DETERMINING RIGHTS TO RESELL: *KIRTSAENG V. JOHN WILEY & SONS*

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I. INTRODUCTION

The "first sale" doctrine allows an owner of a "lawfully made" copy to further resell his copy without the copyright owner's permission.[1] The first sale doctrine is one of many statutory limitations[2] imposed on the copyright holder's exclusive right "to distribute copies . . . to the public by sale or other transfer of ownership."[3] This exclusive distribution right is said to "extend[] . . . beyond our borders"[4] through the so-called "importation clause," which provides that unauthorized importation is an infringement of the exclusive right to distribute.[5] Because the exclusive right to distribute is limited by the first sale doctrine, anyone who owns a copy "lawfully made under this title" is also free to import his copy into the United States without infringing upon the copyright owner's right to distribute.[6]

It is well-settled that the first sale doctrine cuts off the copyright holder's right to control downstream sales or distributions of copies made in the United States.[7] Additionally, the Supreme Court held

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1. 17 U.S.C.A. § 109(a) (West 2013).
2. *Id.* §§ 107–122; *see id.* § 106 (stating the exclusive rights listed are "subject to sections 107 through 122").
3. *Id.* § 106(3).
4. Brief for Petitioner at 17, Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. July 2, 2012).
5. 17 U.S.C.A. § 602(a).
6. *Id.* § 109(a); Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 144–45 (1998) (explaining that the importation clause does not prohibit lawful owners of copyrighted works from reselling or importing those works into the United States because the importation clause is limited to the exclusive rights in section 106, and accordingly, subject to the first sale doctrine of section 109).
7. *See Quality King*, 523 U.S. at 140–43 (explaining that the exclusive right to distribute is applicable only to the first sale of the copyrighted work); Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 350 (1908) ("It is not denied that one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it.").

unanimously in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*[8] that the first sale doctrine also cuts off the right to control downstream sales or distributions of *imported* copies so long as the imported copy was first made in the United States.[9] Although the first sale doctrine has been recognized and discussed by the Supreme Court as early as 1908,[10] one aspect of the doctrine remains unanswered: does the first sale doctrine apply to foreign-made copies? Specifically, must a copy be manufactured within the United States to be considered "lawfully made under" copyright law?[11]

In *Kirtsaeng v. John Wiley & Sons, Inc.*,[12] the Supreme Court must decide whether the first sale doctrine applies to foreign-made copies. The extent of the first sale doctrine is of increasing concern given technological advances that allow parties to lawfully buy and sell across geographic boundaries.[13] In the age of online markets like eBay, Amazon, and Craigslist, savvy buyers and sellers connect, inquire, bargain, and transact in an economically efficient "gray market," regardless of geographic lines and local supply and demand.[14]

Although the economic impact of further limiting or expanding the first sale doctrine is both deep and wide—with voiced concerns ranging from consumer markets[15] to museums[16] and even to neighborhood yard sales[17]—these economic concerns are extraneous

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8. 523 U.S. 135 (1998); *id.* at 151–53.

9. *Id.* at 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."); *see also* John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 217 (2d Cir. 2011), *cert. granted*, 132 S. Ct. 1905 (U.S. Apr. 16, 2012) (No. 11-697) ("In a unanimous opinion, the Supreme Court held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a) [the "Importation Clause"].").

10. *Bobbs-Merrill Co.*, 210 U.S. at 350.

11. 17 U.S.C.A. § 109(a).

12. Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. argued Oct. 29, 2012).

13. Greg Stohr, *Discounted 'Gray Market' Goods Draw Top U.S. Court Review*, BLOOMBERG.COM (Apr. 16, 2012, 10:00 AM), http://www.bloomberg.com/news/2012-04-16/discounted-gray-market-goods-draw-top-u-s-court-review.html (discussing the billion-dollar "gray market" where foreign-made products are bought at a discount and subsequently sold within the United States for a profit).

14. *Id.*

15. Jennifer Waters, *Your Right to Resell Your Own Stuff is in Peril*, MARKETWATCH.COM (Oct. 12, 2012), http://articles.marketwatch.com/2012-10-12/finance/34240922_1_copyright-iphone-consumer-groups.

