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## INTELLECTUAL PROPERTY LAW - COPYRIGHT LAW - APPLICABILITY OF "FIRST SALE" DOCTRINE TO COPIES OF COPYRIGHTED WORKS LAWFULLY PRODUCED ABROAD

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INTELLECTUAL PROPERTY LAW – COPYRIGHT  
LAW – APPLICABILITY OF “FIRST SALE”  
DOCTRINE TO COPIES OF COPYRIGHTED WORKS  
LAWFULLY PRODUCED ABROAD

*KIR TSAENG V. JOHN WILEY & SONS, INC.*, 133 S. Ct. 1351 (2013).

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I. INTRODUCTION

In 2008, John Wiley & Sons, Inc. (the “Plaintiff”) filed suit against Supap Kirtsaeng (the “Defendant”) for copyright infringement.<sup>1</sup>

The Plaintiff is an American publishing company specializing in academic material and, for all intents and purposes, should be considered the *per se* American copyright owner of the material it publishes.<sup>2</sup> To facilitate sales in foreign markets, the Plaintiff often assigns to its wholly owned foreign subsidiaries<sup>3</sup> the rights to publish, print, and sell its copyrighted material abroad.<sup>4</sup> Although the contents of the domestic and foreign made goods are generally similar, those goods intended for foreign markets are often of a different physical quality, which allows the Plaintiff to sell them

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1. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1357 (2013). The case was originally filed in the United States District Court for the Southern District of New York. *Id.*

2. *Id.* at 1356. As a standard practice the plaintiff obtains from the authors of its publications “various foreign and domestic copyright assignments, licenses and permissions.” *Id.*

3. The Plaintiff owns foreign subsidiaries in Africa, Asia, Australia, Europe, and South America. See *JOHN WILEY & SONS, INC.*, <http://www.wiley.com/WileyCDA/Section/id-301698.html> (last visited June 9, 2013).

4. *Kirtsaeng*, 133 S. Ct. at 1356.

abroad at a lower price than similar goods produced for domestic markets.<sup>5</sup> Copies of the Plaintiff's products produced abroad and intended for foreign markets usually contain language indicating that the copy should only be sold in a particular country or geographical region.<sup>6</sup>

The Defendant, a Thai citizen, moved to the United States in 1997 to study mathematics.<sup>7</sup> Between 2007 and 2008, the Defendant imported copies of the Plaintiff's foreign edition textbooks from Thailand, which he then sold in the United States for profit.<sup>8</sup>

At trial, the Plaintiff claimed that the Defendant's importation and resale of its foreign edition textbooks infringed on its exclusive right to distribute under 17 U.S.C. § 106(3) and was thus in violation

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5. *Id.* In relation to the Plaintiff's domestically produced textbooks, the international versions were often printed on "thinner paper and different bindings, [had] different cover and jacket designs, fewer internal ink colors, [and] lower quality photographs and graphics . . ." *John Wiley & Sons, Inc. v. Kirtsaeng*, No. CIV.A.08CIV.7834DCP, 2009 WL 3364037, at \*1 (S.D.N.Y. Oct. 19, 2009) *aff'd*, 654 F.3d 210 (2d Cir. 2011), *rev'd and remanded*, 133 S. Ct. 1351 (U.S. 2013).

6. *Kirtsaeng*, 133 S. Ct. at 1356. For example, a copy of the Plaintiff's American textbook may read: "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)." *Id.* A copy of Wiley Asia's Asian edition of that same book might say:

Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] 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.).

*Id.*

7. *Id.* The Defendant studied undergraduate mathematics at Cornell University and graduate mathematics at the University of Southern California. *Id.* The Defendant financed a portion of his education with the help of a scholarship from the Thai government. *Id.*

8. *Id.* The Defendant's family and friends would purchase textbooks produced by Plaintiff's Asian subsidiary, John Wiley & Sons (Asia) Pte Ltd., and send them to the Defendant in the United States. *Id.* According to the Defendant's testimony, he made an estimated \$900,000 in profit from the sale of the foreign-edition books using commercial sales websites such as eBay. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 215 (2d Cir. 2011), *cert. granted*, 132 S. Ct. 1905 (2012), *rev'd and remanded*, 133 S. Ct. 1351 (2013).

of 17 U.S.C. § 602's prohibition against unauthorized importation.<sup>9</sup> In response, the Defendant asserted that his conduct was protected by the "first sale" doctrine under 17 U.S.C. § 109(a).<sup>10</sup> The district court found for the Plaintiff, rejecting the Defendant's "first sale" defense, and held that the "first sale" doctrine did not apply to goods manufactured abroad.<sup>11</sup> The jury then found the Defendant liable for willful infringement and assessed statutory damages of \$600,000.<sup>12</sup> On appeal, a divided panel for the Second Circuit affirmed.<sup>13</sup> On certiorari to the Supreme Court of the United States, *held*, reversed.<sup>14</sup> The "first sale" doctrine applies to copies of copyrighted material lawfully made abroad. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

## II. ISSUE BEFORE THE COURT

The fundamental objective of the copyright is "[t]o promote the Progress of Science and useful Arts."<sup>15</sup> The Framers understood that providing inventors exclusive rights to their work, so that they may profit from it, was necessary to promote future creativity and development.<sup>16</sup> Yet, the exclusive rights of inventors could not be so extensive that society could never receive the benefit of the inventors' labor.<sup>17</sup> Accordingly, effective use of copyright requires balancing the need to incentivize creation by granting exclusive rights to a product's creator with the desire to benefit society at large by providing the public as much access to the creative product as possible.<sup>18</sup> This balance is largely facilitated in current American copyright law by granting copyright holders exclusive rights under

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9. *Kirtsaeng*, 133 S. Ct. at 1357.

10. *Id.*

11. *Id.* The district court analyzed the issue in light of the statutory language, statutory context, legislative history, public policy, and decisions from previous cases. *See Kirtsaeng*, 2009 WL 3364037, at \*5–10.

12. *Kirtsaeng*, 133 S. Ct. at 1357. The jury was told that pursuant to 17 U.S.C. § 504(c), it must assess damages between \$750 and \$30,000 for each work infringed unless the Defendant had willfully infringed, in which case the Defendant could be liable for up to \$150,000 per work. *Kirtsaeng*, 654 F.3d at 215. The jury assessed the damages at \$75,000 per work infringed. *Id.*

13. *Kirtsaeng*, 133 S. Ct. at 1352; *see Kirtsaeng*, 654 F.3d at 218–22.

14. *Kirtsaeng*, 133 S. Ct. at 1371.

15. U.S. CONST. art. I, § 8, cl. 8.

16. Benjamin Hamburg, *John Wiley & Sons, Inc. v. Kirtsaeng: The Uncertain Future of the First sale Doctrine*, 13 MINN. J. L. SCI. & TECH. 899, 915 (2012).

