the right to ship it to another person in another country.

25 See also Brief for Recording Industry Association of America et al. 19-21.

26 App. 87.

More important, the Solicitor General's cramped reading of the text of the statutes is at odds not only with § 602(a)'s more flexible treatment of unauthorized importation as an infringement of the distribution right (even when there is no literal "distribution"), but also with the necessarily broad reach of § 109(a). The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution. As we have recognized, the codification of that doctrine in § 109(a) makes it clear that the doctrine applies only to copies that are "lawfully made under this title,"

but that was also true of the copies involved in the *Bobbs-Merrill* case, as well as those involved in the earlier cases applying the doctrine. There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope. ²⁷

27 See, e.g., H. R. Rep. No. 1476, 94th Cong., 2d Sess., 79 (1979) ("Section 109(a) restates and confirms" the first sale doctrine established by prior case law); S. Rep. No. 473, 94th Cong., 1st Sess., 71 (1975) (same).

In sum, we are not persuaded by either L'anza's or the Solicitor General's textual arguments.

[*153] V

The parties and their *amici* have debated at length the wisdom or unwisdom of governmental restraints on what is sometimes described as either the "gray market" or the practice of "parallel importation." ²⁸ In *K mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 100 L. Ed. 2d 313, 108 S. Ct. 1811 (1988), we used those terms to refer to the importation of foreign-manufactured goods bearing a valid United States trademark without the consent of the trademark holder. *Id.*, at 285-286. We are not at all sure that those terms appropriately describe the consequences of an American manufacturer's decision to limit its promotional efforts to the domestic market and to sell its products abroad at discounted prices that [***270] are so low that its foreign distributors can compete in the domestic market. ²⁹ But even if they do, whether or not we think it would be wise policy to provide statutory protection for such price discrimination is not a matter that is relevant to our duty to interpret the text of the Copyright Act.

28 Compare, for example, Gorelick & Little, *The Case for Parallel Importation*, 11 N. C. J. Int'l L. & Comm. Reg. 205

(1986), with Gordon, Gray Market Is Giving Hair-Product Makers Gray Hair, N. Y. Times, July 13, 1997, section 1, p. 28, col. 1.

29 Presumably L'anza, for example, could have avoided the consequences of that competition either (1) by providing advertising support abroad and charging higher prices, or (2) if it was satisfied to leave the promotion of the product in foreign markets to its foreign distributors, to sell its products abroad under a different name.

Equally irrelevant is the fact that the Executive Branch of the Government has entered into at least five international trade agreements that are apparently intended to protect domestic copyright owners from the unauthorized importation of copies of their works sold in those five countries.³⁰ The earliest of those agreements was made in 1991; none has been ratified by the Senate. Even though they are of course [*154] consistent with the position taken by the Solicitor General in this litigation, they shed no light on the proper interpretation of a statute that was enacted in 1976.³¹

30 The Solicitor General advises us that such agreements have been made with Cambodia, Trinidad and Tobago, Jamaica, Ecuador, and Sri Lanka.

31 We also note that in 1991, when the first of the five agreements was signed, the Third Circuit had already issued its opinion in *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (1988), adopting a position contrary to that subsequently endorsed by the Executive Branch.

The judgment of the Court of Appeals is reversed.

It is so ordered.

CONCUR BY: GINSBURG

CONCUR

[**1135] JUSTICE GINSBURG,
concurring.

This case involves a "round trip" journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad. See W. Patry, *Copyright Law and Practice* 166-170 (1997 Supp.) (commenting that provisions of Title 17 do not apply extraterritorially unless expressly so stated, hence the words "lawfully made under this title" in the "first sale" provision, 17 U.S.C. § 109(a), must mean "lawfully made in the United States"); see generally P. Goldstein, *Copyright* § 16.0, pp. 16:1-16:2 (2d ed. 1998) ("Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders.").

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APPENDIX D

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No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSANG d/b/a Bluechristine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

**BRIEF *AMICI CURIAE* OF RETAIL INDUSTRY
LEADERS ASSOCIATION, AMERICAN FREE
TRADE ASSOCIATION, AND QUALITY KING
DISTRIBUTORS, INC., IN SUPPORT
OF THE PETITION FOR WRIT OF CERTIORARI**

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QUESTION PRESENTED

This case presents the issue that equally divided this Court last term in *Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010). The first-sale doctrine, codified at 17 U.S.C. § 109(a), allows the owner of a copy “lawfully made under this title” to sell or otherwise dispose of the copy “without the authority of the copyright owner....”

The question presented is how the words “lawfully made under this title” apply to a copy that was made abroad under the authority of the U.S. copyright owner, legally acquired abroad, and then imported into the United States:

- Can such a foreign-made product *never* benefit from the first sale doctrine within the United States, *regardless* of the copyright owner’s permission, as the Second Circuit held in this case?

- Can such a foreign-made product benefit from the first sale doctrine within the United States *only* if the owner approves the first sale in this country, as the Ninth Circuit held in *Costco*? or,

- As the *Kirtsaeng* dissent correctly wrote, can such a product *always* benefit from the first sale doctrine within the United States, so long as the copy was made by or with the authority of the U.S. copyright owner—therefore, meeting all elements of the requirement that the copy be “lawfully made under [title 17]”?

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STATEMENT OF INTEREST¹

Retail Industry Leaders Association (“RILA”), established in 1969 as the Mass Retailing Institute, represents the interests of retailers, product manufacturers, and service suppliers. Its 600 member companies include the largest and fastest growing companies in the retail industry, and account for more than \$1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

The American Free Trade Association (“AFTA”) is a not-for-profit trade association that, for nearly 30 years, has advocated on behalf of the discount marketplace and the thousands of U.S. citizens engaged and/or employed in the parallel market. With members and contributors throughout the country, AFTA gives voice in legislative, regulatory, and judicial fora, to the needs and concerns of all participants in the global supply chain, from importers and distributors to retailers and consumers. AFTA advocates for strong anti-counterfeiting enforcement tools and continues working aggressively to ensure that U.S. laws protect consumers against injury from counterfeit and infringing goods—without sacrificing the substantive benefits of a competitive, global marketplace.

1. The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, their respective members, or their counsel made a monetary contribution to its preparation or submission.

Quality King Distributors, Inc. (“QKD”) is a family-owned wholesale distributor of health, beauty and cosmetics products, located in Bellport, N.Y. Founded in 1961 in a storefront in Queens, New York, QKD has become one of the largest privately-held businesses in the New York metropolitan area. QKD’s national customer base includes most of the mass retail chains including drug store chains, mass discount chains, grocery chains and independent stores. QKD was the petitioner in *Quality King Distribs., Inc. v. Lanza Research, Inc.*, 523 U.S. 135 (1998) (“*Quality King*”), in which the Court last issued an opinion addressing the application of the first sale doctrine of the Copyright Act to imported goods incorporating ancillary copyrighted works.

These *amici* and their member companies include suppliers, importers, purchasers, and retailers with a vital interest, as to themselves and on behalf of their customers, in promoting robust commerce under the first sale doctrine of U.S. copyright law.² Members of the *amici* are among the largest sellers of books, DVDs, software, video games, and audio compact discs, *i.e.*, the types of goods most obviously affected by the scope of the first sale doctrine.

However, the first sale doctrine also affects thousands of ordinary household and personal products on retail shelves. As explained below, in the majority of decided cases applying the first sale doctrine in the importation

2. Each of these *amici* submitted briefs to this Court last term in *Costco. Amicus* AFTA submitted amicus briefs supporting the right of parallel importation under trademark law in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), and under copyright law in *Quality King*.

context, plaintiffs attempted to leverage copyright protection over ancillary and often insignificant aspects of retail goods (*e.g.*, packaging, labels, and use instructions) as a means to thwart parallel “gray market” importation.

As domestic manufacturing increasingly moves offshore, a majority of the products retailers offer for sale in the United States may be produced, procured, and imported from abroad. Retailers and suppliers need confidence that non-piratical goods purchased from manufacturers, importers, and distributors can be resold in U.S. commerce free from claims of copyright infringement. And consumers deserve full value from their purchases, without legal restraints on title.