16. Lisa Shuchman, *U.S. Museums Concerned About Unartful Impact of SCOTUS Copyright Case*, LAW.COM (Oct. 17, 2012), http://www.law.com/corporatecounsel/PubArticleCC.jsp?id=1202575170197&US_Museums_Concerned_About_Unartful_Impact_of_SCOTUS_Copyright_Case&slreturn=20120917103608.

17. Tom Gara, *Is Your Neighbor's Yard Sale Illegal? Let the Supreme Court Decide*,

to interpreting the Copyright Act.[18] Instead, the analysis must center on the statutory text itself.[19] Because the statute is ambiguous,[20] context and canons of statutory interpretation must guide proper analysis.[21] Ultimately, the location of manufacture should be irrelevant and the first sale doctrine should apply to copies made abroad.

II. FACTUAL BACKGROUND

Supap Kirtsaeng, a native of Thailand, moved to the United States in 1997 to study mathematics at Cornell University and continued into a Ph.D. program at the University of Southern California.[22] To help subsidize his education costs, Kirtsaeng asked his friends and family in Thailand to purchase and ship him textbooks locally published by the Asian subsidiary of a U.S. publisher, John Wiley & Sons.[23] These Thailand-manufactured textbooks were intended by the publisher to be sold and distributed within Asia, as manifested by its authorization legend.[24] After researching the first sale doctrine online, however, Kirtsaeng understood "that it was legal for him to sell international editions of books in the United States so long as he legally purchased them abroad."[25]

After Kirtsaeng's friends and family bought and shipped him these textbooks, he resold them to students in the United States using websites like eBay.[26] Kirtsaeng used the payments to reimburse his

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WSJ.COM (Oct. 4, 2012, 5:16 PM), http://blogs.wsj.com/corporate-intelligence/2012/10/04/is-your-neighbours-yard-sale-illegal-let-the-supreme-court-decide/.

18. Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 153 (1998) ("[W]hether 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.").

19. *See, e.g.*, INS v. Phinpathya, 464 U.S. 183, 189 (1984) (emphasizing that statutory analysis begins with determining the ordinary and plain meaning of the language employed by Congress).

20. John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 220 (2d Cir. 2011), *cert granted*, 132 S. Ct. 1905 (U.S. Apr. 16, 2012) (No. 11-697) ("The relevant text is simply unclear. '[L]awfully made under this title' could plausibly be interpreted to mean any number of things.").

21. *See, e.g.*, United States v. Wells, 519 U.S. 482, 492 (1997) (observing that Congress's intentional bill revision "confirms the natural reading" of the statute).

22. *Kirtsaeng*, 654 F.3d at 213; Petition for a Writ of Certiorari at 3, Kirtsaeng v. John Wiley & Sons, Inc., 132 S. Ct. 1905 (U.S. Dec. 5, 2011) (No. 11-697).

23. *Kirtsaeng*, 654 F.3d at 212–13.

24. *Id.* at 213. An authorization legend details restrictions on exportation to unauthorized regions and the publisher's rights to take legal action to recover damages and costs as needed to enforce its rights.

25. Petition for a Writ of Certiorari, *supra* note 22, at 3.

26. *Kirtsaeng*, 654 F.3d at 213.

family and friends for shipping costs and kept the remaining profits for himself.[27]

John Wiley & Sons, which sells academic textbooks both domestically and internationally, commenced suit against Kirtsaeng in 2008 in the United States District Court for the Southern District of New York, claiming copyright infringement of eight textbooks.[28] The jury ultimately found Kirtsaeng liable for willful copyright infringement for all eight works in question and imposed damages of $75,000 for each of the eight works.[29] Kirtsaeng appealed, claiming the court erred in holding that the first sale doctrine defense was unavailable.[30] On appeal, the Second Circuit Court of Appeals held that the first sale doctrine "does not apply to copies manufactured outside of the United States," a holding at odds with both the Third and Ninth Circuits' interpretations of the first sale doctrine.[31]

Given the circuit split as well as the Second Circuit's own split-panel decision,[32] it is no surprise this unresolved issue has returned to the Supreme Court for final resolution.[33]

III. LEGAL BACKGROUND

A unanimous Supreme Court explained in *Quality King* that, "[t]he 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."[34] In that case, the Supreme Court aimed to clarify the first sale doctrine as it relates to imported copies in order to resolve a circuit split.[35] L'anza, the copyright owner, manufactured and sold hair care products affixed with copyrighted labels to both domestic and