17. *Id.*

18. *Id.*

§ 106 but qualifying those rights by statutory limitations such as the “first sale” doctrine.<sup>19</sup>

Striking this crucial balance becomes increasingly complicated when American copyright holders do business with other countries as intellectual property law tends to be “territorial in nature.”<sup>20</sup> The infringement suit in *Kirtsaeng v. John Wiley & Sons, Inc.* provided the Supreme Court a platform through which to clarify the applicability of certain American copyright laws in relation to foreign markets. The Court granted certiorari to determine whether the “first sale” doctrine applies to copyrighted works manufactured and purchased abroad and then resold in the United States without the copyright owner’s permission.<sup>21</sup> In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Supreme Court held that the “first sale” doctrine was not intended to be geographically limited, and, as such, was applicable to copyrighted work regardless of place of production, so long as the work was originally produced in compliance with American copyright law.<sup>22</sup>

### III. DEVELOPMENT

Though viable since the establishment of copyright law, “parallel importation” has recently flourished in the face of an increasingly global and interconnected market.<sup>23</sup> “Parallel importation” refers to the lawful purchase of copyrighted goods manufactured abroad and the subsequent importation and resale of those goods into the United States without the copyright owner’s consent.<sup>24</sup> To understand why “parallel importation” is not considered technically legal or illegal, three copyright statutes must be considered.

First, 17 U.S.C. § 106 of the American Copyright Act outlines the exclusive right provided to the owner of a copyright.<sup>25</sup> These exclusive rights include, but are not limited to, the right to reproduce and distribute copyrighted material.<sup>26</sup> Any person who violates an exclusive right granted under the Copyright Act may be

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19. *Kirtsaeng*, 133 S. Ct. at 1352.

20. *Id.* at 1383 (Ginsburg, J., dissenting).

21. *Id.* at 1357 (majority opinion).

22. *Id.*

23. See Joseph Karl Grant, *The Graying of the American Manufacturing Economy: Gray Markets, Parallel Importation, and a Tort Law Approach*, 88 OR. L. REV. 1139 (2009).

24. *Id.*

25. 17 U.S.C. § 106 (2012).

26. See *id.*

liable for copyright infringement.<sup>27</sup> These rights, however, are qualified by various statutory exceptions.<sup>28</sup>

Determining whether a person or entity is liable for copyright infringement can be complicated when transactions involve "parallel importation."<sup>29</sup> Though the United States cannot control foreign intellectual property regulations, under 17 U.S.C. § 602(a), Congress has made it clear that American law will govern the importation of copyrighted material into the United States.<sup>30</sup> In relevant part, § 602(a)(1) states: "[i]mportation into the 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 . . . ."<sup>31</sup> In many cases, an imported good is subject to the provision of § 602(a) and a straightforward application of the statute will govern. However, "parallel importation" occurs when the *unauthorized* importation of copyrighted goods is preceded by a *lawful* sale.<sup>32</sup> This is an important distinction because one of the statutory exceptions to the exclusive rights granted under § 106 is the "first sale" doctrine, which at its core holds that after a copyright owner has sold a copyrighted good, any exclusive rights previously granted under the Copyright Act are terminated.<sup>33</sup> Navigating the intersection of these three statutes in the context of "parallel importation" has proven difficult. Determining just how to negotiate this intersection has wide reaching implications for the future of American trade in foreign markets and largely depends on the scope of the "first sale" doctrine.<sup>34</sup>

"The 'first sale' doctrine is a common-law doctrine with an impeccable historic pedigree."<sup>35</sup> As early as 1628, Lord Coke wrote: "[if] a man be possessed of . . . chattel . . . 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

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27. See 17 U.S.C. § 501. In pertinent part, § 501 reads, "[a]nyone 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." 17 U.S.C. § 501(a).

28. See 17 U.S.C. § 106.

29. Grant, *supra* note 23, at 1172.

30. 17 U.S.C. § 602.

31. *Id.*

32. Grant, *supra* note 23, at 1139.

33. See 17 U.S.C. § 106.

34. *Kirtsaeng v. Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

35. *Id.* at 1363.

interest . . . is out of him . . . .”<sup>36</sup> This sentiment was carried over to American jurisprudence, and has long “played an important role in American [trade and] copyright law.”<sup>37</sup>

The origins of the American application of the “first sale” doctrine can be traced back to the 1908 Supreme Court decision in *Bobbs-Merrill Co. v. Straus*.<sup>38</sup> In *Bobbs-Merrill*, the plaintiff, who held a copyright to a novel, sued the defendant for infringement after the defendant resold copies of the novel purchased from a wholesaler.<sup>39</sup> Significantly, the plaintiff had sold the books to the wholesaler who then sold the books to the defendant.<sup>40</sup> The Court held for the defendant, noting that “one who has sold a copyrighted article, without restriction, has parted with 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 . . . .”<sup>41</sup>

In 1909, one year after the decision in *Bobbs-Merrill*, the “first sale” doctrine was codified into American law in the Copyright Act of 1909.<sup>42</sup> The doctrine has been re-codified twice since the 1909 Act, first in 1947<sup>43</sup> and again in the Copyright Act of 1976,<sup>44</sup> which established the most recent codification of the doctrine.<sup>45</sup> The current “first sale” statute, 17 U.S.C. § 109(a), reads in relevant part: “[n]otwithstanding the provisions of section 106(3), 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 sell or otherwise dispose of the possession of that

36. *Id.* (quoting 1 E. COKE, INSTITUTES OF THE LAWS OF ENGLAND § 360, p. 223 (1628)).

37. *Id.*

38. *Id.*

39. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 341 (1908).

40. *Id.* at 342. In its decision, the Court noted that it was unclear whether the wholesaler purchased the books from the plaintiff or another wholesaler; however, this fact is irrelevant so long as the plaintiff had made a “first sale” before the defendant resold the novels. *Id.* at 343.

41. *Id.* at 350.

42. *Kirtsaeng*, 133 S. Ct. at 1387. The 1909 “first sale” doctrine read in relevant part: “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. 1075 (current version at 17 U.S.C. § 109(a) (2012)).

43. *Kirtsaeng*, 133 S. Ct. at 1387 n.19.

44. *Id.* The 1947 “first sale doctrine” read in relevant part: “[N]othing in this title 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 1947, ch. 391, § 27, 61 Stat. 652 (current version at 17 U.S.C. § 109(a)).

