

No. \_\_\_\_\_

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IN THE  
**Supreme Court of the United States**

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SUPAP KIRTSANG  
d/b/a Bluechristine99,  
*Petitioner,*

v.

JOHN WILEY & SONS, INC.,  
*Respondent.*

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ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

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**PETITION FOR A WRIT OF CERTIORARI**

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**QUESTION PRESENTED**

This case presents the issue that recently divided this Court, 4-4, in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). Under § 602(a)(1) of the Copyright Act, it is impermissible to import a work “without the authority of the owner” of the copyright. But the first-sale doctrine, codified at § 109(a), allows the owner of a copy “lawfully made under this title” to sell or otherwise dispose of the copy without the copyright owner’s permission.

The question presented is how these provisions apply to a copy that was made and legally acquired abroad and then imported into the United States. Can such a foreign-made product *never* be resold within the United States without the copyright owner’s permission, as the Second Circuit held in this case? Can such a foreign-made product *sometimes* be resold within the United States without permission, but only after the owner approves an earlier sale in this country, as the Ninth Circuit held in *Costco*? Or can such a product *always* be resold without permission within the United States, so long as the copyright owner authorized the first sale abroad, as the Third Circuit has indicated?

**PARTIES TO THE PROCEEDING**

Petitioner Supap Kirtsaeng, doing business as Bluechristine 99, was the defendant-appellant and Respondent John Wiley & Sons, Inc. was the plaintiff-appellee in the courts below.

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## OPINIONS AND ORDERS BELOW

The district court's order prohibiting Mr. Kirtsaeng from raising a defense pursuant to the "first-sale" doctrine is available at 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) and reprinted at P.A. 44-77a.<sup>1</sup>

The opinion of the court of appeals is reported at 654 F.3d 210 (2d Cir. 2011) and is reprinted at P.A. 1-43a.

## JURISDICTION

The judgment of the court of appeals was entered on August 15, 2011, and the court denied rehearing en banc on October 13, 2011. This Court's jurisdiction is invoked under 28 U.S.C. § 1254.

## STATUTORY PROVISIONS INVOLVED

This case involves 17 U.S.C. §§ 106, 109, and 602, which are reproduced in full at P.A. 89-97a, and excerpted below.

17 U.S.C. § 106 provides in pertinent part:

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

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<sup>1</sup> The Appendix to this petition is cited as "P.A.," and the Joint Appendix before the court of appeals is cited as "J.A." References to the trial record are cited as "Tr. Dkt." Amicus briefs filed in connection with *Costco* are cited as "*Costco* \_\_\_ Br." according to the name or abbreviation of the lead party.

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(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending ....

17 U.S.C. § 109(a) provides in pertinent part:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord 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 copy or phonorecord.

17 U.S.C. § 602(a)(1)<sup>2</sup> provides in pertinent part:

Importation 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.

### STATEMENT OF THE CASE

Supap Kirtsang came to the United States from Thailand in 1997 to attend college at Cornell Uni-

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<sup>2</sup> In October 2008, Congress reorganized 17 U.S.C. § 602. *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259 (2008). The importation prohibition was renumbered from § 602(a) to § 602(a)(1) but not substantively altered. All citations in this brief are to § 602(a)(1).

versity. P.A. 6a, 48a. Several years later, he obtained his undergraduate degree and was later accepted into the University of Southern California's Ph.D. program in mathematics. P.A. 6a, 48a. To subsidize the cost of his education, Mr. Kirtsaeng asked family and friends in Thailand to buy copies of textbooks and ship them to him in the United States where he sold them on eBay. P.A. 6-7a, 48-49a. Before he began selling, Mr. Kirtsaeng researched the law online, where he found explanations of the first-sale doctrine. P.A. 7a, 49a. The first-sale doctrine provides in pertinent part that "the owner of a particular copy ... 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." 17 U.S.C. § 109(a). From his research, Mr. 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. P.A. 7a.