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27. *Id.*
28. *Id.* at 212–13, 215.
29. *Id.* at 215.
30. *Id.*
31. *Id.* at 224; *see* Petition for a Writ of Certiorari, *supra* note 22, at 10 (contrasting the Ninth Circuit's holding that the first sale doctrine applies to a foreign-made copy once it has been authorized for sale within the United States with the Second Circuit's holding that the first sale doctrine never applies to a foreign-made copy even if the copy is imported with the copyright owner's permission).
32. *Kirtsaeng*, 654 F.3d at 211.
33. *See* Costco Wholesale Corp. v. Omega, S.A., 131 S. Ct. 565 (2010) (per curiam) (affirming a Ninth Circuit case holding that the first sale doctrine does not apply to foreign-made goods unless the goods were previously imported and sold in the United States with the copyright holder's permission).
34. Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 152 (1998).
35. *Id.* at 140.

foreign distributors.[36] Products intended for distribution in foreign markets eventually "found their way back to the United States" without L'anza's permission and were resold by Quality King Distributors at discounted prices.[37] L'anza sued, alleging the importation and subsequent resales infringed on its exclusive right to distribute; Quality King raised the first sale doctrine defense, arguing L'anza had authorized the first sale of the products to the foreign distributor and thus exhausted any further control over downstream sales.[38]

The Ninth Circuit held that the first sale doctrine could not apply to these products because otherwise the importation clause would be rendered "meaningless."[39] The Supreme Court expressly rejected this position and stated that the first sale doctrine "does not subsume" the importation clause and these "provisions retain significant independent meaning."[40] For example, the Court stated the importation clause in section 602(a) provides a "private remedy against the importer."[41] Additionally, the first sale doctrine does not apply "to a § 602(a) action against any nonowner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful."[42]

The *Quality King* decision only resolved the circuit split for copyrighted items involved in a "round trip" journey; it did not "resolve cases in which the allegedly infringing imports were manufactured abroad."[43] It is precisely this unanswered question that brings the first sale doctrine back to the Supreme Court in *Kirtsaeng*.

The Court recently left this same question unanswered in *Costco Wholesale Corp. v. Omega, S.A.*,[44] another Ninth Circuit case, by simply affirming the lower court's decision in a per curiam opinion.[45] Omega manufactures watches in Switzerland bearing a copyrighted "Omega Globe Design" and sells these watches to authorized

36. *Id.* at 138.
37. *Id.* at 139.
38. *Id.* at 139–40.
39. *Id.* at 140.
40. *Id.* at 149.
41. *Id.* at 136.
42. *Id.* at 147.
43. *Id.* at 154 (Ginsburg, J., concurring).
44. 131 S. Ct. 565 (2010) (per curiam).
45. *Id.*

distributors and retailers both in the United States and abroad.[46] The watches in question changed hands several times before Costco ultimately purchased and resold them to its customers.[47] Omega sued, alleging Costco, as an unauthorized retailer, infringed upon its exclusive right to distribute by reselling the watches.[48]

Although it recognized that the first sale doctrine limits a copyright holder's exclusive right to distribute and import, Omega argued that the first sale doctrine does not apply to foreign-manufactured goods, and the Ninth Circuit agreed.[49] Costco appealed, arguing the first sale doctrine cuts off Omega's ability to control its downstream sales, but the Supreme Court did not issue an opinion on the matter.[50] Without a definitive ruling on the issue, the limits of the first sale doctrine and its possible interaction with the importation clause has been raised once again.[51]

IV. RULING BELOW

In a 2-1 panel split, the Second Circuit majority held that the first sale doctrine does not apply to foreign-made goods.[52] The court first discussed the apparent "tension" between the importation clause and the first sale doctrine.[53] Although the importation clause of section 602(a) provides copyright holders some control over importation of copies, the first sale doctrine cuts off any such control after an initial sale.[54] The court emphasized the independence of these two provisions as previously detailed by the Supreme Court in *Quality King*.[55]

Because the Supreme Court has yet to rule on whether the first sale doctrine applies to foreign-made copies, the Second Circuit next looked to textual analysis.[56] The court focused on the words "made" and "under" to determine whether foreign-made copies are "lawfully

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46. Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982, 983 (9th Cir. 2008).