45. *Kirtsaeng*, 133 S. Ct. at 1361.

copy . . . ."<sup>46</sup> Significantly, the "first sale" statutes in the 1909 and 1947 Copyright Acts did not contain the phrase "lawfully made under this title."<sup>47</sup> The addition of this phrase has led to differing interpretations of the doctrine, especially in application to foreign trade.<sup>48</sup>

Soon after the 1976 re-codification, the applicability of the "first sale" doctrine was confronted in a series of cases in the Third and Ninth Circuit Courts of Appeals.<sup>49</sup> The first such case, *CBS, Inc. v. Scorpio Music Distributors, Inc.*, was decided in 1984.<sup>50</sup> *Scorpio* presented a situation in which the plaintiff copyright holder had entered into an agreement permitting a foreign corporation to manufacture and distribute its copyrighted phonorecords abroad.<sup>51</sup> Though the phonorecords were to be sold exclusively abroad, the defendant, who had purchased abroad, intended to sell them in the United States.<sup>52</sup> The plaintiff filed suit in the District Court for the Eastern District of Pennsylvania, alleging, among other things, that the defendant's importation of the phonorecords was in violation of the importation provisions of the Copyright Act codified under § 602(a)(1).<sup>53</sup> In response, the defendant asserted a "first sale" defense;<sup>54</sup> however, the district court held that the "first sale" doctrine was inapplicable to the importation of goods manufactured outside of the United States.<sup>55</sup> In doing so, the court noted its fear that granting "first sale" protection in such a situation would constitute an impermissible extraterritorial application of the doctrine and would thus act to render § 602(a)(1) meaningless.<sup>56</sup> The decision in *Scorpio* was affirmed by the Court of Appeals for the Third Circuit without opinion.<sup>57</sup>

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46. 17 U.S.C. § 109.

47. *Kirtsaeng*, 133 S. Ct. at 1360.

48. Hamborg, *supra* note 16, at 901–24.

49. *Id.* at 903–11.

50. *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983) *aff'd sub nom.* *CBS, Inc. v. Scorpio Music Distribs., Inc.*, 738 F.2d 421 (3d Cir. 1984), *aff'd sub nom.* *Scorpio Music Distribs., Inc. v. CBS, Inc.*, 738 F.2d 424 (3d Cir. 1984), *abrogated by* *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

51. *Scorpio*, 569 F. Supp. at 47.

52. *Id.*

53. *Id.*

54. *Id.* at 48.

55. *Id.* at 49–50.

56. *Id.* at 49.

57. *Scorpio Music Distribs., Inc. v. CBS, Inc.*, 738 F.2d 424 (3d Cir. 1984), *abrogated by* *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).



A short time after the decision without opinion in *Scorpio*, the Third Circuit had an opportunity to weigh in on the applicability of the "first sale" doctrine to foreign markets in *Sebastian International, Inc. v. Consumer Contacts (PTY) Ltd.*<sup>58</sup> This case involved an American plaintiff who had manufactured copyrighted goods domestically and granted permission to a foreign distributor to market and sell them only abroad.<sup>59</sup> Although the terms of the contract prohibited the distributor from importing back into United States, the distributor reshipped approximately \$200,000 worth of product back into the United States without the plaintiff copyright holder's permission.<sup>60</sup> After the District Court for the District of New Jersey granted the plaintiff a preliminary injunction and denied the defendant's "first sale" defense,<sup>61</sup> the Third Circuit granted certiorari.<sup>62</sup> Distinguishing the situation from that in *Scorpio*, the Third Circuit held that the "first sale" doctrine was applicable to imported products that were manufactured in the United States and subsequently sold abroad.<sup>63</sup> The court explained that a domestic manufacturer selling products abroad has already been rewarded for its labor, and to hold that the "first sale" doctrine provided no protection here would be to "intimate that a copyright owner who elects to sell copies abroad should receive 'a more adequate award' than those who sell domestically."<sup>64</sup> The court found this proposition to be out of line with the language, history, and philosophy behind the pertinent statutes and Copyright Act.<sup>65</sup>

Thus far, the Third Circuit had addressed the applicability of the "first sale" doctrine to copyrighted goods: (1) manufactured abroad, sold abroad, and imported into the United States without permission; and (2) manufactured domestically, sold abroad and imported back into the United States without permission.<sup>66</sup> The Court of Appeals for the Ninth Circuit soon had an opportunity to interpret the "first sale" doctrine in application to foreign markets in

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58. *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988).

59. *Id.* at 1094.

60. *Id.*

61. *Sebastian Int'l, Inc. v. Consumer Contact (PTY) Ltd.*, 664 F. Supp. 909, 922 (D.N.J. 1987), *vacated*, 847 F.2d 1093 (3d Cir. 1988).

62. *Sebastian*, 847 F.2d at 1093.

63. *Id.* at 1099.

64. *Id.*

65. *See id.*

66. *See id.*; *Scorpio Music Distribs., Inc. v. CBS, Inc.*, 738 F.2d 424 (3d Cir. 1984), *abrogated by* *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

a series of cases that began in 1991 with *BMG Music v. Perez*.<sup>67</sup> In *BMG*, the plaintiff, who manufactured and distributed copyrighted material abroad, filed suit against a distributor who had bought those goods abroad and imported into the United States without permission and sold them.<sup>68</sup> Despite his having lawfully procured the goods abroad, the court denied the defendant's "first sale" defense and found him liable for copyright infringement.<sup>69</sup> The court explained that the "first sale" doctrine did not provide protection to importation of goods manufactured abroad as, "[t]he words 'lawfully made under this title' in [the text of the 17 U.S.C § 109(a)] grant first sale protection only to copies legally made and sold in the United States."<sup>70</sup>

While the facts in *BMG* and *Scorpio* differ in that the foreign manufacturer in *BMG* was the copyright holder whereas the foreign manufacturer in *Scorpio* was a licensee of the copyright holder, both courts found that the "first sale" doctrine provided no protection to the importation and resale of copyrighted goods manufactured abroad.<sup>71</sup> In both scenarios, however, the importation and sale of the goods occurred without the copyright owner's authorization.<sup>72</sup> Just five years after the *BMG* decision, the Ninth Circuit was confronted with yet another twist on the relationship between the "first sale" doctrine and foreign trade. *Denbicare v. Toys "R" Us* presented a scenario where an American copyright holder had manufactured copyrighted goods abroad, and had subsequently given permission for the goods to be imported and sold in the United States.<sup>73</sup> After this initial importation and sale, the goods were resold, but without the copyright holder's permission.<sup>74</sup> As a result, the copyright holder filed suit,<sup>75</sup> and in response the defendant contended that the domestic sales were protected by the "first sale" doctrine.<sup>76</sup> The court found for the defendant.<sup>77</sup> Citing dicta from a previous decision,<sup>78</sup> the

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67. See Hamborg, *supra* note 16, at 905.

68. *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991).

69. *Id.* at 320.