Therefore, the *amici* submit this brief to inform the Court of the potentially destructive impact of the Second Circuit’s decision upon modern commerce, and to urge the Court to grant certiorari and clarify the proper interpretation of the first sale doctrine.

SUMMARY OF ARGUMENT

The correct interpretation of the first sale doctrine to imported goods has great importance to the U.S. economy. The Court’s decision in *Quality King Distribs., Inc. v. Lanza Research Int’l Inc.*, 523 U.S. 135 (1998) (“*Quality King*”), provided importers, distributors, and retailers welcome certainty that lawfully produced non-piratical goods could be imported and resold in the United States free from copyright infringement claims. The decision benefited consumers through greater competition and lower prices from domestic availability of lawfully-made imported goods, and, with the rise of Internet sites such as

eBay.com and craigslist.org, from opportunities to resell and acquire previously-owned goods.

Recent decisions from the Second and Ninth Circuits make a shambles of the first sale doctrine.³ Both the Second Circuit in *Kirtsaeng* and the Ninth Circuit in *Costco* ignore the plain language of section 109, and rewrite that section to apply only to goods made “in the United States” under the Copyright Act. Although each court cites *Quality King* for its erroneous interpretation, *Quality King* nowhere compels that conclusion.

Both courts admit that their interpretation of section 109 harms the interests of American businesses and consumers, and contravenes historical policies underlying the first sale doctrine. To avert these anomalous consequences, the Ninth Circuit invents an extra-statutory “escape hatch,” permitting the first sale doctrine to apply if the imported goods are sold in the United States with the copyright owner’s permission.⁴ The Second Circuit majority rejects that legal fiction, and holds that foreign-produced copies of copyrighted works *never* can benefit from the first sale doctrine. Although the majority acknowledges that forceful policy concerns militate against its holding, the majority suggests any

3. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011) (“*Kirtsaeng*”); *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff’d by an evenly divided Court, Costco Wholesale Corp. v. Omega, S.A.*, ___ U.S. ___, 131 S. Ct. 565 (2010) (“*Costco*”).

4. The Ninth Circuit thus ignored the statutory requirement under section 109 that the first sale doctrine applies “without the authority of the copyright owner.”

“undesirable” or “unpalatable” consequences of its draconian view can be cured by Congress. *Kirtsaeng*, 654 F.3d at 222 & n.44.

The *amici* submit that the *Kirtsaeng* dissent correctly interprets section 109. Judge Murtha’s dissent observes that the majority’s limitation to domestically-produced goods improperly inserts language into an otherwise clear statutory text. The dissent gives “lawfully made under this title” its natural reading: “regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law.” 654 F.3d at 226. Thus, the dissent’s reading of section 109 remains true to the statutory language and avoids the policy pitfalls of the majority.

This case provides a suitable vehicle to address the question presented. The reasons justifying the grant of certiorari in *Costco* now have been exacerbated by the Second Circuit majority’s holding that the first sale doctrine never can apply to foreign-made copies. Moreover, the factual context of this case, where the foreign-made books bore U.S. copyright notices and warnings, and legends against sale outside of certain countries, presents a full opportunity for the Court to explore the interaction between sections 109 and 602(a) of title 17.

For these reasons, as set forth below, the petition should be granted.

ARGUMENT**I. THIS COURT SHOULD GRANT THE PETITION TO SAFEGUARD THE FIRST SALE DOCTRINE AND PRESERVE LAWFUL COMMERCE IN GENUINE PARALLEL IMPORTED GOODS.**

To retailers, wholesalers, and consumers of copyrighted works, the first sale doctrine is the Magna Carta of property rights and open commerce.⁵ Businesses need confidence that genuine foreign-produced goods can be purchased and resold in U.S. commerce free from claims of copyright infringement, in the same way as domestically-produced goods. Properly interpreted, the first sale doctrine secures to businesses and individuals the right to acquire and resell goods produced by or under the authority of the copyright owner, regardless of whether the goods were produced in the United States or abroad.

Retail in the United States in general, and in imported goods specifically, constitutes a major segment of the domestic economy. In 2009, retail trade sales in the

5. Section 109, entitled “Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord,” provides in pertinent part:

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

U.S. exceeded \$3.6 trillion.⁶ In 2010, the value of goods imported into the United States was \$1.935 trillion.⁷ The first sale doctrine directly benefits a significant portion of these goods, and potentially could affect nearly all of them. Thus, *amicis* believe it is essential to commerce that this Court properly interpret the first sale doctrine as applicable to foreign-produced goods.

1. The first sale doctrine applies to goods readily identifiable as copyright-protected, such as copies of the books involved in this case, Blu-Ray and DVD movie discs, and video games, and phonorecords of copyrighted sound recordings such as compact discs. According to government and industry estimates, in 2010:

- Retail commerce in copyrighted works sold in the United States (such as books, recorded music, motion pictures, and magazines) reached \$205 billion⁸

6. U.S. Census Bureau, U.S. Dep't of Commerce, U.S. Census Bureau, Statistical Abstract of the United States: 2012, Table 1055, Retail Trade Sales -- Total and E-Commerce by Kind of Business 2009, <http://www.census.gov/compendia/statab/2012/tables/12s1055.pdf> (last visited Dec. 27, 2011). Online retail sales in 2009 totaled more than \$145 billion, approximately 4.0% of all retail sales in the United States.

7. Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (last visited, Dec. 28, 2011).

8. U.S. Bureau of Economic Analysis, U.S. Dep't of Commerce, National Economic Accounts, Table 2.4.5U. Personal Consumption Expenditures by Type of Product, http://www.bea.gov/national/nipaweb/nipa_underlying/TableView.asp?SelectedTable=17&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromVi

- Consumers spent \$18.8 billion to purchase and rent movies.⁹
- Sales of recorded music in physical format exceeded \$3.63 billion¹⁰
- Book sales reached \$15.66 billion¹¹
- The electronic game industry was estimated to constitute a more than \$15 billion market segment in the United States¹²

ew=YES&Freq=Year&FirstYear=2009&LastYear=2010&3Place=N&Update=Update&JavaBox=no (last visited Dec. 27, 2011).

9. Digital Entertainment Group, “DEG Year-End 2010 Home Entertainment Report,” <http://www.degonline.org> (follow the “Data & Resources” hyperlink) (last visited Dec. 9, 2011).

10. Recording Industry Association of America, “2010 Year-End Shipment Statistics,” <http://76.74.24.142/548C3F4C-6B6D-F702-384C-D25E2AB93610.pdf> (last visited Dec. 8, 2011). That figure does not include more than \$2.23 billion in sales of recorded music in digital formats.

11. U.S. Census Bureau, U.S. Dep’t of Commerce, Estimates of Monthly Retail and Food Services Sales by Kind of Business: 2010, at tab 2010, <http://www.census.gov/retail/mrts/www/data/excel/mrtssales92-present.xls> (last visited Dec. 8, 2011).

12. Press Release, NPD Group, Inc., 2010 Total Consumer Spend On All Games Content In The U.S. Estimated Between \$15.4 To \$15.6 Billion (Jan. 13, 2011), https://www.npd.com/press/releases/press_110113.html (last visited Dec. 27, 2011).

Amici and their members collectively sell annually hundreds of millions of copyrighted books, compact discs, DVDs, and video games, and are among the nation's largest retailers of these goods.

2. Thousands of other products sold by the *amici* members include material ancillary to the purchased goods, such as product labels or package inserts. Under the low threshold for copyright protection, copyright registrations routinely are granted for packaging, logos, labels, and product inserts for everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals.