47. *Id.* at 984. "Unidentified third parties" bought the Omega watches from authorized dealers and sold them to ENE Limited in New York, who then sold the watches to Costco. *Id.*

48. *Id.*

49. *Id.* at 983, 985.

50. *See Costco*, 131 S. Ct. at 565 (affirming the Ninth Circuit's decision in a per curiam decision).

51. John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 212 (2d Cir. 2011), *cert. granted*, 132 S. Ct. 1905 (U.S. Apr. 16, 2012) (No. 11-697).

52. *Id.* at 211, 222.

53. *Id.* at 217.

54. *Id.*

55. *Id.* at 218.

56. *Id.*

made under" the Copyright Act.[57] Without appropriate statutory definitions, the court looked to context to guide its interpretation.[58] Although the court found that "lawfully made under this title" could be consistent with "lawfully made in the United States," it also noted that the Copyright Act includes at least some foreign-made works.[59] For example, section 104(b)(2) extends copyright protection to works first published in the United States or in any foreign nation that is a treaty party on the date of first publication.[60] Thus, the Second Circuit determined that a textual analysis alone did not definitively support any particular interpretation.[61]

Because the text of section 109(a) is "utterly ambiguous" the Second Circuit resorted to an interpretation it thought "best comport[ed]" with both the importation clause and the Supreme Court's holding in *Quality King*.[62] In particular, the Second Circuit relied heavily on the following hypothetical from *Quality King*:

> 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 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 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).[63]

From this passage, the Second Circuit stated that "the Court suggests that copyrighted material manufactured abroad cannot be subject to the first sale doctrine."[64] This passage, along with the ambiguity of the statutory text and the "necessary interplay" with the importation clause, supported the Second Circuit's holding that the first sale doctrine only applies to domestic-made copies.[65]

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57. *Id.* at 218–19; 17 U.S.C.A. § 109(a) (West 2013).
58. *Id.* at 219.
59. *Id.* at 220.
60. *Id.* at 219.
61. *Id.* at 220.
62. *Id.*
63. *Id.* at 218 (quoting Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 148 (1998)).
64. *Id.*
65. *Id.* at 221.

The majority's opinion is at odds with the Ninth Circuit's recent holding in *Omega*. In that case, the Ninth Circuit held that the first sale doctrine does apply to foreign-manufactured works once these works have been sold or authorized for sale in the United States by the copyright holder.[66] In contrast, the Second Circuit's holding means that a copyrighted work manufactured abroad would never fall within the first sale doctrine.[67] That means the copyright owner could continue to control downstream sales merely because the work was manufactured abroad.[68] Thus, lacking proper guidance, the Second Circuit has created another independent ruling on the first sale doctrine, complicating what should be national conformity under U.S. copyright law.

V. ARGUMENTS

A. Kirtsaeng's Arguments

Kirtsaeng argues that foreign-made copies are considered "lawfully made under" copyright law based primarily on textual analysis and the negative implications of upholding an opposing interpretation.

He argues that any ordinary or natural reading of "lawfully made under this title" means a lawful copy is made "in accordance with" the statute.[69] As Kirtsaeng points out, the Court has already interpreted the phrase "under this title" to mean "according to" that title in construing a state administrative claim under 42 U.S.C. § 2000e-5(k).[70] To read in any geographic limitation such as "made in the United States" or "made where United States law applies" would be unnatural where geographic references are wholly absent from the statute.[71]

Additionally, Kirtsaeng argues that his so-called "nondiscriminatory" definition, meaning that the place of manufacture is immaterial, is consistent with the Copyright Act's

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66. Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982, 983 (9th Cir. 2008).

67. *See* John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 222 (2d Cir. 2011) *cert. granted*, 132 S. Ct. 1905 (U.S. Apr. 16, 2012) (No. 11-697) ("In sum, we hold that the phrase 'lawfully made under this Title' in § 109(a) refers specifically and exclusively to copies that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works.").

68. Brief for Petitioner, *supra* note 4, at 10.

69. *Id.* at 26–27.

70. *Id.* at 27 (citing N.Y. Gaslight Club, Inc. v. Carey, 447 U.S. 54 (1980)).

71. *Id.* at 27–29.

