

PUBLICATION

Supreme Court Strengthens Copyright First Sale Doctrine

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The U.S. Supreme Court today issued its decision in *Kirtsaeng v. John Wiley & Sons, Inc.* In a 6-3 ruling, the Supreme Court held that the first sale doctrine, which protects the owner of a lawful copy of a copyrighted work, applies to copies manufactured and sold abroad, even when later imported into the U.S. without permission. It centers on the interpretation of the statutory language in Section 109(a) of the Copyright Act, which states 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." In essence, the first sale of a lawful copy has "exhausted" the copyright owner's exclusive distribution right with regard to that copy.

This case pits a textbook publisher against a student selling foreign-made lawful copies of textbooks in the U.S. John Wiley & Sons, an academic textbook publisher, uses a wholly-owned foreign subsidiary to publish, print and sell foreign editions of its English-language textbooks overseas, but the books state that they are not to be taken into the U.S. without permission. This is to protect Wiley's U.S. market segment, where the books are sold at higher prices.

Supap Kirtsaeng is a native of Thailand who attended school in the United States. His friends and family in Thailand bought Wiley's foreign editions in Thailand at low prices, and then mailed them to him in the United States, where he would sell them through online auctions. It is reported that Kirtsaeng generated over \$1 million in revenues over several years.

Wiley sued for copyright infringement and was awarded statutory damages of \$600,000. The U.S. District Court refused to allow the first sale defense to be asserted because it said the doctrine does not apply to foreign-manufactured goods, even if made with the copyright owner's permission. The Second Circuit Court of Appeals affirmed, holding that "lawfully made under this title" means made domestically.

The U.S. Supreme Court, however, declined to read a geographic limitation into the statute. It held that the plain language of Section 109(a) says nothing about geography, and nothing in the statutory history indicated that Congress had geography in mind when enacting the statute. Incorporating a geographic limitation to the phrase "lawfully made under this title" also would lead to unintended consequences when applied to other sections of the Copyright Act (e.g., someone who buys a work of art, poster or bumper sticker in Canada or Europe could not display it in the U.S. without the copyright owner's further authorization). Further, there was nothing in the common-law implementation of the first sale doctrine that suggested a geographic limitation, and when a statute covers an issue previously governed by the common law, it is presumed that the legislature intended to retain the substance of the common law.

The Court also was clearly concerned that a geographical interpretation would threaten ordinary scholarly, artistic, commercial and consumer activities. It discussed at length the problems that libraries would face in having to obtain permission to distribute millions of library books that were originally manufactured abroad. The Court also noted that similar problems would apply to automobiles, microwaves, calculators, mobile phones,

tablets and personal computers that contain copyrightable software programs or packaging manufactured overseas.

As a result, businesses obviously will need to re-think their international market segmentation strategies. One solution might be legislative. In a concurrence, Justice Kagan fully supported the interpretation of Section 109(a), and suggested that the business desire to segment international markets could best be achieved by Congressional amendment to another section of the Copyright Act to target unauthorized importers alone. This would allow the copyright holder to control imports without removing first sale protection from every copy manufactured abroad, and thus avoid the problems identified above. If you have questions about how this decision could affect your business, or questions about any other intellectual property issue, please contact a member of our [Intellectual Property Practice Group](#).