Among the books Mr. Kirtsaeng sold were eight textbooks printed in Asia by John Wiley & Sons' ("Wiley") Asian subsidiary. Wiley received 10% of Wiley Asia's net receipts for each reprint. P.A. 47-48a. So Wiley drew a profit from the books Mr. Kirtsaeng bought and subsequently sold. J.A. 238-39, 391. Mr. Kirtsaeng's gross revenue from selling Wiley's books totaled \$37,000—and obviously his profits were far less. P.A. 10-11a.

Wiley sued Mr. Kirtsaeng in the Southern District of New York for copyright infringement. P.A. 7-8a, 49-50a. Before trial, the district court rejected Mr. Kirtsaeng's anticipated first-sale defense as a

matter of law. P.A. 44-77a. The district court held that the doctrine is “inapplicable to goods manufactured in a foreign country.” P.A. 76a. In keeping with this ruling, the district court denied Mr. Kirtsaeng’s proposed jury instruction on the first-sale doctrine. P.A. 9a, 76a; *see also* P.A. 81-82a (proposed jury instruction).

The jury found Mr. Kirtsaeng liable for infringing the eight works. It also found his infringement willful. The jury awarded Wiley statutory damages of \$75,000 per work, a total of \$600,000—more than 16 times his revenues from the sale of Wiley’s book—and presumably many times his profits. P.A.12a. This judgment was far beyond the means of a graduate student. So, at Wiley’s request, the district court ordered Mr. Kirtsaeng to give Wiley his golf clubs and his computer and printer. Tr. Dkt. # 84.

Mr. Kirtsaeng appealed to the Second Circuit. P.A. 12a. By the time the panel issued its decision, this Court had already divided 4-4 on whether the first-sale doctrine applies to goods made abroad. *See Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). A divided panel “acknowledge[d] that this is a particularly difficult question of statutory construction.” P.A. 28a. The panel majority held that “the phrase ‘lawfully made under this Title’ in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works.” P.A. 27-28a. The dissenting judge drew the opposite conclusion, reasoning that “the first-sale defense should apply to a copy of a work that enjoys United

States copyright protection wherever manufactured.” P.A. 34a.

Mr. Kirtsaeng subsequently sought rehearing en banc, which was denied.

### **REASONS FOR GRANTING THE WRIT**

There can scarcely be a surer indication that an issue is cert-worthy than when this Court grants certiorari to resolve the issue, but splits 4-4, as this Court did in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010). In granting certiorari in *Costco*, this Court recognized the importance of the question presented and, in splitting evenly, this Court recognized its difficulty. With the Second Circuit’s opinion in this case, the courts of appeals have split even further. *See infra* Point I. It is now more important than ever for this Court to resolve the issue and this case is the perfect vehicle for doing so. *See infra* Point II. This Court’s intervention is especially important here because the Second Circuit’s opinion is not only erroneous, but more extreme than any previous circuit opinion. *See infra* Point III.

#### **I. THIS COURT’S GUIDANCE IS NECESSARY TO RESOLVE THE UNCERTAINTY THAT PERSISTS FOLLOWING ITS SPLIT DECISION IN *COSTCO V. OMEGA*.**

The Copyright Act grants copyright owners certain exclusive rights. Among them is the right to distribute—or to authorize others to distribute—copies of their work, whether by sale or any other conveyance. *See* 17 U.S.C. § 106(3). Section

602(a)(1), often referred to as the “importation provision,” extends this distribution right. It provides, in relevant part, 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 the United States is an infringement of the exclusive right to distribute copies ... under section 106.” *Id.* § 602(a)(1). In isolation, the importation provision might be read to mean that when a person acquires a copy of a work abroad, the acquirer cannot legally import it without the copyright owner’s permission—even if the acquirer legally purchased the copy abroad with the full knowledge and approval of the copyright owner.

None of the exclusive rights granted in § 106, however, is absolute. They are all subject to several limitations such as the right of fair use, *see id.* § 107, the right of educational use, *see id.* § 110, and the right to a compulsory license for covers of songs, *see id.* § 115. One of the most important limitations is the first-sale doctrine, which provides:

Notwithstanding the provisions of section 106(3) [i.e., the exclusive right to distribute], 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 copy ....