The concern of the *amici* is not that these registrations are issued, but that copyright owners register these essentially functional items, with no intrinsic value as expression, as a means to stifle low-priced competition from sales of authentic parallel-imported goods. This was the context of the last two cases before this Court. In *Costco*, the copyright owner engraved a minuscule copyrighted image on a watch back solely to prevent parallel importation of authentic watches that Costco sold at \$700 below the manufacturer's suggested retail price.¹³ Similarly, in *Quality King*, the plaintiff attempted to use a copyright on a label of hair care products to prevent discount-priced competition from lawfully-made re-imported products.¹⁴ Given today's global and online

13. On remand, the district court adjudged Omega's actions to be copyright misuse. *Omega, S.A. v. Costco Wholesale Corp.*, CV 04-05443 TJH (E.D. Cal. Nov. 9, 2011) (Order and J.).

14. See also, *Denbicare U.S.A. Inc. v. Toys "R" Us*, 84 F.3d 1143 (9th Cir. 1996) (packaging for reusable diapers); *Parfums*

economy, it is impossible to overstate the potential disruptive impact on commerce if, under the guise of such “thin” copyrights, companies cannot import and sell goods lawfully made abroad consistent with U.S. copyright law, and consumers cannot transfer ownership of their property.

3. It is generally feasible for retailers to ensure that the goods that they offer for sale are authentic. Less obvious is where the goods were manufactured or how they were first acquired.

In today’s global economy, retailers commonly acquire products not directly from the manufacturers, but through exporters, importers, and trading companies. They, too, may not deal directly with the manufacturers of those goods, such that goods may be bought and resold several times before reaching retail shelves. These sources promote effective competition, *e.g.*, by enabling manufacturers without a substantial distribution network to reach foreign customers, and retailers to obtain name brand goods in smaller quantities.

Many retailers purchase authentic “gray market” goods for resale from wholesale importers and distributors that arbitrage goods to take advantage of lower foreign pricing. As a result, consumers buy the same quality goods

Givenchy v. Drug Emporium, Inc., 38 F.3d 477 (9th Cir. 1994) (box for perfume); *Sebastian Int’l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988) (labels for beauty supplies); *Cosmair v. Dynamite Enters., Inc.*, 226 U.S.P.Q. 344, 1985 WL 2209 (S.D. Fla. 1988) (package label for cosmetics and fragrances); *Neutrogena Corp. v. Sec. of Treasury*, 7 U.S.P.Q. 2d 1900, 1988 WL 166236 (D.S.C. 1988) (packaging for cosmetics products).

at competitive prices.¹⁵ The value of such parallel imported goods sold annually in the United States represents a multibillion-dollar benefit to American consumers.¹⁶

4. The first sale doctrine also creates aftermarkets for sale and rental of “used” copyrighted works. Such aftermarkets enable consumers to enjoy a greater number of copyrighted works, and spread access to cultural works to persons with lower incomes. Video rental – a commercial activity made possible by the first sale

15. For example, *amicus* QKD purchases name-brand products at lower prices in foreign markets, and resells these imported goods to U.S. wholesalers and retailers. QKD often sells these discount-priced goods in competition with the same, higher-priced goods from manufacturers or “authorized” distributors. Those were the facts of *Quality King*—the case which QKD brought before this Court in order to vindicate its right under the first sale doctrine to sell goods in the United States that had been lawfully produced in the United States but purchased abroad.

16. A 2008 white paper prepared by KPMG for an organization opposed to parallel importation estimated \$58 billion annually in parallel importation activity. “Effective Channel Management is Critical in Combating the Gray Market and Increasing Technology Companies’ Bottom Line,” http://www.agmaglobal.org/press_events/press_docs/KPMG%20AGMAGrayMarketStudyWebFinal071008.pdf (last visited Dec. 27, 2011). *See also*, Alvin Galstian, *Protecting Against the Gray Market in the New Economy*, 22 *Loyola L.A. Int’l & Comp. L. Rev.* 507, 509 (2000) (“The annual U.S. and U.K. gray market economies exceed \$10 billion and £ >1.62 billion, respectively, and are driven by the countries’ relatively open economic markets and their peoples’ insatiable appetites for consumer products.”).

doctrine¹⁷ – achieved \$7.35 billion in revenues in 2009.¹⁸ According to the Book Industry Study Group, the used book market segment in 2004 constituted \$2.2 billion in overall sales, with some \$1.6 billion in sales of used textbooks.¹⁹

The Second Circuit opinion in *Kirtsaeng*, and the Ninth Circuit decision in *Costco*, denies first sale protections to *any* foreign-produced goods. Given the realities of international commerce, the interpretation of section 109 by the majority in *Kirtsaeng* (and the Ninth Circuit in *Costco*) imposes impossible burdens and transaction costs on suppliers and retailers. Grant of certiorari and reversal by this Court therefore will provide needed certainty to commercial enterprises and to consumers.

17. Under Section 109(b)(1), copyright owners retain an exclusive right with respect to rental of phonorecords and certain computer software.

18. U.S. Census Bureau, U.S. Dep't of Commerce, Annual Services Report, Table 5.1. Rental and Leasing Services (NAICS 532) – Estimated Revenue for Employer Firms: 2001 Through 2009, http://www2.census.gov/services/sas/data/53/2009_NAICS53.pdf (last visited Dec. 8, 2011).

19. Edward Wyatt, *Internet Grows as Factor in Used Book Business*, N.Y Times, Sept. 29, 2005, <http://query.nytimes.com/gst/fullpage.html?res=9D05E2DA1230F93AA1575AC0A9639C8B63> (citing Book Industry Study Group, Inc., *Used-Book Sales: A Study of the Behavior, Structure, Size and Growth of the U.S. Used-Book Market* (Sept. 2005)).

II. *KIR TSAENG* IS WRONGLY DECIDED AS A MATTER OF LAW AND POLICY, AND SHOULD BE REVERSED.

A. The Majority Opinion Misinterprets Both Section 109 and *Quality King*.

The *Kirtsaeng* panel faced “an issue of first impression in our Court.” *Id.*, 654 F.3d at 212. Deeming the five-word phrase “lawfully made under this title” to be “simply unclear” and “utterly ambiguous,” the panel majority found the text susceptible to three plausible meanings: “(1) ‘manufactured in the United States’; (2) ‘any work that is subject to protection under this title’; or (3) ‘lawfully made under this title had this title been applicable.’” *Id.*, at 220 (footnote omitted). The first interpretation gave primacy to a copyright owner’s ability to exclude importation of authentic foreign-made copies under section 602(a). Either of the latter two interpretations maintained a broader scope of the first sale doctrine under section 109.

The court described the question as “perhaps a close call,” but in the end chose the first interpretation. *Kirtsaeng*, at 221. The result, the court acknowledged, not only made parallel importations of copyrighted works unlawful; it negated first sale privileges for any copies or phonorecords of copyrighted works, and any goods incorporating a copy of a copyrighted work, manufactured outside the United States—even if manufactured, imported, and sold in the United States by or under the authority of the copyright owner.²⁰

20. A Ninth Circuit decision reaching that same conclusion, *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991), received sharp

As a result, the decision exposes every retailer and consumer to unforeseeable copyright infringement liability for transferring possession or title to any foreign-manufactured goods—including injunctive relief, seizure and loss of inventory, statutory damages (including statutory damages ranging from \$750 to \$150,000), and payment of both plaintiff’s and its own litigation costs and attorneys’ fees.²¹

In reaching this result, the Second Circuit relied upon a misreading of this Court’s *dicta* in *Quality King*. In *dicta*, the Court there considered a scenario in which a U.S. copyright owner separately assigned book publication rights to British and U.S. publishers under their countries’

criticism from the Ninth Circuit. *See Lanza Research Int’l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109, 1115 (9th Cir. 1996), *rev’d on other grounds*, 523 U.S. 135 (1998) (noting leading commentators’ criticism of *BMG Music*); *Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996) (“The impracticality of the burden [plaintiff] would have us impose on the retailers gives us pause about whether its reading of *Parfums Givenchy* and *BMG Music* is correct.”); *Denbicare U.S.A., Inc. v. Toys “R” Us, Inc.*, 84 F.3d at 1149-50 (noting “widespread criticism” of *BMG Music*); *Parfums Givenchy v. Drug Emporium*, 38 F.3d at 482 n.8 (characterizing as “absurd and unintended” to give “foreign manufactured goods . . . greater copyright protection than goods manufactured in the United States”).