"explicit embrace of foreign subject matter."[72] Section 104 defines the subject matter of the Copyright Act in "the most expansive international terms imaginable."[73] For example, all unpublished original works, derivatives, and compilations are "subject to protection *under this title* without regard to the nationality or domicile of the author."[74] Published works are similarly accorded "expansive geographic sweep" under section 104(b).[75] Thus, because domestic and international works are both covered "under this title," a nondiscriminatory reading of the first sale doctrine is consistent with the geographically limitless subject matter scope of the Copyright Act.[76]

Kirtsaeng argues further that his nondiscriminatory definition best accommodates repeated uses of the phrases "lawfully made under this title" and "under this title" throughout the rest of the Copyright Act.[77] Adopting a nondiscriminatory definition is consistent with the six appearances of "lawfully made under this title" as well as the ninety-one appearances of "under this title" used throughout the Copyright Act.[78]

Finally, Kirtsaeng emphasizes the negative implications that would result if the Second Circuit's opinion is affirmed. Notably, foreign manufacturing would be encouraged over domestic manufacturing because U.S. copyright holders would be afforded much greater protection merely because copies are manufactured abroad. This incentive cannot be what Congress intended. In fact, Kirtsaeng asserts that "Congress reaffirmed its commitment" to a nondiscriminatory definition of the first sale doctrine "upon every amendment to the Copyright Act, which occurred over 30 times between 1909 and 1976, and there was never an argument that the first-sale defense applied only to U.S.-made copies."[79] Moreover, Kirtsaeng points to the presumption that Congress would have explicitly denoted a geographic limitation if that was in fact its intention.[80] He also points to the presumption that changes to the effect of law will not be

72. *Id.* at 29–32.
73. *Id.* at 30; 17 U.S.C.A. § 104 (West 2013).
74. 17 U.S.C.A. § 104(a) (emphasis added).
75. Brief for Petitioner, *supra* note 4, at 30; 17 U.S.C.A. § 104(b).
76. Brief for Petitioner, *supra* note 4, at 31.
77. *Id.* at 32–37.
78. *Id.*
79. *Id.* at 51.
80. *Id.* at 27–29.

inferred "unless such intention is clearly expressed."[81]

B. The Publisher's Arguments

The publisher contends that foreign-made copies are not "lawfully made under this title" by advancing a textual analysis as well as pointing to policy issues. According to the publisher, only those copies that were made "in conformance with the Copyright Act *where the Copyright Act is applicable*" are "lawfully made under this title."[82] This is because the activity must be "*actually governed*" by the statute in order for it to be "under" the particular provision.[83] The activity referred to in the first sale doctrine is the physical making of the copy. If the copy is made where the Copyright Act is not applicable, then that copy is not made "under" U.S. copyright law.[84] Thus the publisher concedes that "under this title" cannot by itself impose a geographic restriction to copies made "in the United States."[85] Rather, because the "Copyright Act does not apply outside the United States," the copy must be made where U.S. copyright law applies for it to be lawfully made "under" U.S. copyright law.[86]

The publisher supports this view by referencing the Court's hypothetical presented in *Quality King*.[87] In *Quality King*, the Court "recognized that copies may be made either 'under the United States Copyright Act,' or 'under the law of some other country,' but not 'under' both."[88] The publisher then reasons that "foreign-manufactured copies are 'lawfully made' under foreign law and cannot be made under the Copyright Act."[89]

Additionally, the publisher argues that foreign-made copies cannot fall within the first sale doctrine without depriving the importation clause of "any meaningful effect."[90] Because the importation clause allows copyright holders to segment international markets, this right would be rendered ineffective if foreign copies

81. *Id.* at 49 (quoting Finley v. United States, 490 U.S. 545, 554 (1989)).
82. Brief for Respondent at 15, Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. Aug. 31, 2012).
83. *Id.*
84. *Id.* at 15–16.
85. *Id.* at 16–17.
86. *Id.*
87. *Id.* at 17–20.
88. *Id.* at 18 (quoting Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 147 (1998)).
89. *Id.* at 20.
90. *Id.* at 22–26.

could be imported into the United States without the copyright holder's permission.[91]

The publisher then points to thirty years of Congress's acquiescence as proof that foreign-made copies are not covered by the first sale doctrine.[92] Notably, Congress has, on several occasions, amended the text of the first sale doctrine without addressing foreign-made copies while lower courts have held that the foreign-made copies are not privy to the first sale defense.[93] Because the Court has "recognized that Congress' failure to disturb a consistent judicial interpretation of a statute may provide some indication that 'Congress at least acquiesces in, and apparently affirms, that [interpretation,]'" the publisher contends that Congress's inaction in changing the relevant text supports its reading of the first sale doctrine.[94]