*Id.* § 109(a). This provision, in isolation, seems to say that once a person lawfully obtains a copy of a work, he is allowed to sell that copy without the copyright owner’s authorization. After the “first sale” of

a copy, the copyright owner loses any further right to control the distribution. In the absence of any contrary language, § 109(a) would seem to mean that it does not matter whether the first sale is in the United States or abroad; once the copyright owner makes the sale, he no longer controls the copy.

Obviously, both literal readings cannot be right. For two decades, the courts of appeals have wrestled with how to reconcile these two seemingly conflicting provisions. Before this Court's decision in *Quality King*, the Third Circuit had rejected the contention that the first-sale defense should ever yield to the importation provision—albeit in dictum. See *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) LTD*, 847 F.2d 1093, 1099 (3d Cir. 1988). The court expressed “uneasiness with” interpreting the term “lawfully made under this title” to mean manufactured in the United States. *Id.* at 1098 n.1. The court reasoned, “[w]hen Congress considered the place of manufacture to be important, as it did in the manufacturing requirement of section 601(a), the statutory language clearly expresses that concern.” *Id.*

The Ninth Circuit arrived at the opposite conclusion, finding that the first-sale doctrine did not provide a defense to importation liability. In particular, the Ninth Circuit first held that “the words ‘lawfully made under this title’ in § 109(a) grant first sale protection only to copies legally made and sold in the United States,” which seemed to mean that a company that made a work abroad has the perpetual power to control resales after it arrives in the United States, regardless of how many times the work changes hands. *BMG Music v. Perez*, 952 F.2d 318,



319 (9th Cir. 1991). But the Ninth Circuit later clarified that the copyright owner has control over the importation of a foreign-made copy into the United States only until the foreign-made work has been sold at least once *in the United States*. See *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 481 (9th Cir. 1994); see also *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1149-50 (9th Cir. 1996).

In *Quality King Distributors. v. L'anza Research Int'l*, 523 U.S. 135 (1998), this Court granted certiorari to resolve the tension between the circuits and decide whether the first-sale doctrine limits the importation right granted in § 602(a)(1). Following the text of the statute, this Court held that “since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right ‘under section 106,’ and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners” of lawfully made products that import and resell them in the United States. *Id.* at 145. In other words, the importation prohibition is circumscribed by the first-sale doctrine. Once a lawful first sale has occurred, even unauthorized resales do not infringe the copyright owner’s exclusive right to distribute. *Id.* at 143. “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.” *Id.* at 152.

*Quality King* involved so-called “round-trip” copies—copies that were made in the United States, ex-

ported abroad, and then returned to the United States. In a lone concurrence, Justice Ginsburg indicated that the Court had not “resolve[d] cases in which the allegedly infringing imports were manufactured abroad.” *Id.* at 154.

The Ninth Circuit subsequently held that *Quality King* limited itself to domestically manufactured copies and never addressed “the effect of [the first-sale doctrine] on claims involving unauthorized importation of copies made abroad.” *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987 (9th Cir. 2008) (citing *Quality King*, 523 U.S. at 154). The court held that “lawfully made under this title,” as employed in the first-sale doctrine, “refers ‘only to copies legally made ... in the United States,’” and therefore concluded that *Quality King* “did not directly overrule *BMG Music, Drug Emporium*, and *Denbicare*.” *Id.* Adhering to these earlier decisions, the Ninth Circuit once again held that until there has been a first sale of the product in this country, the defense is unavailable to owners of products manufactured abroad. *Id.* at 990.

In response to a veritable firestorm of protest against *Costco*, this Court granted certiorari. See *Costco Wholesale Corp. v. Omega S.A.*, 130 S. Ct. 2089 (2010). With Justice Kagan recused, this Court split 4-4, leaving the Ninth Circuit’s precedent intact and the issue unresolved. *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

That event, alone, has compounded the uncertainty. A split panel of the Second Circuit has now even further compounded the confusion with an opi-

nion that is inconsistent with *both* the Third Circuit's position *and* the Ninth Circuit's. In contrast to the Third Circuit's position, the Second Circuit held in this case that "in light of its necessary interplay with § 602(a)(1), § 109(a) is best interpreted as applying only to works manufactured domestically." *Id.* That is *Costco* on steroids. Whereas the Ninth Circuit held that a first sale in the United States cuts off the copyright owner's rights inside the United States, the Second Circuit has held that a copy made abroad is *never* subject to the first-sale defense, even after it is imported into the United States with the copyright owner's permission and no matter how many times it changes hands. The Second Circuit left no doubt that this extension beyond *Costco* was intentional, explaining that the Ninth Circuit's more restrained holding "relied on Ninth Circuit precedents not adopted by other courts of appeals." P.A. 26a.