21. *See Parfums Givenchy, Inc.*, 38 F.3d at 482 (“the purchaser of illegally imported copies has no more authority to distribute copies than does the original importer”); *American Int’l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978) (“even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder”).

respective laws. 523 U.S. at 148. Under those facts, the Court posited that the first sale of a book made under British copyright law would not exhaust the importation right in the United States.²²

The Second Circuit mistakenly divides all copies into two exclusive categories: those made in the United States, and those made “under the law of some other country.” The court thus erroneously assumes that copies made “under the law of some other country” cannot also be lawfully made under title 17. *See Kirtsaeng*, 654 F.3d at 221. There, of course, exists a third category that demonstrates the court’s error: copies made in a foreign country by or with the authority of the U.S. copyright owner.

22. Several other courts have misread this passage in *Quality King* as if confirming the importance of the *place* of manufacture rather than the possession of *rights* under title 17. *See Pearson Educ. Inc. v. Arora*, 717 F. Supp. 2d 374, 379 (S.D.N.Y. 2010) (“[t]his Court has—albeit unenthusiastically—followed the Supreme Court’s suggestion that the ‘first sale’ rule does not apply to works copyrighted in the United States, manufactured abroad, and subsequently imported and sold in the United States”); *Pearson Educ. Inc. v. Kumar*, 721 F. Supp. 2d 166, 178 (S.D.N.Y. 2010) (“the first sale doctrine does not apply to copies of a copyrighted work manufactured abroad”); *Pearson Educ. Inc. v. Liu*, 656 F. Supp. 2d 407, 416 (S.D.N.Y. 2009) (“[t]his Court therefore holds, *dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad”). To the contrary, the Court’s hypothetical assumes that the British publisher had no rights to make in the United States and, therefore, that the books produced by that publisher could not be lawfully made under title 17. *Quality King*, 523 U.S. at 148. *Cf. Boesch v. Graff*, 133 U.S. 697 (1890) (importation of foreign lamps lawfully made in Germany by one who had no rights under the United States patent infringed rights of United States patent assignee).

The dissenting judge in *Kirtsaeng* understood the importance of this distinction. Judge Murtha observed that Congress elsewhere in title 17 had inserted a domestic manufacturing requirement where it so intended, so there was no justification to imply such a restriction into the words “lawfully made.” 654 F.3d at 226. Congress used the phrase “under this title” in multiple sections of the Copyright Act to describe the scope of rights created under title 17. *Id.* Moreover, foreign entities can lawfully exercise U.S. copyright rights either as the copyright owner or with the authority of the U.S. copyright owner. *Id.* Therefore, the dissent gave the phrase its natural reading, and held that a copy “lawfully made under this title” means “regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law.” *Id.*

B. The *Kirtsaeng* Majority Ignores the Policies Underlying the First Sale Doctrine, Putting at Risk Retailers, Their Suppliers, and Their Customers.

In *Quality King*, this Court analyzed the interaction of sections 106, 109, and 602 of the Copyright Act, and held the importation prohibitions of section 602(a) are “simply inapplicable” to both domestic and foreign owners of lawfully-made products that import and resell them in the United States. *Id.*, 523 U.S. at 145. After the first sale, even unauthorized resales do not infringe the copyright owner’s exclusive right to distribute. *Id.* at 143. “The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by

selling it, he has exhausted his exclusive statutory right to control its distribution.” *Id.* at 152.²³

Quality King gave full force to the first sale doctrine, and placed retailer and consumer first sale rights beyond the reach of the copyright owner:

After the first sale of a copyrighted item “lawfully made under this title,” any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an “owner” of that item. Read literally, § 109(a) unambiguously states that such an owner “is entitled, without the authority of the copyright owner, to sell” that item.

Id., 523 U.S. at 145. By affirming the primacy of the first sale doctrine over the importation ban, the Court granted a crucial victory to commercial businesses and consumers alike.

This Court, in the context of patent infringement, has acknowledged the threat to free commerce where legitimate businesses face uncertain risks of liability, and the important role played in commerce and personal property rights by the exhaustion doctrine:

23. *Cf. Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008) (“[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item”).

one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. ... *The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.*

Keeler v. Standard Folding-Bed Co., 157 U.S. 659, 666-667 (1895) (emphasis added).

Businesses that rely on exceptions to intellectual property rights need bright line rules to avoid the “disastrous or even lethal consequences” of infringement suits:

businessmen are certainly entitled to know when they are committing an infringement. ... But to what avail these congressional precautions if this Court, by its opinions, would subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them....²⁴

24. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 358-359 (1961) (Black, J., concurring). The Ninth Circuit similarly acknowledged that an overbroad interpretation of section 602(a) and a narrow scope of section 109 would impose undue burdens and financial risks upon lawful commerce:

[E]very little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright

The principles announced in *Quality King* relieved retailers from unknown and unknowable infringement litigation risks that could jeopardize their businesses. But the *Kirtsaeng* majority ignored these consequences. As a result, the decision creates disruption and uncertainty for retailers and distributors, who must now weigh the consequences of selling any imported product that could have a copyrightable label, logo, or product insert – *i.e.*, virtually every product in their stores.

A domestic manufacturing requirement also creates perverse incentives for U.S. copyright owners to produce all copies of their copyrighted works outside the United States. No copyright or public policy would be served by the potential losses of jobs and tax revenue, or the manifest disadvantages to consumer and commercial interests. And no rule of statutory interpretation suggests that Congress intended to give greater rights to foreign manufacturers than to U.S. manufacturers—particularly where even the Second Circuit found the text readily susceptible to interpretations that created no absurd policy results.

Applying the first sale doctrine only to domestically-produced goods also unfairly advantages foreign owners of U.S. copyrights over U.S. copyright holders. In *Parfums Givenchy*, the Ninth Circuit concluded that denying first sale rights to foreign made goods would contravene both the language of the statute and public policy:

owner had attempted to arrange some different means of distribution several transactions back.

Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp., 97 F.3d at 380.

This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States. We agree that such a result would be untenable, and that nothing in the legislative history or text of § 602 supports such an interpretation.

38 F.3d at 482 n.8 (citing *BMG Music*, 952 F.2d at 319)

The harm to consumers is equally obvious. The Second Circuit decision subjugates retailer competition to copyright owner price controls, resulting in fewer goods offered at retail, in fewer retail outlets, and artificially inflated prices to consumers. Moreover, under the decision of the *Kirtsaeng* majority, any purchaser of a foreign-produced copyrighted work—even if made with the express authority of the copyright owner—could lose the right to dispose of the property in any manner of resale, gift, or lending, without being branded an infringer.

As a matter of policy, tying the first sale rule to domestic manufacture is at odds with the notion of free trade at the heart of today's global economy. As just one example, suppose a U.S. copyright owner duplicates its movie discs in Mexico, and imports and sells them in the United States. Under the *Kirtsaeng* majority view, despite that the lawful copy was imported and sold by the copyright owner, the first sale doctrine would not apply simply because the copy was not “lawfully made” in the

United States. Any subsequent sale in the United States not made by the copyright owner would be infringing—clearly an absurd result. Consequently:

- Video stores could not rent those movie discs because they were manufactured outside the United States.²⁵
- Video stores that today purchase multiple copies of a movie during its initial release would no longer be able to engage in the common practice of reselling most of the copies as “previously viewed” disks for a much lower price.
- An individual consumer could watch the movie, but could not lend it to a friend, resell it online, or give it away as a present.

These are the precise kinds of restraints on disposition of personal property that the first sale doctrine was intended to prohibit.