70. *Id.* at 319.

71. *Id.*; *Scorpio*, 738 F.2d at 424.

72. *BMG Music*, 952 F.2d at 319; *Scorpio*, 738 F.2d at 424.

73. *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1145 (9th Cir. 1996), *abrogated by* *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

74. *Denbicare*, 84 F. 3d at 1146.

75. *Id.*

76. *Id.* at 1149.

77. *Id.* at 1153.

78. See *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 480–81 (9th Cir. 1994).

Ninth Circuit explained that to reject the "first sale" doctrine in such a situation would imply that it only applied to goods manufactured domestically and would surely create an incentive for American companies to move manufacturing abroad.<sup>79</sup> Thus, the court held that "§ 109 applies to copies made abroad . . . if the copies have been sold in the United States by the copyright owner or with its authority."<sup>80</sup>

Thus far, the major appellate court decisions were generally in harmony concerning the applicability of the "first sale" doctrine to foreign markets. In *L'Anza Research International, Inc. v. Quality King Distributors, Inc.*, however, the Ninth Circuit held in direct conflict with the Third Circuit's holding in *Sebastian*.<sup>81</sup> As a result, the Supreme Court granted certiorari.<sup>82</sup> *Quality King*, like *Sebastian*, involved an American manufacturer who sold copyrighted goods abroad, and after a series of transactions, found those same goods imported back into the United States for unauthorized resale.<sup>83</sup> The American manufacturer alleged that the importation of the goods violated the importation provision under § 602(a)(1), and the defendant claimed that his actions were protected by the "first sale" doctrine.<sup>84</sup> Unlike in *Sebastian*, the Ninth Circuit held that these goods, though manufactured domestically, were not subject to the "first sale" doctrine.<sup>85</sup> On certiorari, the Supreme Court reversed the appellate court's decision and held that goods manufactured domestically and sold abroad were subject to "first sale" protection.<sup>86</sup>

In its opinion, the Supreme Court focused primarily on the language of § 602(a), which in pertinent part 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 . . . ."<sup>87</sup> The Court gave significant weight to the phrase "under section 106."<sup>88</sup> Because § 106 begins by

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79. *Denbicare*, 84 F.3d at 1149.

80. *Id.* at 1150.

81. *L'Anza Research Int'l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109 (9th Cir. 1996) *rev'd sub nom.*, *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998), *vacated*, 143 F.3d 525 (9th Cir. 1998).

82. *Quality King*, 523 U.S. at 140.

83. *Id.* at 139.

84. *Id.* at 139-40.

85. *Quality King*, 98 F.3d at 1120.

86. *Quality King*, 523 U.S. at 154.

87. 17 U.S.C. § 602(a)(1) (1976); *id.* at 143.

88. *Quality King*, 523 U.S. at 144.

noting that the exclusive rights of a copyright owner are "[s]ubject to sections 107 through 122 . . .,"<sup>89</sup> the Court found that logically, the statutory right granted by § 602 was intended to be subject to § 109.<sup>90</sup> Thus, the defendant's importation of goods into America without the plaintiff copyright owner's consent was not an infringement so long as the defendant could use the "first sale" doctrine.<sup>91</sup> In its "first sale" analysis, the Court first noted that the goods in question were lawfully made in America in accordance with American copyright law and were thus lawfully made under title for the purposes of § 109.<sup>92</sup> Further, the Court noted that "any subsequent purchaser, whether from a domestic or foreign reseller, is obviously an 'owner' of that item."<sup>93</sup> Because the plaintiff had already sold the American made goods once, any subsequent owner was entitled to resell those goods without the authority of the copyright owner, and thus the "first sale" doctrine protected the defendant.<sup>94</sup>

In its opinion, the Court also rebutted various arguments the plaintiff-copyright holder presented, one of which deserves special mention.<sup>95</sup> The plaintiff in *Quality King* had argued that if limited by the "first sale" doctrine, § 602(a)(1) would be rendered superfluous.<sup>96</sup> Because the pre-1967 Copyright Act prohibited unauthorized (i.e., "pirated") copies, and this prohibition was kept in the 1967 Act under § 602(a)(2), the plaintiff contended that § 602(a)(1) is unnecessary unless it covered importation of those lawfully made (i.e., "non-piratical") copies.<sup>97</sup> Although it acknowledged that an interpretation subjecting § 602 to "first sale" protection limited the scope of the statute, the Court found the plaintiff's argument unpersuasive, especially in light of the plain language of § 602, which indicates that is subservient to § 109(a).<sup>98</sup> In order to establish that § 602(a)(1) was not superfluous, the Court noted that § 602(a)(1) applies to a category of copies that while non-piratical, were not lawfully made under the United States Copyright Act—i.e., those lawfully made under a foreign copyright act.<sup>99</sup> To

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89. 17 U.S.C. § 106 (1976).

90. *Quality King*, 523 U.S. at 144.

91. *Id.* at 153.

92. *Id.* at 143.

93. *Id.* at 145.

94. *Id.* at 152.

95. *Id.* at 146.

96. *Id.*

97. *Id.*

98. *Id.* at 148–49.

99. *Id.* at 147.

illustrate its point, the Court explained that should an author give 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).”<sup>100</sup> Although this illustration was provided as dicta, it would prove to be important in later “first sale” doctrine interpretation.

In her concurrence in the *Quality King* opinion, Justice Ginsburg noted that the Court did not decide the applicability of the “first sale” doctrine to goods manufactured abroad.<sup>101</sup> In doing so, Justice Ginsburg undoubtedly realized that this exact issue would need to be decided soon, and was proven correct in 2008 when the Ninth Circuit was presented with *Omega v. Costco Wholesale Corp.*<sup>102</sup> *Omega* involved copyrighted goods that were manufactured abroad and, after a series of lawful transactions made abroad, wound up being sold in the United States by the defendant wholesaler without the plaintiff-copyright owner’s permission.<sup>103</sup> The Ninth Circuit held that the “first sale” doctrine did not apply to products manufactured and first sold abroad, reasoning that a contrary ruling would constitute an impermissible extraterritorial extension of the American Copyright Act.<sup>104</sup> Though granting certiorari, the Supreme Court was unable to weigh in on the Ninth Circuit’s holding.<sup>105</sup> Justice Kagan, who had been involved in the case when she was the United States Solicitor General, was forced to recuse herself from the opinion, and the remaining justices split four and four.<sup>106</sup> The decision was affirmed without opinion.<sup>107</sup>

#### IV. ANALYSIS

In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Supreme Court of the United States held that 17 U.S.C. § 109(a) (codifying the “first sale” doctrine) applies to copies of a copyrighted work lawfully made

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100. *Id.* at 148.

101. *Id.* at 154 (Ginsburg, J., concurring).