In sum, this Court's guidance is needed even more urgently now than when this Court intervened in *Costco*.

**II. THE QUESTION PRESENTED IS IN URGENT NEED OF RESOLUTION AND THIS CASE IS AN EXCELLENT VEHICLE FOR ADDRESSING IT.**

It is obviously more lucrative for a seller of goods to engage in price discrimination—charging more money to wealthier populations for the same product. When a seller engages in this practice, a parallel market (sometimes called a "gray market") typically arises: A buyer buys the product where it

is cheap and sells it at a competitive price in places where the owner charges a premium. This case illustrates the principle: school books have gotten so expensive in recent years that the typical college student pays over \$1000 a year just for books. See Dr. James A. Koch, *An Economic Analysis of Textbook Pricing and Textbook Markets*, Sept. 2006, at 1, available at <http://www2.ed.gov/about/bdscomm/list/acsfa/kochreport.pdf>. But the books do not cost nearly that much to make. Confident that American students can be forced to pay more, booksellers, like Wiley, charge more for books with the same content as the ones they sell abroad. But at least a small population of these struggling students can benefit when a foreign colleague arranges to purchase the books abroad and sell them for less to students here.

Parallel markets are obviously not just the purview of college students. Major corporations, like Costco, follow the same model at a much more sophisticated level—and at much higher volumes—selling all sorts of products to cash-strapped U.S. consumers.

Parallel markets have always been limited by the costs of shipping, duties, and the like. But advances in technology and increased globalization have made parallel markets far more accessible to consumers than ever. As the world has shrunk, parallel markets have grown astronomically, from an estimated \$7-10 billion of revenue in 1988 to over \$63 billion today. See Greg Sthor, *Supreme Court Reviews Costco Case*, WASH. POST, Nov. 9, 2010, at A11; Paul Lansing & Joseph Gabriella, *Clarifying Gray Market Gray Areas*, 31 AM. BUS. L.J., Sept.

1993, at 313, 313 (citing Frank V. Cespedes, et al., *Gray Markets: Causes and Cures*, 66 HARV. BUS. REV. 75 (July – Aug. 1988)).

As parallel markets have exploded, the sellers have tried to retain their power to engage in price discrimination. When the goods in question are books or recordings, it is natural to turn to this country's copyright laws. But clever sellers of all sorts of products that are not ordinarily considered worthy of copyright protection have also exploited the copyright laws. They simply slap some sort of design on the product—in *Costco*, it was a deliberately inconspicuous 3 millimeter insignia etched on the backs of watches—insisting that the product should therefore be treated just like a book or record. *See Costco*, 541 F.3d at 983-84; *see also Sebastian*, 847 F.2d at 1099 (explaining how 20 years ago, industry developers had begun to “invoke the copyright law to advance their economic interests.”).

For a sense of the sheer magnitude of the stakes on both sides of the issue, one need look no further than the interests that filed briefs on either side of the issue in *Costco*. On one side of the divide were companies as diverse as:

- eBay, whose online platform facilitates the parallel market in a wide range of goods, *see Costco eBay Br.* at 1;
- Amazon.com, whose e-commerce platform, like eBay's, is available to a range of retailers and individual sellers, *see Costco Retail Indus. Leaders Ass'n Br.* at 2;

- Google, which develops copyrighted software that is loaded onto physical goods, manufactured both domestically and overseas, *see Costco eBay Br.* at 1;
- Target and Sam’s Club, which, like Costco, are two of this country’s largest discount retailers, *see Costco Retail Indus. Leaders Ass’n Br.* at 2; and
- Intel, which incorporates thousands of technologies into its products, *see Costco Intel Br.* at 2.