Finally, the publisher emphasizes that the Court has said "copyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge."[95] Thus the efforts to segment international markets should not be obliterated by an expansive definition of the first sale doctrine, a definition unsupported by the statutory text.[96]

C. Oral Arguments

At oral argument, the Justices focused less on textual analysis and much more on the practical implications of a ruling. The Justices particularly challenged the "consequences" of upholding the lower court's decision "as a matter of common sense."[97] For example, Justice Breyer questioned whether "the millions of Americans who buy Toyotas" built with various copyrighted electronics could lawfully resell their vehicles without "getting the permission of the copyright

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91. *Id.*
92. *Id.* at 35–38.
93. *Id.* at 35.
94. *Id.* at 36 (quoting Monessen Sw. Ry. Co. v. Morgan, 486 U.S. 330, 336 (1988) (alteration in original)).
95. *Id.* at 49 (quoting Eldred v. Ashcroft, 537 U.S. 186, 212 n.18 (2003) (internal quotation marks omitted)).
96. *Id.* at 46–49.
97. Transcript of Oral Argument at 31, Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. Oct. 29, 2012).

holder of every item in that car which is copyrighted."[98] Similarly, Justice Ginsburg raised the issue of "inviting the outsourcing of manufacturing jobs" if foreign-manufactured goods are said to be outside the first sale doctrine's scope.[99]

The Justices also frequently raised the hypothetical from *Quality King*, the same hypothetical heavily relied upon by the Second Circuit in determining that the first sale doctrine did not apply to foreign-made copies. Counsel for Kirtsaeng stated that the passage is simply dicta, but is not completely incongruous with his position.[100] In contrast, counsel for the publisher argued that the hypothetical is not dicta but the holding of the case in the sense that it was "a necessary ingredient" to decide the case.[101]

Deputy Solicitor General Malcolm Stewart appeared on behalf of the United States in support of the publisher and argued for its so-called "*Bobbs-Merrill* argument" which at heart requires *Quality King* to be overturned.[102] However, Chief Justice Roberts characterized the Government's proffered interpretive guide as "an awfully difficult maze" and seemed to favor a simpler approach.[103]

VI. ANALYSIS

As the Court stated in *Quality King*, "[i]n construing the statute, . . . we must remember that its principal purpose was to promote the progress of the 'useful Arts,' by rewarding creativity."[104] Surely this "creativity" refers to creativity in the constitutionally protected "useful Arts," not "creativity" in contriving copyright laws for economic gain.[105]

If the Court interprets the first sale doctrine while remembering this principle, Kirtsaeng will likely emerge victorious. The Court will need to address the competing interests of copyright holders and society.[106] A copyright holder is interested primarily in protecting his works from "exploitation" while society is interested in "the free flow

98. *Id.* at 28–29.
99. *Id.* at 41.
100. *Id.* at 18.
101. *Id.* at 24–25.
102. *Id.* at 44–45.
103. *Id.* at 48.
104. Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 151 (1998).
105. *Id.*; U.S. CONST. art. I, § 8, cl. 8.
106. Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).

of ideas."[107] Here, that means balancing the economic interests of a publisher seeking to segment international markets with the interests of, for example, students seeking to purchase new or used textbooks needed for their education.

Certainly the publisher has the exclusive right to distribute or refrain from distributing its copies; however, that right is cut off as soon as the publisher authorizes a first sale of any copy "lawfully made under" U.S. copyright law.[108] Despite the fact that the copy was physically manufactured abroad, the U.S. publisher authorized its subsidiary to create that copy. Thus the copy should be considered "lawfully made under this title" because an authorized copy *is* a lawful copy.[109] The textbooks were subsequently sold to and lawfully purchased by Kirtsaeng's friends and family. It is at this moment that the first sale doctrine instantaneously cuts off the publisher's right to control downstream sales. These copies have been placed "in the stream of commerce by selling [them]" so the publisher has "exhausted [its] exclusive statutory right to control . . . distribution [of the copies]."[110]