25. Film producers in fact sought unsuccessfully to stifle the then-incipient independent video rental business by amending section 109 to prevent commercial rental of videotapes. H.R. 5707, 97th Cong. (1982). See Peter S. Menell, *The Property Rights Movement's Embrace of Intellectual Property: True Love or Doomed Relationship?*, Paper 36 (2007), eScholarship Repository, Berkeley Center for Law and Technology, <http://repositories.cdlib.org/bclt/lts/36>. Because the motion picture industry failed to narrow the first sale doctrine, entrepreneurs created a new multi-billion dollar industry segment for video rental that enabled millions of consumers to rent movies they could not have afforded to purchase.

As the *Kirtsaeng* dissent observed, “Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market.”²⁶ Neither a mass market retail chain that imports billions of dollars of goods for resale each year, nor a local shop that purchases its inventory from importers and distributors in the middle of the supply chain, can always know the true provenance of imported lawfully-made goods. In most cases, retailers have no way reasonably to ascertain whether goods are protected by copyright because the copyright owner places no copyright notice on the goods. As this case shows, foreign-produced goods with a U.S. copyright notice still may not be free and clear for resale under the first sale doctrine.

If the Second Circuit holding stands, the retail industry will have little confidence to stock or sell authentic goods acquired from an independent exporter, importer, or distributor. Given the practical difficulties in assuring the lineage of imported goods, retailers would be at risk even where buying and selling re-imported goods produced in the United States—despite *Quality King*.

Thus, the *amici* urge this Court to grant the petition in this case so as to set the first sale doctrine back on its proper course.

26. See *Kirtsaeng*, 654 F.3d at 227 (Murtha, J. dissenting).

III. PETITIONER'S CASE IS A PROPER VEHICLE TO ADDRESS THESE CRUCIAL ISSUES.

1. The question presented herein flows directly from *Quality King* and *Costco*. At the time of *Quality King*, a split existed among the circuits as to the proper interpretation of sections 106(3), 109(a), and 602 of the Copyright Act. *Quality King* resolved the split and re-established the certainty and predictability of the law necessary to encourage the free flow of goods. The Court granted certiorari in *Costco* to resolve the applicability of the first sale doctrine to foreign-manufactured goods, a narrow factual context not directly addressed in *Quality King*. The existing split among the circuits on that question now has been exacerbated by the split between *Costco* and *Kirtsaeng*.

2. This case presents a paradigm scenario in which to squarely address the issues. This type of fact pattern already has been addressed twice by this Court, and has been replayed numerous times in courts in other jurisdictions since *Quality King* was decided more than a decade ago. As the Second Circuit reported the facts of the case, the foreign manufacturer was a wholly-owned subsidiary of the respondent which owns by assignment the U.S. and foreign copyrights to reproduce and distribute the books. Each book bore U.S. copyright notices. *Kirtsaeng*, 654 F.3d at 222 & n.43. At least two of the editions contained additional legends that invoked U.S. copyright law. *Id.* The foreign editions also bore a legend purporting to limit sales only to certain regions, not including the United States. *Id.* at 213. Thus, this case presents the Court with a factually-rich palette to explore fully the intersection between sections 109 and 602 of title 17.

3. In the absence of intervention by this Court, other courts are likely to follow one of the two paths mistakenly taken by the Second and Ninth Circuit Courts of Appeal. If this Court does not address the issue at this time, potential plaintiffs may become increasingly emboldened to exploit the shrinking scope of the first sale doctrine as a means to artificially inflate prices and restrict rental and aftermarket.

4. The cumulative impact of price discrimination, made possible by the *Kirtsaeng* majority, is enormous. Unless the decision is reversed, the drain on consumers and the American economy could reach billions of dollars in higher prices paid for goods that could have been purchased at lower prices through parallel importation. That impact will become more pervasive, and more costly, given the rapid growth of commerce in parallel imports and used imported goods via online retail and resale. It therefore is timely for the Court to take this case now, before the erroneous holding of the Second Circuit short-circuits the growth of online commerce, and disrupts the myriad daily transactions of corporate retailers and sellers.

Thus, the *amici* respectfully submit that this case presents a timely, representative case to address the issue.

CONCLUSION

The petition for writ of certiorari should be granted.

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**In The
Supreme Court of the United States**

—◆—
SUPAP KIRTSAENG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit**

—◆—
**BRIEF OF *AMICI CURIAE*
PUBLIC KNOWLEDGE, ELECTRONIC
FRONTIER FOUNDATION, AND U.S.
PUBLIC INTEREST RESEARCH GROUP
IN SUPPORT OF PETITIONER**

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INTEREST OF THE *AMICI CURIAE*

Public Knowledge, the Electronic Frontier Foundation, and U.S. PIRG respectfully submit this brief to urge the Court to grant Kirtsaeng's petition for writ of certiorari.¹ Public Knowledge is a nonprofit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in copyright and other intellectual property cases that threaten consumers, trade, and innovation.

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization working to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 13,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest.

¹ No counsel for a party authored this brief in whole or in part, nor made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, or their counsel, made a monetary contribution to its preparation or submission. Petitioner has consented to the filing of this brief and has filed a letter with the Court granting blanket consent. Respondent has granted written consent to the filing of this brief. Parties have been given at least ten days notice of *amici's* intention to file this brief.

U.S. PIRG, the federation of state Public Interest Research Groups, is a national, nonprofit, non-partisan consumer advocacy organization that stands up to powerful special interests on behalf of the American public. U.S. PIRG has long worked to promote the public interest on issues of consumer protection and affordable higher education, and believes an expansive interpretation of the first sale doctrine is in the best interest of students and consumers.



SUMMARY OF ARGUMENT

This case presents a circuit split on a crucial issue that will only grow in significance as new technologies continue to facilitate the global distribution of goods. The Second Circuit has held that foreign-manufactured goods that contain copies of copyright-protected works – from textbooks to hair care products with copyrighted labels – are immune from the limitations of the first sale doctrine of Section 109(a) of the Copyright Act. Under this interpretation, those goods can never be resold, lent, or given away without the permission of the copyright owner, even if that copyright owner sold the product within the United States.

The Second Circuit's interpretation not only erroneously precludes Section 109(a) from applying to copies manufactured outside of the United States, it deepens the circuit split on this issue by explicitly rejecting the Ninth Circuit's exception for

foreign-manufactured copies sold with the copyright owner's permission within the United States. If the Court interprets the importation right of Section 602(a)(1) to be subject to the first sale doctrine of Section 109(a), it can resolve the circuit split while avoiding absurd results in secondary markets and redistribution channels.

◆

ARGUMENT

The Court should grant the writ of certiorari because the decision below is erroneous and, if left undisturbed, threatens significant harm to consumers and businesses engaged in legitimate commerce involving goods manufactured abroad.

I. The Second Circuit's Interpretation of 17 U.S.C. § 109 Extends and Deepens the Existing Circuit Split Regarding the Relationship Between Sections 109 and 602.

Three circuit courts have now considered the intersection between Sections 109(a) and 602(a) of the Copyright Act. See *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011); *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008); *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988). As petitioner notes (Pet. 5-10), each one has come to a different conclusion, resulting in a clear circuit split.

The decision that is the subject of this petition, however, is particularly troubling, as it adopts the most extreme interpretation of Sections 109(a) and 602(a) thus far, concluding that every resale of a foreign-manufactured copy requires the copyright owner's permission, no matter how many times the copy has changed hands since the copyright owner first distributed that copy. In so doing, the Second Circuit rejected not only the Third Circuit's interpretation, but also the Ninth Circuit's exception for works distributed in the United States with the copyright owner's permission.

A. In the Decision Below, the Second Circuit Adopted the Most Severe Interpretation of Sections 109(a) and 602(a) Thus Far.

The decision below sets forth the most recent and most extreme interpretation of Sections 109 and 602 of the Copyright Act. *See* 17 U.S.C. §§ 109, 602 (2006). In *John Wiley & Sons, Inc. v. Kirtsaeng*, the United States Court of Appeals for the Second Circuit held that Section 109 never applies to copies manufactured outside of the United States. 654 F.3d 210, 224 (2d Cir. 2011). The court reasoned that the phrase "lawfully made under this title" means "lawfully made within the United States," rather than "made according to the laws of title 17." The court, however, had significant difficulty determining how best to interpret Section 109(a), declining to rely upon the literal meaning of the text because the court concluded the

text is “simply unclear.” *Id.* at 219-20 (citing WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1356 (1976) and *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010)).