On the other side of the divide were:

- Fujifilm, which complained that parallel markets threaten its ability to control distribution of its products manufactured both domestically and abroad, *see Costco Fujifilm Br.* at 2;
- Seiko, which protested that application of the first-sale doctrine undermined its exclusive licensing agreements, *id.* at 3; and
- Epson, which asserted that parallel markets restrict its ability to exercise fully its patent rights, *id.*

These diverse parties obviously have diverse—and diametrically opposite—interests. But all of them agree on one proposition: It is important for this Court to resolve whether and to what extent the original owner can shut down the flow of goods in order to prop up its prices. The United States Gov-

ernment, including the Copyright Office and other federal agencies, also agreed that this Court should intervene to resolve the issue. *See Costco U.S. Br.* at 7-32.

The Second Circuit's decision has lent new urgency to the pressure to resolve this issue. Until now, no circuit has maintained that a copy made abroad can *never* exchange hands in the United States without the copyright owner's authorization. With that holding, the universe of people who can be accused of copyright violations has expanded dramatically beyond retailers and wholesalers. The average individual is now vulnerable. Simply selling one's dog-eared book to the Strand or a watch to a neighbor at a garage sale could subject an individual to liability for violating a copyright owner's distribution rights. The individual has no way to know where the product originated, but his ignorance is no defense. *See* 17 U.S.C. §§ 504, 602(a)(1). His liability pales in comparison to that of the used bookstore or local consignment shop. The Ninth Circuit has correctly observed that if an imported copy could never be subject to the first-sale defense (as the Second Circuit has held), then "every little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back." *Disenos Artisticos E Industriales S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 380 (9th Cir. 1996). The seller is subject to statutory damages ranging from \$750 to \$30,000 *per work*. *See* 17 U.S.C. § 504(c)(1). A showing of will-

fulness elevates the penalty per work to \$150,000. *See* 17 U.S.C. § 504(c)(2). This case amply illustrates how easy it is for a plaintiff to secure a massive statutory damages judgment where a court refuses to instruct the jury that a good faith belief in the validity of the first-sale defense may negate willfulness. P.A. 11-12a.

Under the Second Circuit’s position in particular, the stakes extend far beyond buyers and sellers of traditional copyrighted content. If a foreign-made copy can never be sold without authorization in the U.S., then obviously it can never be imported into the U.S. without authorization either. 17 U.S.C. § 109(a). And the exclusive right “to distribute copies” encompasses the right to block any “other transfer of ownership”—including a gift—and any “rental, lease, or lending.” *Id.* § 106(3). Thus, for reasons explained below, Netflix and Blockbuster are vulnerable. So are libraries. *See Costco Amicus Am. Library Ass’n* at 15-16.

The natural response to a parade of horrors like this is to roll one’s eyes and blithely insist, “It’ll never happen.” But if a major international publisher is willing to doggedly pursue a graduate student who sold textbooks—and crush him with a \$600,000 judgment for a willful violation and an order to turn over his computer—there is little assurance that others will exercise restraint where the rents to be extracted are far richer and the pockets far deeper.

Resolution of this issue takes on added urgency because of the impact of the decision below on the United States economy. The largest publishing and



media markets in the country are in the Second and the Ninth Circuits. Publishers—and makers of any product that might be made to bear a copyrighted insignia—confront an almost irresistible pressure to send their manufacturing abroad. The power to control the resale of goods can bring huge financial rewards, especially if (as is the case under the Second Circuit’s ruling) the owner can control their transfer in perpetuity. If an owner has that financial clout only with respect to foreign-made goods, it will only be a matter of time before huge swaths of American manufacturing migrate abroad.

This case is a good vehicle for deciding the question presented. The case comes to this Court after a full trial in which the district court flatly denied an instruction on the first-sale doctrine. P.A.9a, 76a. The defense would have been dispositive, for there is no dispute that Mr. Kirtsaeng’s family bought the products legally in Asia from someone who was authorized to sell them. The Second Circuit grappled with the issues and wrote an extensive opinion, which is subject to an equally extensive dissent. P.A. 1-43a.