102. *Omega, S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *abrogated by Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

103. *Omega*, 541 F. 3d at 984.

104. *Id.* at 988.

105. *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), *abrogated by Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

106. *See* Hamborg, *supra* note 16, at 910.

107. *Omega*, 131 S. Ct. at 565.

abroad.<sup>108</sup> Because the Court was asked to interpret the scope of a specific statute, the 6-3 opinion authored by Justice Breyer primarily focused on traditional canons of statutory interpretation with special emphasis on: (1) the plain language of the statute; (2) the function of the statute in the context of the history and purpose of copyright law; and (3) pertinent policy implications.<sup>109</sup>

The majority first analyzed the plain language of § 109(a) and, in doing so, gave significant attention to the phrase "lawfully made under this title" as interpreted by the opposing parties.<sup>110</sup> The Court characterized the Defendant's interpretation of the phrase as "non-geographical."<sup>111</sup> The Defendant read the phrase "lawfully made under this title" as meaning in accordance with or in compliance with the American Copyright Act.<sup>112</sup> Thus, the "first sale" doctrine would apply to copyrighted works as long as their production met the requirements of American copyright law, regardless of where the manufacturing process took place.<sup>113</sup> In contrast, the Plaintiff read "lawfully made under this title" as imposing a geographical restriction: "limit[ing] the first sale doctrine to copies made in conformance with the [United States] Copyright Act *where the Copyright Act is applicable*."<sup>114</sup> Thus, because the American Copyright Act is not the law in foreign countries, a geographical reading of the phrase would indicate that the "first sale" doctrine does not apply to copies made abroad.<sup>115</sup>

After comparing the opposing parties' interpretations, the Court noted that a literal reading of § 109(a)'s language favors a non-geographical interpretation.<sup>116</sup> First and foremost, § 109(a) "says nothing about geography."<sup>117</sup> Breaking down the wording of "lawfully made under this title," the Court explained that a non-geographical reading "provides each word of the five-word phrase with a distinct purpose."<sup>118</sup> The words "lawfully made" distinguish

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108. *Kirtsaeng*, 133 S. Ct. at 1371.

109. *See id.* at 1357–71.

110. *Id.* at 1358–62.

111. *Id.* at 1358.

112. *Id.*

113. *Id.*

114. *Id.* at 1357–58 (internal citations omitted) (emphasis in original).

115. *Id.* at 1358. The United States Solicitor General backed the Plaintiff's non-geographical interpretation. *See* Brief for the United States as Amicus Curiae, at 6–11, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012) [hereinafter "Br. of United States"].

116. *Kirtsaeng*, 133 S. Ct. at 1358.

117. *Id.*; *see also* 17 U.S.C. § 109(a) (2006).

118. *Kirtsaeng*, 133 S. Ct. at 1358.

“those copies that were made lawfully from those that were not,” and the words “under this title” suggest a “standard of lawfulness.”<sup>119</sup> Thus, a non-geographical, plain language reading “promotes a traditional copyright objective (combating piracy), and it makes word-by-word linguistic sense.”<sup>120</sup> In contrast, the Plaintiff’s geographical reading of the phrase “bristles with linguistic difficulties.”<sup>121</sup> The Court explained that this reading “imports geography into a statutory provision that says nothing explicitly about it.”<sup>122</sup> Further, the Court worried that limiting the “first sale” doctrine to locations where American copyright law is “applicable” will lead to uncertainty and confusion, as this would require a precise determination of where the act is and is not applicable.<sup>123</sup> Ultimately, the Court found that a literal reading of § 109(a) favors a non-geographical interpretation.<sup>124</sup>

Next, the Court analyzed § 109(a) in light of the historical context of the statute and the Copyright Act as a whole.<sup>125</sup> The Court again gave significant weight to the fact that the language of the preceding “first sale” statutes said nothing about geography.<sup>126</sup> Further, the Court found that a comparison of the current “first sale” statute to its predecessors shows no indication of an intention to introduce any geographical limitations.<sup>127</sup>

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119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.* at 1359.

123. *Id.* This determination is made all the more difficult in light of the text of 17 U.S.C. § 104, which states that “works subject to protection [under the Copyright Act] 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.” *Kirtsaeng*, 133 S. Ct. at 1359 (quoting 17 U.S.C. § 104 (2006)).

124. *Kirtsaeng*, 133 S. Ct. at 1360.

125. *Id.* at 1360–62.

126. *Id.* at 1360; see also Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652 (current version at 17 U.S.C. § 109(a)); Copyright Act of 1909, § 41, 35 Stat. 1084 (current version at 17 U.S.C. § 109(a)).

127. *Kirtsaeng*, 133 S. Ct. at 1360–62. The Court explained that the difference in language between the previous and current “first sale” doctrine was meant to change the type of possessory interest in a copy that was necessary to use the protection—not to change any aspect of the geographical limitation. Compare 17 U.S.C. § 109 (a), with Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652 (current version at 17 U.S.C. § 109(a)) (the previous “first sale” doctrine and the current “first sale” doctrine are identical except that the previous version was applicable to anyone with a lawful possessory interest whereas the current version is applicable only to owners of a copy).

The Court then turned back to "lawfully made under this title" and considered the phrase in light of its use in other sections of the Copyright Act.<sup>128</sup> Because a traditional canon of statutory interpretation presumes that the same words appearing in different but related sections carry the same meaning, the Court compared the geographical and non-geographical interpretations of the phrase to other sections of the Copyright Act.<sup>129</sup> In doing so, the Court identified four scenarios where a geographical reading of the phrase "lawfully made under this title" would lead to absurd results.<sup>130</sup> One example of such a scenario is found in relation to § 109(c), which provides that an owner of a copyrighted work "lawfully made under this title" may display that work despite a copyright owner's exclusive right to display under § 106(5).<sup>131</sup> A geographical reading here would thus imply that a poster purchased abroad could not be displayed domestically without permission—clearly an absurd result.<sup>132</sup> After an analysis based on the historical and textual context of the "first sale" statute and the Copyright Act as a whole, the Court again found the Defendant's non-geographical reading preferable.<sup>133</sup>

Last, the Court moved to a common law analysis of the "first sale" doctrine, noting that "[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.'"<sup>134</sup> The Court then proceeded to trace the history of the "first sale" doctrine back to *Bobbs Merrill* and found that nowhere in the common law has a geographical limitation been applied to the "first sale" doctrine.<sup>135</sup>

Turning to policy, the Court discussed why it believed a non-geographical reading of the "first sale" doctrine is preferable.<sup>136</sup> The Court feared that a geographical interpretation of the doctrine would cause irreparable harm to consumers of copyrighted goods as exemplified in several hypothetical scenarios the Court termed "horribles."<sup>137</sup>

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128. *Kirtsaeng*, 133 S. Ct. at 1362.