Instead, the court based its interpretation upon the effects that interpretation would have on another section of the Copyright Act. The court observed that “the mandate of § 602(a)(1) . . . would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad,” and this theoretical result “militates in favor of” restricting Section 109(a) to domestically-manufactured works. *Id.* at 221. However, the court reached this conclusion without analyzing either the congressional intent behind Section 602(a) or empirical evidence regarding the number of importation lawsuits that would actually be affected. The court admitted that its decision covered “a particularly difficult question of statutory construction,” made “[w]ithout further guidance from the Supreme Court” after *Omega S.A. v. Costco Wholesale Corp.*, and that the court’s decision might lead to consequences “that were not foreseen by Congress.” *Id.* at 218, 222.

The Second Circuit’s approach is distinct from the Ninth Circuit’s, which created an exception for foreign-manufactured goods sold domestically with the copyright owner’s permission. *See infra* Section I.B. The Court of Appeals for the Third Circuit has taken yet another view, expressing “uneasiness” with the conclusion that Section 109(a) only limits the distribution right of domestically-made copies. *Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098

n.1 (3d Cir. 1988). As the *Sebastian Int'l* court noted: “When Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern.” *Id.* Unlike the Ninth Circuit, the Third Circuit also ruled that “the place of sale is not the critical factor in determining whether section 602(a) governs.” *Id.* at 1099. Three federal courts of appeals have weighed in on this question and each has arrived at a different answer, making this Court’s guidance particularly useful for courts, copyright owners, and distributors alike.

B. The Second Circuit Has Rejected the Ninth Circuit’s Exception for Foreign-Manufactured Goods Sold in the United States with the Copyright Owner’s Permission.

In the decision below, the Second Circuit specifically rejected the Ninth Circuit’s rule that Section 109(a) applies to foreign-manufactured goods sold in the United States with the permission of the copyright owner. *See John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 221; *contra Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 986. Although the Ninth Circuit acknowledged that Section 109(a) generally limits Sections 106(3) and 602(a), *see Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 985, the court decided that copyright law required a “more robust” presumption against extraterritoriality than other areas of law, and therefore concluded that the Copyright Act

must be interpreted to presumptively not touch any conduct occurring abroad, even when the conduct has harmful effects within the United States. *Id.* at 988. In contrast, the Second Circuit found the presumption against extraterritorial application more complicated, particularly considering that Section 104 explicitly contemplates copyright protection for works published in certain foreign countries, and consequently did not apply a more robust presumption. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 219-20 (citing 17 U.S.C. § 104(b)(2) (2006)).

The Ninth Circuit also concluded that this interpretation of the first sale and importation provisions would have “untenable” policy consequences, and so created an exception for foreign-manufactured goods that have been sold within the United States with the copyright owner’s permission, even though this exception lacks any apparent foundation in the text or legislative history of the statute. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d at 986. The Second Circuit noted that the Ninth Circuit’s exception has not been followed by other circuits, and declined to adopt the Ninth Circuit’s interpretation. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d at 221. This conflict between the two circuits throws many secondary markets across the country into legal uncertainty.

II. The Second Circuit’s Erroneous Interpretation of Section 109(a) Will Impair Trade, Innovation, and the Free Market for Copies of Copyright-Protected Goods.

The decision below, if left undisturbed, poses enormous potential consequences for secondary markets and consumers. Contrary to the established principle that statutes should be interpreted to avoid absurd results, the Second Circuit’s interpretation gives copyright owners the right to indefinitely control all redistribution of copies of works manufactured abroad. This erroneous reading imposes a variety of harms on consumers and retailers alike.

A. Sections 109 and 602 Should Be Interpreted to Avoid Manifestly Absurd Results.

The Second and Ninth Circuit’s interpretations of Section 109(a) both lead to manifestly absurd results. Courts have long recognized the principle that a statute’s language should be interpreted to avoid absurd results. *See, e.g., United States v. Wilson*, 503 U.S. 329, 334 (1992). Courts appeal primarily to the words of a statute without forgetting that “statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning.” *Pub. Citizen v. United States Dep’t of Justice*, 491 U.S. 440, 455 (1989) (quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir.) (Hand, J.), *aff’d*, 326 U.S. 404 (1945)). As a matter of statutory interpretation, the practical ramifications of a

particular reading may suggest to the court whether Congress was likely to have intended that interpretation when it enacted the law. *See Church of the Holy Trinity v. United States*, 143 U.S. 457, 459 (1892) (“[F]requently words of general meaning are used in a statute, words broad enough to include an act in question, and yet a consideration of the whole legislation, or of the circumstances surrounding its enactment, or of the absurd results which follow from giving such broad meaning to the words, makes it unreasonable to believe that the legislator intended to include the particular act.”).

The first sale doctrine, codified at 17 U.S.C. § 109, embodies Congress’s intent to prevent copyright owners from exercising authority over physical copies after they have exhausted their ownership interest in those copies. *See* H.R. REP. NO. 2222, 60th Cong., 2d Sess. 19 (1909) (“[I]t would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale”). This follows from the well-established principle that ownership of the physical object containing a copyright-protected work is distinct from ownership of the copyright itself. *See* 17 U.S.C. § 202 (2006); *Stevens v. Gladding*, 57 U.S. 447, 452-53 (1855). *See also* H.R. REP. NO. 987, 98th Cong., 2d Sess. 2, *reprinted in* 1984 U.S.C.C.A.N. 2899 (“the first sale doctrine has its roots in the English common law rule against restraints on alienation of property”).

As this Court noted in *Quality King Distributors, Inc. v. Lanza Research International, Inc.*, “[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope.” 523 U.S. 135, 152 (1998). The House Report from Congress’s enactment of the current version of the first sale doctrine does not even mention place of manufacture. In fact, the Report states that “Section 109(a) restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy . . . of a work, the person to whom the copy . . . is transferred is entitled to dispose of it by sale, rental, or any other means.” H.R. REP. NO. 94-1476 at 79, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693.

The decision below, in particular, interprets Section 109 so narrowly that Section 602 could entirely preclude secondary markets for all works that have been manufactured abroad. This would both interfere with individuals’ established rights in their own personal property and impose substantial costs on consumers and businesses that operate in resale markets across many different commercial industries, contrary to the purposes of the Copyright Act and decades of legal interpretation.

B. The Second Circuit's Decision Permits Copyright Owners to Indefinitely Control the Distribution of All Foreign-Manufactured Copies.

Like the Ninth Circuit, the Second Circuit has concluded that the first sale doctrine does not allow buyers to distribute copies if the copies were originally manufactured abroad. Unlike the Ninth Circuit's interpretation, however, the Second Circuit's reading of Sections 109 and 602 permits no exception for foreign-manufactured goods that are sold within the United States with the permission of the copyright holder. As a result, absent the permission of the copyright holder, any distribution of any foreign-manufactured copy could infringe copyright. This result undoes 150 years of common and statutory law establishing that the rightful owner of a physical copy of a work can dispose of that copy as he or she wishes. *See Sebastian Int'l, Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988) ("The first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property.") (citing *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); Richard Colby, *The First Sale Doctrine – The Defense That Never Was?*, 32 J. COPYRIGHT SOC'Y U.S.A. 77, 89 (1984); H.R. REP. NO. 987, 98th Cong., 2d Sess. 2, reprinted in 1984 U.S.C.C.A.N. 2899; 2 M. NIMMER, THE LAW OF COPYRIGHT § 8.12 (1987)). Additionally, nearly any goods can have copies of copyrighted works affixed to them or incorporated into the goods'

packaging, making the consequences of the Second Circuit's interpretation difficult to understate. *See, e.g., Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (copyright lawsuit over labels affixed to hair care products).