In fact, this case is an even better vehicle than *Costco* was. For the reasons described above, the copyright violation in *Costco* was somewhat contrived, for watches are not traditional subjects of copyright protection and Omega placed the minuscule globe insignia on its watches only because its legal department, responding to complaints from authorized dealers in the United States, devised a stratagem to subject them to copyright laws. *Omega S.A. v. Costco Wholesale Corp.*, 2:04-cv-05443, slip

op. at 2 (Nov. 9, 2011). In contrast, the books at issue here lie at the heart of this nation’s carefully balanced copyright framework. It is no accident that this Court adopted the first-sale doctrine in a case involving books. See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). If this Court is to grapple with a possible limitation on that doctrine, it is more suitable to do so in this more traditional copyright context where the value of the copyright is more in synch with the value of the product being sold—and where the copyright misuse defense will provide no backstop on remand. See *Omega S.A.*, 2:04-cv-05443, slip op. at 2.

### **III. THE SECOND CIRCUIT’S EXTREME INTERPRETATION OF THE COPYRIGHT ACT IS WRONG.**

The Second Circuit’s interpretation of the Copyright Act is inconsistent with (A) the Copyright Act’s language and structure; (B) the use of the same language throughout the Act; (C) the historic purposes of first-sale doctrine; and (D) this Court’s opinion in *Quality King*.

#### **A. The Second Circuit’s Interpretation Is Less Consistent with the Copyright Act’s Plain Language and Inconsistent with Its Structure.**

Where, as here, a phrase “is not defined by statute,” this Court “normally construe[s] it in accord with its ordinary or natural meaning.” *Smith v. United States*, 508 U.S. 223, 228 (1993). As the prior 4-4 split of this Court confirms, the interplay be-

tween §§ 109(a) and 602(a)(1) creates an ambiguity. The lower courts have attributed the ambiguity mainly to the wording of § 109(a). *See, e.g.*, P.A. 24a; *Costco*, 541 F.3d at 986 (focusing on the “lawfully made under this title” language in § 109(a) in discussing interplay between first-sale doctrine and § 602(a)(1)); *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009) (same).

But § 109(a) is not the only culprit. Equally to blame is a latent ambiguity in § 602(a)(1). That provision speaks in categorical terms when it says that “[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute.” 17U.S.C. § 602(a)(1). The literal language seems to allow for no exceptions. But no rational court could ever conclude that there are no exceptions. Rather, there are contexts in which it is obvious that “without authority of the owner” must be interpreted to mean “without authority of the owner, *unless another provision of this Title obviates the owner’s permission.*”

For example, when 2 Live Crew parodied Roy Orbison’s song, “Oh, Pretty Woman,” that was a “fair use” under § 107. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). So was Dorling Kindersley’s reproduction of concert posters in *Grateful Dead: The Illustrated Trip*. *See Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006). 2 Live Crew’s record company can sell its CDs in the U.S., and Dorling Kindersley can sell its book in the U.S., “without authority of the owner of the copyright.” No one would suggest that identical

CDs or books could be seized from U.S. consumers and impounded as an infringement of the Orbison or Graham copyrights just because the record company or publisher manufactured them in Asia.

Similarly, Paul McCartney was allowed to sell his CD of quintessential American songs like “Be-Bop-A-Lula” and “Ain’t No Sunshine” “without authority of the owner of copyright” just by complying with the compulsory license provisions of § 115. *See* 17 U.S.C. § 115. No one would suggest that his compulsory license is valid for CDs manufactured in the U.S., but not for the ones made in England.

In each circumstance, there is a way to read the Copyright Act to support the conclusion of non-infringement: Section 602(a)(1)’s importation prohibition expressly incorporates not only the rights of § 106, but also its limitations.

Section 106 says, “[i]mportation ... is an infringement of the exclusive right of distribution under section 106.” Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the “exclusive right of distribution under section 106”—are all “[s]ubject to sections 107 through 122.” 17 U.S.C. § 106. Sections 107 through 122 are all privileges—exceptions to the prohibitions against various forms of infringement, including copying, distributing, publicly displaying, etc. So, the “exclusive right of distribution” is expressly made subject to those later sections, and the importation prohibition is dependent upon the distribution right. Q.E.D., § 602(a)(1)’s importation prohibition must also be “[s]ubject to sections 107 through 122”—

which explains why fair use and compulsory licenses are exceptions to the seemingly categorical importation bar.

