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Supreme Court Holds Copyright "First Sale" Doctrine Applies Internationally

On March 19, 2013, the Supreme Court of the United States issued its decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, holding 6-3 that the statutory "first sale" doctrine applies to all lawfully acquired copyrighted works, whether those works are sold abroad or within the U.S.

Kirtsaeng, an enterprising Thai citizen attending college in the U.S., asked his friends and family to purchase and send him English-language textbooks made and sold abroad by Wiley's wholly-owned foreign subsidiary. Wiley holds the copyrights. He then sold the textbooks for profit, and ultimately found himself on the wrong end of a $600,000.00 jury verdict finding he had engaged in copyright infringement. The Second Circuit affirmed, concluding that the books, while lawfully acquired abroad, nonetheless infringed on the copyright if the import into the U.S. was not also authorized.

At issue was the language of 17 U.S.C. § 109(a) -- applying the "first sale" doctrine to a copy of a work "lawfully made under this title." The Court addressed whether that language restricts the "first sale" doctrine (in § 109(a)) only to those works which are first sold in the U.S. i.e., whether it acts as a geographical restraint on the "first sale." Likewise at issue was the language of § 602(a)(1), which says unambiguously that: "[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 of the United States is an infringement…"

Justice Breyer's majority opinion reasons that "§109(a)'s language, its context, and the common-law history of the 'first sale' doctrine, taken together, favor a non-geographical interpretation." The first sale doctrine thus now applies to copies of a work lawfully made abroad, and if a party imports such work into the U.S. they would not infringe. The majority expressed concern that the converse interpretation may cause great harm to large parts of the economy, as the doctrine is "deeply embedded in the practices of booksellers, libraries, museums, and retailers." In her dissent, Justice Ginsberg chides that "[t]he Court's parade of horribles… is largely imaginary" and that the Court's adoption of an "international exhaustion" scheme conflicts with international trade agreements.

Justice Ginsberg's minority opinion notes that the decision is contrary to the legislative history and plain meaning of the statutes in point, as § 109(a) only implicates the U.S. --"lawfully made *under this title*'--i.e., the U.S. Copyright Law, and § 602(a)(1) says that unauthorized importation is an infringement. The majority disagreed, and instead of reading a geographic limitation into § 109(a), read § 602(a)(1) to imply that the imported works in question were unauthorized at the initial point of sale. The world of commerce in resale and transfer of initially authorized copies has jumped geographical boundaries, however, and the majority held that attempting to put restrictions on the downstream travel of a copy was, quite simply, impractical. As a result, the majority concluded that "considerations of simplicity and coherence tip the purely linguistic balance in [a] nongeographical favor."

The impact of this ruling is not limited to the publishing industry. Many U.S. companies manufacture and sell their goods abroad, and these goods contain copyrightable elements in labeling, packaging, software, and other components. These companies will no longer be able to block the import of their second-hand goods into the U.S. (assuming those goods were originally subject to a legitimate sale), at least not on the basis of copyright infringement (though other bases such as patent and trademark infringement may be an option). The majority acknowledged that the days of a copyright owner being able

to possibly divide up the world market geographically are over from a first sale standpoint, and that may very well mean a change in the way these companies price their goods, as they attempt to combat the influx of lower-priced goods into the domestic market.

Interestingly, neither the majority nor the dissent ever mentioned the Patent Law's "first sale" doctrine. A patent right is plainly considered to be geographic in scope, and the first sale doctrine has not been extended to goods made abroad even with the patent owner's authorization. Patent rights can vary considerably country to country or region to region; copyright is far more universal throughout the world. Yet in its harkening back to the common law roots of the doctrine, one can quite easily transpose the word "patent" for "copyright" in almost every instance where the *Kirtsaeng* majority drew upon historical support.

The Supreme Court may very well toss this patent "first sale" question directly to the Federal Circuit to chew upon first. Pending before the Court is whether to take up a patent appeal by Ninestar Technology Co. Ltd. dealing with what sales can trigger patent exhaustion. The High Court could punt *Ninestar* to the Federal Circuit to reconsider in view of *Kirtsaeng*.

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