1. New Impediments to the Resale of Lawfully Purchased Goods Harm Consumers and Businesses.

The Second Circuit's interpretation of Sections 109 and 602 is dangerous for both consumers and businesses that operate in resale markets. The court's reading of Section 109 effectively removes a vast swath of copyright-protected goods from the shelter of the first sale doctrine. This precludes secondary markets for many goods entirely and creates substantial uncertainty for many other goods if the owner does not know where every copyrightable component of the product was manufactured. By extending liability for selling, lending, or otherwise disposing of lawfully purchased copies of copyright-protected works, the Second Circuit has exposed to copyright infringement liability actors ranging from homeowners holding a weekend garage sale, to used car dealerships, to companies that provide online platforms for reselling goods.

Of course, the decision below has a particularly direct impact on the market for used textbooks. Students in the United States have suffered from price discrimination by textbook publishers for years, and

only recently have tools like more efficient shipping technology and the Internet enabled students to access lawfully purchased textbooks at more affordable prices. In 2005, the United States Government Accountability Office found that college textbook prices in the United States have risen 186% in the last two decades – more than twice the rate of inflation. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS: ENHANCED OFFERINGS APPEAR TO DRIVE PRICE INCREASES (July 2005), *available at* <http://www.gao.gov/assets/250/247332.pdf>. In the 2003-2004 school year, the average estimated cost of textbooks for full-time students at four-year public institutions in the United States was \$898 per year. *Id.* at 2. Industry representatives and public interest groups have expressed concern that publishers unnecessarily raise textbook prices by revising textbooks frequently, publishing custom textbooks, issuing books in loose-leaf form, and making material available online through the use of a temporary password. *Id.* at 18-21. Publishers maintain these high prices, in part, by taking steps to isolate the United States market, where market conditions allow them to extract higher prices from students, while selling textbooks just above cost to students in other countries. *Id.* at 21-22. If the Second Circuit's decision is reversed, publishers will still be free to engage in the same marketing practices they currently use, but may also face legitimate competition from the books they have sold at lower prices in other parts of the world.

To be clear, however, the potential impact of the decision reaches well beyond redistributions of textbooks, or even classic copyright-protected works like sound recordings, audiovisual works, compositions, paintings, drawings, and sculptures. Today, a wide range of other commercial products also contain copyright-protected computer programs, such as automobiles, microwaves, calculators, mobile phones, tablets, and personal computers. Moreover, the packaging for a product often contains copies of copyright-protected visual art. *See, e.g., Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.*, 84 F.3d 1143, 1145 (9th Cir. 1996) (plaintiff’s lawsuit based in part on copyright infringement of the packaging for its non-copyrighted product).

Further, since the Second Circuit’s interpretation hinges upon the place of manufacture, individuals or entities may be liable for infringement even if they purchased the product in the United States. Service providers that provide online platforms for resale marketplaces, such as eBay or Amazon.com, could be threatened with secondary liability for hosting offers for infringing sales on their websites. Such websites would have a strong incentive to stop hosting the sale of many used books and other products entirely.

Finally, given that the distribution right of Section 106(3) covers far more than sales, the ramifications of the decision below are not limited to for-profit sales. Thus, an interpretation of Section 109(a) that allows the distribution right to be resurrected at any point in the chain of ownership would also inhibit

actors from lending or giving away copies of copyright-protected works that were manufactured abroad. Libraries, which rely heavily upon the first sale doctrine to lend copies of books to the public, are especially vulnerable under the Second Circuit's stripped-down version of Section 109(a). Without the protection of Section 109(a) for foreign-printed books, libraries could be forced to affirmatively research the place of manufacture for every book they acquire, even if that acquisition is completed within the United States, and either refuse to stock foreign manufactured copies of books or seek countless licenses from copyright owners to offer those books to the public. Similarly, individuals would be unable to loan a book, magazine, or newspaper to a friend if the copy was created abroad. This would have a particularly harsh effect on individuals who speak and read foreign languages, because foreign-language products are more likely to come from foreign publishers.

By inhibiting the public's ability to transfer ownership, even gratuitously, of foreign-manufactured copies, the Second Circuit's interpretation could even impair charitable giving. For example, the very popular and successful Marine Toys for Tots Foundation collects presents for economically disadvantaged children in the weeks surrounding Christmas. For sixty-three years, Toys for Tots has collected donated toys from the public and distributed more than 400 million toys to more than 188 million children. *Origin and Evolution of Toys for Tots*, MARINE TOYS FOR TOTS FOUNDATION (last visited Jan. 3, 2012),

http://www.toysfortots.org/about_toys_for_tots/toys_for_tots_program/origin_and_evolution.asp. Under the Second Circuit's interpretation of Section 109(a), both Toys for Tots and the individuals donating toys to Toys for Tots are liable for copyright infringement for all copyrightable toys or toy packages that were manufactured outside of the United States.²

The Second Circuit's decision has enormous impact upon a wide variety of product industries, and imposes tangible harms on consumers who would otherwise participate in the resale market for lawfully purchased goods.

2. Copyright Owners May Attempt to Seize Indefinite Control Over Distribution by Moving Their Manufacturing Activities Abroad.

The decision below could also encourage copyright owners to deliberately foreclose secondary markets by moving their manufacturing operations abroad. As discussed above, copyright owners would gain

² Toys may be subject to copyright protection in a number of ways, so long as they are not uncopyrightable as useful articles. *See, e.g., Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (holding that transforming robotic action figure qualifies for copyright protection). An action figure may receive copyright protection as a sculptural work, a coloring book may contain copyright-protected graphic or pictorial works, or a doll may sing a copyright-protected song via a copyright-protected sound recording.

substantial new control over the distribution of copies of their works if they could exercise exclusive authority over a copy every time it changes hands. This power is potentially very lucrative for manufacturers who wish to prevent consumers from buying used copies or borrowing copies from friends. If a consumer has no access to a used or borrowed copy of a work, she must purchase a new copy at a substantially higher cost than she would have otherwise faced. The Second Circuit's decision thus gives copyright owners a perverse incentive to move manufacturing or other production activities out of the United States to retain indefinite control over copies of their works.

Put another way, the decision below encourages at least two perverse outcomes: American consumers lose access to affordable used copies of products, and companies move American manufacturing and related jobs overseas. It is difficult to imagine that Congress intended these results.

3. The Lower Court's Interpretation of "Lawfully Made Under This Title" Could Also Preclude Consumers from Displaying Their Lawfully Acquired Copies.

The courts' interpretation of the phrase "lawfully made under this title" for the purposes of Section 109(a) could also have far-reaching consequences for other provisions of the Copyright Act that use the same phrase. If future court decisions follow the

Second Circuit’s interpretation of this phrase, the application of all of these provisions will be limited to copies manufactured in the United States.

For example, Section 109(c) of the Copyright Act also uses the phrase “lawfully made under this title” to grant the owner of a copy the right to publicly display that copy. 17 U.S.C. § 109(c). Courts have repeatedly interpreted this phrase to preclude applying Section 109(c) to copies “created in violation of the artist’s rights,” not merely copies made outside of the United States. *See Mass. Museum of Contemporary Art Found., Inc. v. Buchel*, 593 F.3d 38, 63-64 (1st Cir. 2010); *Cariou v. Prince*, 784 F. Supp. 2d 337, 356 (S.D.N.Y. 2011) (paintings may not be publicly displayed under Section 109(c) because the paintings infringed plaintiff’s copyrights); *Hoepker v. Kruger*, 200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (defendant may publicly display a lawfully owned copy of a photograph under Section 109(c) despite the fact that the photograph was made in Germany).