Of course, § 109(a) is also a privilege that falls within “sections 107 through 122.” So, as this Court held in *Quality King*, 523 U.S. at 149, what is true of fair use (§ 107) and of compulsory licenses (§ 115) should generally be true of § 109(a). But there is something about the origins, wording, and perceived purpose of § 109(a) that makes courts reluctant to apply the same rule to § 109(a) that applies to the other privileges. Any court that acts on that reluctance is necessarily giving two different meanings to § 602(a)(1)’s prohibition against importing “*without the authority* of the owner of copyright”—concluding that some unauthorized importations are permissible and others are not or that some statutory privileges trump that provision and others do not. And because those courts are searching for a way to vindicate what they believe to be § 602(a)(1)’s categorical command, at least in this context, they search for an ambiguity in § 109(a), and find it in the phrase “lawfully made under this title.”

This case presents a competition among three possible constructions of the phrase “lawfully made under this title” in § 109(a):

1. Petitioner’s reading (embraced by the Third Circuit) is that a copy is “lawfully made under this title”—and the seller gets the benefit of the first-sale doctrine—if the copy was made “consistent with” the Copyright Act.

2. At the other end of the spectrum is the Second Circuit’s reading in this case, that a copy is “lawfully made under this title” only if it was “manufactured on United States soil.”
3. An intermediate position is the Ninth Circuit’s position, that a copy is “lawfully made under this title” only if it was “manufactured on United States soil or manufactured abroad and then sold with the copyright owner’s approval at least once after arriving on United States soil.”

The most natural reading of the phrase “lawfully made under this title” in § 109(a) is the first one. In normal parlance, a copy is “lawfully made under” a statute, if it was made in compliance with the legal principles articulated in the statute—in other words, as here, if it was made by the copyright owner itself or by someone who is authorized by the copyright owner to make it. *See* 17 U.S.C. § 106 (defining exclusive rights to include the right “to authorize”). Because Wiley owns the copyright of the textbooks at issue here, any copies it made or authorized to be made were necessarily made in compliance with the Copyright Act. Consequently, such copies were “lawfully made under this title” and subject to the first-sale doctrine.

That is exactly how this Court has interpreted the same phrase in the past. In *New York Gaslight Club, Inc. v. Carey*, 447 U.S. 54 (1980), this Court confronted the question whether a state administrative claim required under 42 U.S.C. § 2000e-5(k)

constituted a proceeding “under this title.” No one on the Court questioned the fundamental proposition that “under this title” meant “according to Title 42.” *Id.* at 61.

One would not ordinarily read the words “lawfully made under” the Act to mean “manufactured on United States soil.” There are far clearer ways to say, “made in the United States.” And one certainly would not ordinarily use those five words to signify “manufactured either on United States soil or manufactured abroad and then sold with the copyright owner’s approval at least once on United States soil.”

In fact, “[w]hen Congress considered the place of manufacture to be important ... the statutory language clearly expresses that concern.” *Sebastian Int’l*, 847 F.2d at 1098 n.1. For example, the now-expired “manufacturing requirement” provided as follows:

[T]he importation into or public distribution in the United States of copies of a work consisting predominantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada

17 U.S.C. § 601 (1976) (emphasis added). Since Congress used the phrases “under this title” and “manufactured in the United States” in the very same sentence, it obviously did not intend to give them the same meaning. Rather, § 601 contem-

plated that a work could be both protected “under this title” and manufactured abroad.

Similarly, multiple statutes use the phrase “manufactured in the United States” when that is what was intended. *E.g.*, 15 U.S.C. § 1124 (banning importation of goods that “bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States”); 19U.S.C. § 1673c(1)(2) (providing for penalties where a trading partner “no longer prevents the suppression or undercutting of domestic prices of merchandise manufactured in the United States”); 14 U.S.C. § 97(a)(1) (“the Coast Guard may not procure buoy chain that is not manufactured in the United States”).

