



## **ARE Copyright Law Alert: Supreme Court Reverses Second Circuit, Holds “First Sale” Doctrine Applies To Copies Of Copyrighted Works Made Abroad**

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(March 19, 2013) On March 19, 2013, the Supreme Court released an important copyright law decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, 568 U.S. \_\_\_ (2013) (“*Kirtsaeng*”), concerning the applicability of the “first sale” doctrine to copies of copyrighted works lawfully made abroad.

In a 6-3 decision authored by Justice Breyer, the Supreme Court reversed the decision of the United States Court of Appeals for the Second Circuit and held that “the ‘first sale’ doctrine applies to copies of a copyrighted work lawfully made abroad.” In other words, once a work is manufactured under the authority of the copyright owner, they lose the right to control further distribution of that authorized copy, even if the copy is manufactured outside of the United States.

In *Kirtsaeng*, book publisher and copyright holder John Wiley & Sons, through its foreign subsidiary, publishes and sells English-language academic textbooks abroad. Each copy of its foreign version of a textbook contains language specifying that the copy may only be sold in a specific foreign country or geographic area and may not be exported out of these countries. Kirtsaeng, a Thai citizen who was attending undergraduate and graduate school in the United States, had friends and family in Thailand purchase copies of foreign editions of English-language textbooks at lower prices than the books were sold in the United States. Kirtsaeng’s family would mail the textbooks to him and he would re-sell them in the United States for a higher price. Wiley sued Kirtsaeng for copyright infringement arguing that Kirtsaeng’s unauthorized importation of textbooks was in violation of Sections 106 and 602 of the Copyright Act.

Under Section 106 of the Copyright Act, copyright owners have the exclusive right “to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). However, this right is limited by Section 109 of the Copyright Act known as the “first sale” doctrine which states:

[n]otwithstanding 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.

Thus, the “first sale” doctrine is an exception to a copyright owner’s exclusive right to distribute its work. Further, Section 602(a)(1) of the Copyright Act states 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.

Ultimately, the Supreme Court had to decide whether the “lawfully made under this title” language in Section 109 geographically restricts the scope of the “first sale” doctrine especially when considering Section 602. Specifically, Justice Breyer asked “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?” *Kirtsaeng* at 3.

The Supreme Court answered its question with a yes. The Court held that “lawfully made under this title” “means made ‘in accordance with’ or ‘in compliance with’ the Copyright Act” and says nothing about geography. *Kirtsaeng* at 8-9. The Supreme Court held that “the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.” *Id.* at 9. In reaching its decision, the Court considered the importance of the “first sale” doctrine for “book-sellers, libraries, museums, and retailers, who have long relied on its protection,” and found that placing a geographical limitation on the “first sale” doctrine would result in serious problems for such entities. *Id.* at 23-24.

Amicus briefs for the parties addressed various policy ramifications -- for example, supporters of the book publisher argued that the decision will cause them to avoid sales of books to foreign customers at prices they may possibly be able to afford, thus hindering the free flow of information. Opponents of the publishers argued that the ruling will harm the U.S. economy by providing an incentive for copyright owners (including brand owners with copyrighted elements to their goods) to move their manufacturing overseas, and will create risk and uncertainty for the important industries of library lending, used bookstores, and even the retail sale of admittedly authentic goods at discount.

It is expected that this decision may lead to a renewed effort for Congress to revisit these and related policy considerations. Further, while on its face the decision is limited to copyright law, it may influence determinations of the first sale doctrine as applied to patent law.



As it stands, it appears that U.S. copyright owners have lost an important tool in controlling the flow of their goods. However, under certain circumstances, other avenues remain intact, for example the right under trademark and unfair competition law to prevent the importation of certain gray market goods which are materially different from the U.S. versions. Further, other substantive laws (e.g., contract law) in the foreign jurisdiction should also be considered for those who want to prevent importation or those wanting to import copyrighted goods legally purchased abroad. Thus, one take-away is the importance of considering global sales and marketing strategies before foreign goods are manufactured and sold. Interestingly, the Supreme Court's opinion in *Kirtsaeng* should effectively overrule the Ninth Circuit's opinion in *Costco Wholesale Corp. v. Omega, SA*, 541 F.3d 982 (9th Cir. 2008), where the Ninth Circuit held that the "first sale" doctrine does not apply to foreign-made copies of copyrighted works unless an authorized sale had already been made in the United States. The Supreme Court had granted certiorari in *Costco*, but in a split 4-4 decision (Justice Kagan had recused herself) it ultimately upheld the Ninth Circuit's ruling. Thus, the Ninth Circuit's key holding in *Costco* is effectively overruled.

If you would like further information or have questions regarding this decision, please do not hesitate to contact us.

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