There is no issue of extraterritorial reach in adopting Kirtsaeng's position because the publisher is seeking to enforce a right under U.S. law over sales made in the United States to other U.S. customers.[111] Moreover, the Court has already stated that there is no extraterritorial reach for an owner of a lawfully made copy to raise the first sale doctrine in a U.S. court regardless of whether the first sale occurred domestically or abroad.[112]

Because the text is ambiguous, the Court should consider legislative history to guide its interpretation. The amicus brief submitted by twenty-five intellectual property law professors persuasively points to legislative history that favors a nondiscriminatory reading of the first sale doctrine.[113] Interpretation

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107. *Id.*

108. 17 U.S.C.A. §§ 106(3), 109(a) (West 2013).

109. *Id.* §109(a); *id.* § 106 (defining exclusive rights to include the right "to authorize").

110. *Quality King*, 523 U.S. at 152.

111. Brief for Petitioner, *supra* note 4, at 48.

112. *Quality King*, 523 U.S. at 145 n.14 ("Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does.").

113. *See generally* Brief of 25 Intellectual Property Law Professors as *Amici Curiae* in Support of Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. July 9, 2012) [hereinafter Brief of 25 Intellectual Property Law Professors] (explaining the broader context behind section 109(a) through common law and legislative history).

of a statute that "covers an issue previously governed by the common law" is presumed to "retain the substance of the common law."[114] The foundational common law principle in the first sale doctrine is alienation of personal property which does not "depend in any way on the place of manufacture."[115] The first codification of the first sale doctrine was in section 41 of the Copyright Act of 1909, a provision devoid of any geographic references or limitations.[116] In fact, the bill's accompanying House Report said section 41 was "not intended to change in any way existing law" and Congress recognized it would be "most unwise to permit the copyright proprietor to exercise any control whatsoever over the article which is the subject of copyright after said proprietor has made the first sale."[117] When the phrase "lawfully made under this title" was added in 1976, the accompanying House Report again stated that the revision was to "restate[] and confirm[]" the traditional first sale doctrine.[118]

Even putting relevant legislative history aside, it is hard to imagine that Congress would have intended to treat the same good differently under copyright law, merely because of where it was manufactured.[119] For example, in 1976 Congress repealed a manufacturing provision which explicitly granted greater copyright protection to U.S.-manufactured copies so that protection would not be affected by place of manufacture.[120] To now hold that copyright holders are given more protection based on the place of manufacture would be to completely ignore Congress's recent actions to correct provisions inconsistent with the rest of the Copyright Act.

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114. *Id.* at 10 (quoting Samantar v. Yousuf, 130 S. Ct. 2278, 2289 n.13 (2010)).

115. *Id.* at 12; *see* Sebastian Int'l, Inc. v. Consumer Contacts (PTY) 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.").

116. Brief of 25 Intellectual Property Law Professors, *supra* note 113, at 16.

117. *Id.* (quoting H.R. REP. NO. 60-2222, at 19 (1909)).

118. *Id.* at 3 (quoting H.R. REP. NO. 94-1476, at 79 (1976) (omissions in original)).

119. Ronald Mann, *Argument Preview: Court Tries Again on Copyright Importation Problem*, SCOTUSBLOG.COM (Oct. 18, 2012, 10:41 AM), http://www.scotusblog.com/2012/10/argument-preview-court-tries-again-on-copyright-importation-problem/ ("The idea that Congress's codification of the first-sale doctrine in Section 109 was intended to elevate protection for foreign works above the protection for wholly domestic works is so out of line with that well-documented historical sensibility as to be 'inconceivable.'").

120. Brief of *Amicus Curiae* Costco Wholesale Corp. in Support of Petitioner at 5, 24–26, Kirtsaeng v. John Wiley & Sons, Inc., No. 11-697 (U.S. July 9, 2012).

VII. CONCLUSION

The Court has said that the "whole point" of the first sale doctrine is to cut off a copyright holder's exclusive right to control downstream sales of a copy once it has been sold.[121] In *Kirtsaeng*, there is no question that the copies were lawfully sold. However, the question that remains is whether these copies must be made in the United States in order for the first sale doctrine to apply. The Justices have a second opportunity to answer that question and will likely do so with thorough analysis, wading through textual analyses and policy concerns to appease the various interested parties who have been waiting for clarity since *Omega*.

121. *See* Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 152 (1998) ("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.").