129. *Id.* at 1362 (citing *Dep't of Revenue v. ACF Indus., Inc.*, 510 U.S. 332, 342, (1994)).

130. *Id.*

131. *Id.*; see also 17 U.S.C. § 109(c).

132. *Kirtsaeng*, 133 S. Ct. at 1362.

133. *Id.*

134. *Id.* at 1363 (citing *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952)).

135. *Id.*

136. *Id.* at 1364–67.

137. *Id.*



In analyzing these “horribles,” the Court relied heavily on the arguments presented by the various *amici* of the Defendant.<sup>138</sup> For example, the Court cited the American Library Association’s argument that a geographical interpretation would cause public libraries great harm because a large portion of any given library’s books were either published or printed abroad.<sup>139</sup> The American Library Association had asked whether a geographical interpretation would require all libraries to receive permission from copyright owners to circulate, display, or sell these books.<sup>140</sup> Requiring permission would clearly constitute a significant burden on the libraries, as the institutions would be forced bear the cost and time associated with finding and contacting the correct copyright holder.<sup>141</sup>

As another “horrible,” the Court presented a situation involving the importation of a goods made abroad that incorporate other copyrighted goods made abroad.<sup>142</sup> For example, a geographical interpretation of the “first sale” doctrine would require the purchaser of a copyrighted automobile model made abroad, with a copyrighted GPS system made abroad, to receive the permission of both the automobile and GPS copyright holders before reselling the car domestically.<sup>143</sup> This problem would be compounded when considering the multitude of copyrighted material that any given automobile may contain.<sup>144</sup> As “over \$2.3 trillion worth of foreign goods were imported in 2011,” many of which bear trademarks or carry other copyrights, a geographical interpretation of the “first sale” doctrine clearly would have significant secondary market implications.<sup>145</sup> “[I]n light of the ever-growing importance of foreign trade to America,” the Court felt that the consequences that may

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138. See Brief of Public Knowledge et al. as Amici Curiae, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012) [hereinafter “Br. of Public Knowledge”]; Brief of the Am. Library Ass’n et al. as Amici Curiae, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012) [hereinafter “Br. of Am. Library”]; Brief of the Ass’n of Art Museum Directors et al. as Amici Curiae, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012).

139. *Kirtsaeng*, 133 S. Ct. at 1364; see Br. of Am. Library, *supra* note 138, at 11–26.

140. See Br. of Am. Library, *supra* note 138, at 11–26.

141. *Kirtsaeng*, 133 S. Ct. at 1364.

142. *Id.* (citing Br. of Public Knowledge, *supra* note 138, at 31–35).

143. See *id.*

144. See Br. of Public Knowledge, *supra* note 138, at 31–35.

145. *Kirtsaeng*, 133 S. Ct. at 1365 (citing Brief of Retail Litig. Ctr., Inc., et al. as Amici Curiae, at 21–30, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012)).

result from the Plaintiff's reading of § 109(a) weighed heavily against a geographical interpretation.<sup>146</sup>

Justice Breyer closed the Court's opinion by rebutting another argument raised by the Plaintiff (and adopted by the dissent), which contended that the decision in *Quality King* supported a geographical interpretation.<sup>147</sup> Specifically, the Plaintiff and dissent pointed to language hypothesizing that where an author gave 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)."<sup>148</sup> Though acknowledging that, on its face, the excerpt supported a geographical interpretation of the phrase, Justice Breyer adamantly asserted that the excerpt was pure, unnecessary dicta.<sup>149</sup> Justice Breyer explained that the interpretation of "lawfully made under this title" was not at issue in *Quality King*, and, as such, that Court did not have the opportunity to "canvas the considerations" necessary to determine the true scope of the phrase.<sup>150</sup> Moreover, Justice Breyer explained that the *Quality King* Court had "hedged [its] statement with the word 'presumably.'"<sup>151</sup> As such, Justice Breyer concluded that the excerpt cannot be given the weight the Plaintiff and dissent contend it deserves.<sup>152</sup>

Justice Kagan authored a concurring opinion joined by Justice Alito.<sup>153</sup> While agreeing with majority's holding, Justice Kagan feared that when combined with *Quality King*, the majority's decision narrows the scope of § 602(a)(1) to "a fairly esoteric set of applications."<sup>154</sup> Nonetheless, Justice Kagan explained that this unfortunate result is due to a flawed holding in *Quality King* rather than in the majority opinion.<sup>155</sup> Justice Kagan explained that had *Quality King* come out differently, the opinion today would allow a copyright holder manufacturing goods abroad to target unauthorized importation of those goods but provide no remedy for the copyright

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146. *Id.* at 1367.

147. *Id.* at 1367–69.

148. *Id.* at 1368 (citing *Quality King Distribs., Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135, 150–51 (1998)).

149. *Id.*

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.* at 1372–73 (Kagan, J., concurring).

154. *Id.* at 1372.

155. *Id.* at 1372–73.

holder against downstream purchasers who lawfully acquired those goods.<sup>156</sup> Regardless of any previous errors in interpreting the Copyright Act made by the Court, Justice Kagan noted that misinterpreting § 109(a) to rectify an error in interpreting § 602 would only substitute one possible mistake for a worse one.<sup>157</sup> The concurring opinion concluded by relying on Congress to make any changes in copyright law if the Court has misconstrued the intentions behind them.<sup>158</sup>

Justice Ginsburg, in a dissenting opinion joined by Justice Kennedy and, in part, by Justice Scalia,<sup>159</sup> contended that the majority's interpretation is at odds with the legislative design behind the "first sale" doctrine.<sup>160</sup> Justice Ginsburg worried that the majority's holding will "[shrink] to insignificance copyright protection against the unauthorized importation of foreign-made copies," and would find the "first sale" doctrine inapplicable to the unauthorized importation of copyrighted goods manufactured abroad.<sup>161</sup>

Justice Ginsburg began her dissent by citing the passage in *Quality King* concerning the American and English publishers.<sup>162</sup> While acknowledging that this excerpt was dicta, Justice Ginsburg set out to establish that the dicta supports the proposition "that § 602(a)(1) authorizes a copyright owner to bar the importation of a copy manufactured abroad for sale abroad."<sup>163</sup> The dissent then moved to a plain language interpretation of the "first sale" doctrine.<sup>164</sup> As construed by the dissent, "lawfully made under this title" necessitated a geographical interpretation and should be "read as referring to instances in which a copy's creation is governed by, and conducted in compliance with [the United States Copyright Act]."<sup>165</sup> Noting that the copyright act cannot apply extraterritorially, Justice Ginsburg stated that where United States copyright law is not the governing law, a good cannot be lawfully

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156. *Id.*

157. *Id.* at 1373.