If “lawfully made under this title” in Section 109(c) is interpreted identically to the Second Circuit’s reading of “lawfully made under this title” in Section 109(a), every owner of a copy of a copyright-protected work, particular visual artworks, would need to obtain a license to display that copy if the work was created outside of the United States. Museums, particularly those with substantial collections of foreign paintings, photographs, drawings, and sculptures, would need to obtain a new license for every piece of foreign-made art in their collections, or hide those

collections from the public indefinitely. Businesses, libraries, and any other entity with a physical space open to the public would need to remove all foreign artworks from their lobbies, hallways, and other public spaces. Again, Congress could not have intended a result that so manifestly contravenes sound public policy and common sense.

C. The Decision Below Would Authorize Copyright Owners to Enjoin Parallel Imports, Contrary to Congressional Intent and Consumers' Interest.

Parallel imports benefit both consumers who rely upon affordable access to goods and businesses that routinely bring lawfully purchased goods into the United States for resale. Contrary to congressional intent, the decision below would allow copyright owners to unilaterally block all parallel imports for goods they had already sold and parted with.

The increase in parallel importation in recent years is a result of cost reductions from new and improved technologies. This means that, when importers market their products at inflated prices in some geographical markets but not others, they face competition from their own products sold at lower prices elsewhere. This is not a new phenomenon: historically, new technology has consistently broken down barriers to market entry and encouraged healthy competition between providers. In 2000, “the U.S. market for gray goods [was] somewhere between \$10 and \$20 billion a

year.” Olga Kharif, *The Global Economy’s Gray-Market Boom*, BUSINESSWEEK ONLINE (Nov. 30, 2000), *available at* http://www.businessweek.com/bwdaily/dnflash/nov2000/nf20001130_555.htm. The parallel market in information technology alone was estimated to have grown to more than \$40 billion per year by 2009. Romana Autrey & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Working Paper No. 09-098, at 1 (Feb. 25, 2009), *available at* <http://www.hbs.edu/research/pdf/09-098.pdf>.

Restrictions on parallel importation of legally purchased products impose serious economic consequences. Such restrictions create an “export subsidy” that United States consumers must pay, encourage rent-seeking behavior by producers, and use government resources to protect producers against arbitrage. See Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 CARDOZO L. REV. 55, 143-44 (2001). Restricting parallel importation encourages copyright owners to make socially wasteful investments to maintain extra profits they receive from price discrimination. *Id.* at 101 (specifying lobbying, litigation, entry deterring practices, measuring different markets’ valuations, enforcing contracts to prevent arbitrage, and designing special distribution systems as examples of the costs of rent-seeking). The Second Circuit’s decision here creates an explicit and extensive parallel importation restriction, but these serious consequences were not intended or even contemplated by Congress, either in enacting federal copyright law

generally or in creating Section 602 of the Copyright Act.

Federal copyright law was created with the purpose of “stimulat[ing] artistic creativity for the general public good.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability to literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor.”). *See also Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.”). Copyright law was not created for the purpose of restricting parallel imports or making United States consumers subsidize price discrimination in foreign markets. Copyright owners cannot look to copyright law to insulate their business models from international trade or allow them to implement discriminatory pricing on a global scale.

Moreover, there is no suggestion in the legislative history of Section 602 that Congress intended the provision to utilize copyright law to enforce private parties’ price discrimination, nor to restrict international trade of many products, some with only a tenuous connection to copyright. Subsequently enacted federal statutes demonstrate a continued understanding and intent that parallel imports remain legal and continue to benefit consumers. *See, e.g., Stop Counterfeiting in*

Manufactured Goods Act, Pub. L. No. 109-181, § (b)(3)(B), 120 Stat. 285, 287 (codified as amended at 18 U.S.C. § 2320(e)(b) (2006)) (explicitly exempting authorized uses of marks from the act's prohibitions on the import of "counterfeit marks"); 151 Cong. Rec. S12714-01 (2005) (statement of Rep. Lofgren) ("Parallel markets are those in which third parties lawfully obtain goods and make them available in discount stores. Not only has this practice been upheld by the Supreme Court, but it also saves consumers billions of dollars each year. . . . We now have a bill that protects manufacturers, targets illegitimate actors, protects consumers, and leaves the legitimate parallel market unscathed.").

III. The Current Circuit Split Can Be Resolved by Adopting an Alternative Interpretation.

This Court could resolve the conflict between the circuit courts in a way that is both consistent with Sections 109(a) and 602(a) and avoids the extreme practical ramifications of the Second Circuit's interpretation. To accomplish this, the Court should interpret Section 109(a) to apply to all copies made legally according to Title 17 of the United States Code.

A. The Text of the Copyright Act Weighs in Favor of Applying the First Sale Doctrine to Works Manufactured and Sold Abroad.

Federal law grants to copyright owners the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” 17 U.S.C. § 106(3) (2006). This right is subject to the limitations and exceptions set out in Sections 107 through 122 of the Copyright Act. § 106. One of those limiting provisions is Section 109, which “restates and confirms” the first sale doctrine. H.R. REP. NO. 1476, 94th Cong., 2d Sess., 79 (1979). Section 109(a) of the Copyright Act states: “Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” § 109(a).

Section 602(a)(1) of the Copyright Act provides that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.” § 602(a)(1). This subsection establishes that an importation constitutes an infringement of the copyright owner’s distribution right when the importation

is conducted without the copyright owner's permission. Because a violation of Section 602(a)(1) is a violation of the copyright owner's Section 106(3) distribution right, and Section 106(3) is subject to the limitations of Section 109(a), then Section 602(a)(1) is also subject to the first sale doctrine. No other language in the Copyright Act suggests that importation is a type of distribution that is untethered by Section 109(a). This interpretation also comports with the rest of Title 17. As this Court has explained: "It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989). Other sections of Title 17 demonstrate that Congress is capable of explicitly limiting a section's application to the place of manufacture when it chooses to do so. *See* 17 U.S.C. §§ 401(a), 601 (2006).

B. Under this Interpretation, Section 602 Still Has a Purpose in the Statutory Scheme.

If this Court decides that Section 602(a)(1) is subject to the limitations of the first sale doctrine, Section 109(a) does not render Section 602(a)(1) moot any more than it does Section 106(3). Section 602(a)(1) would primarily act to clarify and confirm that importation is included under the umbrella of distribution for the purposes of Section 106, a conclusion not necessarily evident, as importation itself does not always require a transfer of ownership. To be sure, Section

109(a) substantially limits the application of Section 602(a), to the extent that copyright owners attempt to control the importation of copies of their works after the copyright owners have already exhausted their distribution right over those particular copies. But the right to prevent the redistribution of copies already sold is simply not within the exclusive rights granted to copyright owners under United States law.

Section 602(a)(2) outlines the specific terms of an infringement case, providing that the importation of copies, “the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable,” also constitutes an infringement of the distribution right and is actionable under Sections 501 and 506. 17 U.S.C. § 602(a)(2). Thus, the first two subsections of Section 602(a) establish two different circumstances in which an importation constitutes an infringement of the copyright owner’s distribution right: (1) under Section 602(a)(1), when the importation (for instance, by a non-owner) is made without the copyright owner’s permission;³ and (2) under Section

³ Such an importation would differ from the instant case when a foreign manufacturer is licensed to produce copies, but is not “the owner” of the copies under Section 109(a), and performs an unauthorized importation. Thus, a publisher with exclusive British distribution rights would not be protected by the first sale doctrine if it sold copies of the book in the United States but did not own those copies. See *Quality King Distribs., Inc. v. Lanza Research Int’l, Inc.*, 523 U.S. 135, 148 (1998) (footnotes omitted).

602(a)(2), when the importation is unauthorized *and* the items are or would have been infringing. Both of these provisions are limited by the first sale doctrine, although this does not prejudice a copyright owner's rights under any of the other exclusive rights granted by Section 106.

Thus, Section 602(a) can be interpreted in a way that comports with the statute's text and congressional intent while avoiding absurd practical results.



CONCLUSION

For the aforementioned reasons, the Court should grant the writ of certiorari. This case presents the Court with an opportunity to correct the decision below while resolving an increasingly deep circuit split on an issue of extreme importance to consumers, retailers, and copyright owners in industries spanning the United States economy.

Respectfully submitted,

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