158. *Id.*

159. Justice Scalia did not join as to Parts III (discussing the legislative history of the "first sale" doctrine) and V-B-1 (discussing the common law and legislative history of the "first sale" doctrine) of the dissenting opinion. *Id.* at 1373.

160. *Id.* at 1373-91 (Ginsburg, J., dissenting).

161. *Id.* at 1373.

162. *See Id.* at 1374 (citing *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 150 (1998)).

163. *Id.* at 1376.

164. *Id.*

165. *Id.*

made under United States copyright law.<sup>166</sup> Thus, Justice Ginsburg would read the word "under" as signaling a relationship of subjugation, a definition she claimed the majority ignored.<sup>167</sup>

The dissent then criticized what Justice Ginsburg contended is the majority's reduction of § 602(a)(1) to insignificance.<sup>168</sup> Justice Ginsburg claimed that the broad language used in § 602(a)(1) indicates that Congress intended the statute's scope to be far reaching, but that the majority's interpretation severely limited its scope.<sup>169</sup> Thus, Justice Ginsburg argued that the majority's limitation of § 602(a)(1) runs against the purpose of the statute as a whole: to provide domestic copyright owners a remedy against importation of foreign-made goods.<sup>170</sup> In support of the broad reading she believed the statute required, Justice Ginsburg pointed to the legislative history behind the statute.<sup>171</sup> In her historical analysis, Justice Ginsburg also pointed to instances in the drafting of the Copyright Act, and specifically § 602, where there are indications that the "first sale" doctrine was not intended to apply to copyrighted goods manufactured abroad.<sup>172</sup>

The dissent concluded by discussing both the international and domestic policy implications of the majority's decision.<sup>173</sup> On a global scale, Justice Ginsburg argued that the majority's position conflicted with the "stance the United States ha[s] taken in international-trade negotiations."<sup>174</sup> Although there is little global consensus on international exhaustion,<sup>175</sup> the dissent contended that America has consistently "taken the position in international trade negotiations that domestic copyright owners should . . . have the right to prevent the unauthorized importation of copies of their work sold abroad."<sup>176</sup>

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166. *Id.* at 1376–77.

167. *Id.* (citing BLACK'S LAW DICTIONARY 1525 (6th ed. 1990)).

168. *Id.* at 1379.

169. *Id.*

170. *Id.*

171. *Id.* at 1380–83.

172. *Id.*

173. *Id.* at 1389–92.

174. *Id.* at 1384.

175. International exhaustion, as explained by Justice Ginsburg, concerns "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." *Id.* at 1383.

176. *Id.* Justice Ginsburg pointed to the brief filed by the United States in *Quality King*, which noted that the United States has "taken the position in international trade negotiation that domestic copyright owners should . . . have the right to prevent the unauthorized importation of copies of their work sold abroad." Brief for United States as Amicus Curiae, at 22, *Quality King Distribs., Inc. v.*

As evidence of this stance on international exhaustion, Justice Ginsburg pointed to the United States' disapproval of other countries' pro-international exhaustion positions, and worried that the majority's opinion will "undermin[e] the United States' credibility on the world stage."<sup>177</sup>

Concerning the domestic policy implications of the majority's ruling, the dissent focused on the "horribles" cited by the majority, arguing that there are sufficient safeguards to prevent, or at least substantially diminish, the harmful effects of any potential "horribles."<sup>178</sup> First, the dissent notes that the "horribles" only exist in situations where there is an unauthorized importation of a copyrighted work.<sup>179</sup> Therefore, those libraries, art museums, and like institutions that fear the implication of a geographical interpretation of the "first sale" doctrine need not worry so long as at some point in the distribution chain the institutions or their predecessors received authorization over the product.<sup>180</sup> Further, there are other provisions in the Copyright Act that aim to prevent some of the potential "horribles."<sup>181</sup> As an example, the dissent cited § 106(3), which 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."<sup>182</sup> Moreover, Justice Ginsburg noted that two particular reasons clearly establish that these "horribles" present little to no domestic risk.<sup>183</sup> First, no case law exists in which any such horrible is at issue.<sup>184</sup> Additionally, even if the potential for these "horribles" exists, they are unlikely to become relevant, as "suing one's customers is hardly a best business practice."<sup>185</sup> The dissent concluded by noting that the majority's opinion is out of sorts with

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L'anza Research Int'l, Inc., 523 U.S. 135 (1997).

177. *Kirtsaeng*, 133 S. Ct. at 1384–85. Specifically, Justice Ginsburg pointed to the United States having previously expressed concern regarding Australian legislation supporting international exhaustion. *Id.*; see, e.g., Dale Clapperton & Stephen Coronos, *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).

178. *Kirtsaeng*, 133 S. Ct. at 1386–90.

179. *Id.*

180. *Id.*

181. *Id.* at 1388.

182. *Id.* at 1388 (citing 17 U.S.C. § 106(3) (2012)).

183. *Id.* at 1389–90.

184. *Id.*

185. *Id.*

the United States' traditional stance on foreign trade and that it would have ultimately found the defendant liable for infringement.<sup>186</sup>

#### V. CONSEQUENCES OF *KIRTSAENG V. WILEY & SONS, INC.*

The Supreme Court's decision in *Kirtsaeng v. Wiley & Sons, Inc.* is likely to disappoint as equally as it pleases. In deciding the case, the Court was forced to choose between two equally unpalatable consequences. On the one hand, a decision for the Plaintiff might result in those "horribles" outlined in the majority's opinion.<sup>187</sup> On the other, a decision for the Defendant seemed contrary to the stance the United States has held on international exhaustion in the past, and could potentially result in its own set of "horribles."<sup>188</sup> Rightfully so, the majority ultimately determined that those "horribles" presented by ruling for the Defendant were a lesser evil than the consequences of ruling for the Plaintiff.<sup>189</sup>

The majority correctly determined that the "first sale" doctrine applies to copyrighted goods manufactured abroad.<sup>190</sup> In its statutory interpretation, the majority first and foremost sought to further the intentions of the legislature in drafting the Copyright Act.<sup>191</sup> This is evident in the cogent and detailed analysis of the language of § 109(a).<sup>192</sup> Only after establishing that the language of the "first sale" doctrine weighs in favor of a non-geographical reading did the majority proceed to a policy analysis.<sup>193</sup>

The dissent, however, saturated its argument in policy rather than build a practical linguistic foundation.<sup>194</sup> From the start, Justice Ginsburg made clear her disdain for an American international exhaustion regime, a sentiment that lingers throughout the entire dissent.<sup>195</sup> Moreover, the portion of the dissent addressing the language of the copyright statutes seems forced and a bit convoluted, especially when compared to the majority's opinion discussing the same.<sup>196</sup> This seems to imply that the language of the

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186. *Id.* at 1390.

187. *See id.* at 1364–67 (majority opinion).

188. *Id.* at 1384 (Ginsburg, J., dissenting).

189. *See id.* at 1371 (majority opinion).

190. *Id.*

191. *Id.* at 1358–60.

192. *Id.*

193. *Id.* at 1364–67.

194. *See id.* at 1373–92 (Ginsburg, J., dissenting).

195. *Id.*

196. *Compare id.* at 1376–81, *with id.* at 1357–71 (majority opinion).

“first sale” doctrine is better understood as argued by the majority. The same can be said for the history cited by the dissent, which resorted to citing publishing industry representatives and copyright office panel discussions as opposed to the majority’s emphasis on common law history and actual statutory language in its opinion.<sup>197</sup> Though the dissent provided a well-reasoned argument that a geographical interpretation is in direct opposition to the American position on international exhaustion, the argument is ultimately lost in the inefficacy of the rest of the dissent, which seems to strengthen rather than weaken the majority’s decision.<sup>198</sup>

Interestingly, Justice Kagan provided what may be the most practical reading of the “first sale” doctrine in relation to § 602 in her concurrence.<sup>199</sup> Justice Kagan explained that the intention of the legislature in adopting § 602 and § 109(a) was not only to allow a copyright holder to prevent unauthorized large-scale importation of their foreign made goods, but also to prohibit that same copyright holder from imposing downstream liability on a subsequent lawful owner of the same good.<sup>200</sup> The decision in *Quality King*, however, prevented application of Justice Kagan’s desired reading of the Copyright Act.<sup>201</sup> Though Justice Kagan’s explanation makes practical sense, she failed to address the language in § 602 linking it to § 106, which bridges § 602 to § 109(a). Ultimately, Justice Kagan noted that the responsibility to perfect American copyright laws should fall on the legislature, not the Supreme Court.<sup>202</sup>

The result of the Court’s decision in *Kirtsaeng* is likely to have far-reaching implications for copyright owners and consumers both domestically and abroad. As alluded to by the Court at oral argument, one beneficial consequence of the decision will likely be the prevention of outsourcing of American manufacturing.<sup>203</sup> American manufacturers already have many incentives to outsource manufacturing, including cheaper foreign labor and less stringent foreign regulations.<sup>204</sup> Because a ruling for the plaintiff would

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197. Compare *id.* at 1381–84 (Ginsburg, J., dissenting), with *id.* at 1363 (majority opinion).

198. *Id.* at 1383 (Ginsburg, J., dissenting).

199. See *id.* at 1372–73 (Kagan, J., concurring).

200. *Id.*

201. *Id.*

202. *Id.* at 1373.

203. See Tr. of Oral Argument at 42, *Kirtsaeng v. Wiley & Sons Inc.*, 133 S. Ct. 1351 (2013).

204. See, e.g., Kenneth Hamlett, *Reasons for Outsourcing in a Manufacturing Economy*, CHRON.COM, <http://smallbusiness.chron.com/reasons-outsourcing-manufacturing-industry-1292.html> (last visited Dec. 17, 2013).

potentially have allowed copyright holders to control repeated resale of their products only if the product was produced abroad, this additional incentive could likely induce many American manufacturers to look abroad. Another positive the Court sees in its decision is the prevention of one "horrible" over which it had expressed concern.<sup>205</sup> A library may now distribute and resell books as it pleases, just as a museum may display great works of art without the fear that they will be liable for infringement in the future.

The decision is also likely to be hailed as a victory for large wholesale distributors that depend on the "parallel importation." Costco, eBay, and Amazon.com all unsurprisingly supported the Defendant.<sup>206</sup> These large corporations' ability to function would be severely impaired if they were not able to procure large inventories of cheaper, foreign-made goods to resell domestically at reduced prices.<sup>207</sup> This consequence, of course, may have a negative impact on smaller, "mom and pop" independent stores that struggle to compete with these large corporate wholesalers.

A potential negative effect of the decision could be that American copyright holders may be forced to stop selling similar products at lower prices abroad. If cheap imported goods are consistently competing with more expensive domestic goods, the domestic goods are less likely to sell. Faced with an influx of its own goods cutting into profits, a company such as John Wiley & Sons, Inc. would probably stop selling its products for lower prices abroad. The absence of those cheaper goods in foreign markets could have potentially devastating effects. Textbooks, pharmaceuticals,<sup>208</sup> and other goods manufactured and intended to remain abroad are used in those countries otherwise unable to afford goods at the prices they would command in American markets. American demand for cheap foreign goods may thus prevent those countries truly in need from having any access to these same products.<sup>209</sup>

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205. See *Kirtsaeng*, 133 S. Ct. at 1364–67.

206. See Brief of eBay, Inc. et al. as Amici Curiae, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012) [hereinafter "Br. of eBay"]; Brief of Costco Wholesale Corp. as Amicus Curiae, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012) [hereinafter "Br. of Costco"].

207. See Br. of eBay, *supra* note 206; Br. of Costco, *supra* note 206.

208. CARLOS CORREA, INTEGRATING PUBLIC HEALTH CONCERNS INTO PATENT LEGISLATION IN DEVELOPING COUNTRIES 7–8 (South Centre et al. eds., 2000).

209. *Id.*



## VI. CONCLUSION

No matter the outcome, *Kirtsaeng v. Wiley & Sons, Inc.* presented the Court with a difficult decision likely to result in unfavorable consequences.<sup>210</sup> Refusing to make the decision purely based on potential consequences, the majority sought first to determine the legislative intent behind the Copyright Act and only thereafter used policy to support its decision.<sup>211</sup> As noted by Justice Kagan, however, the decision may have been doomed from the beginning due to the errors of previous decisions interpreting copyright law.<sup>212</sup> Regardless of how the public views the decision in *Kirtsaeng*, the Court's decision provides a definite answer to the issue presented of whether a copyrighted good manufactured abroad should be provided "first sale" protection.<sup>213</sup> In doing so, the Court provides the answer to a question that had generated uncertainty and was sure to divide the circuit courts. Unfortunately, the definitive answer provided by the Court provides only a scintilla of certainty in what is an increasingly uncertain time for copyright owners, consumers, and lawmakers. As advances in technology consistently outpace American copyright law, the only real certainty is that the current statutes were made for a different time; they will necessarily require future interpretation, amendment, and possibly re-codification.

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210. See *Kirtsaeng*, 133 S. Ct. at 1357.

211. *Id.* at 1363–67.

212. *Id.* at 1372–73 (Kagan, J., concurring).

213. *Id.* at 1370 (majority opinion).