**B. The Second Circuit’s Interpretation Is Inconsistent with Other Uses of the Same Phrase in the Copyright Act.**

Of course, “[a] provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme—because the same terminology is used elsewhere in a context that makes its meaning clear, or because only one of the permissible meanings produces a substantive effect that is compatible with the rest of the law.” *United Sav. Ass’n v. Timbers of Inwood Forest Assocs, Ltd.*, 484 U.S. 365, 371 (1988) (internal citations omitted). Other uses of the phrase “lawfully made under this title” confirm that Petitioner’s straightforward definition makes perfect sense, and the Second Circuit’s definition produces a substantive effect that is utterly incompatible with the rest of the law.



For example, § 106(5) grants the copyright owner the exclusive right “to display the copyrighted work publicly” subject to the limitations in §§ 107 through 122. One such limitation is § 109(c)—just two subsections away from § 109(a)—which provides that the owner of a particular physical copy “lawfully made under” the Copyright Act may publicly display it. Under the Second Circuit’s interpretation of that phrase, the proprietor of a café in Buffalo could purchase a photograph of Niagara Falls printed in Niagara Falls, New York and display it without fear. But if the same photograph was printed in Niagara Falls, Ontario, she would not be allowed to hang the photo without permission, even though she has legitimate and unquestionable legal title to the copy. Under Petitioner’s more natural reading of the phrase “lawfully made under” the Act, there would be no such asymmetry. Each version of the photo—regardless of where printed—would be subject to the first-sale doctrine and the purchaser could display it freely.

Equally nonsensical consequences result from applying the Second Circuit’s definition to requirements introduced into Title 17 by the Audio Home Recording Act (“AHRA”), 17 U.S.C. §§ 1001 et seq. The AHRA regulates the importation and distribution of audio recording devices and media and requires manufacturers, importers, or distributors of such products to pay royalties to copyright owners. Section 1006 provides that royalties shall be distributed to those whose musical works or sound recordings have been “embodied in a digital musical recording or an analog musical recording *lawfully made under this title* that has been distributed.” *Id.*

§ 1006(a)(1)(A) (emphasis added). Under the Second Circuit’s interpretation, that would mean that royalty payments would be distributed only for compact discs manufactured in the United States. But § 1004 expressly provides for payment of royalties on “each digital audio recording medium imported into and distributed in the United States, *or* manufactured and distributed in the United States.” *Id.* § 1004(b) (emphasis added). The two provisions were enacted at the same time and obviously were intended to be read in harmony. Only Petitioner’s interpretation of that phrase—and certainly not the Second Circuit’s—accomplishes that objective.

To take one last illustration, consider § 109(e). There, Congress directed that “the owner of a particular copy of [a video arcade] game *lawfully made under this title*[] is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment.” *Id.* § 109(e) (emphasis added). Congress inserted this provision in 1990 to overrule *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, § 803, 104 Stat. 5089, 5136 (1990); U.S. Copyright Office, DMCA Section 104 Report 25 n.54 (2001). In *Red Baron*, the video game circuit boards were manufactured and sold in Japan, and the players played them here after they were imported into the United States. The Fourth Circuit held that the first sale doctrine did not apply—not because of a foreign manufacture, but because the first sale doctrine limited only the distribution right (and thus, according to that court, did

not exhaust the owner's ability to control all subsequent public performances). *Id.* at 280-81.

The whole point of § 109(e) was to overrule *Red Baron* by applying the exhaustion principle to public performances of all arcade games “lawfully made under this title.” That result would be achieved under Petitioner’s interpretation of those words—but not under the Second Circuit’s interpretation. Under the Second Circuit’s interpretation, “the owner of a particular copy of such a [video arcade] game” would *not* be “entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment” unless the copy was made in the United States. That would mean that the copyright owners of the Japanese arcade game in *Red Baron*, itself, would continue to this day to have the right to restrict public performance of those games even after sold and shipped to the United States. *See also* P.A. 22a (noting that the panel majority’s conclusion—that “under this title” means “made in the United States”—conflicts by its terms with 17 U.S.C. § 104, which states, *inter alia*, that works “first published ... in a foreign nation” are entitled to protection “under this title”).

### **C. The Second Circuit’s Interpretation Is Inconsistent with the Historical Purpose of the First-Sale Doctrine.**

The first-sale doctrine traces its roots back to this Court’s opinion in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). This Court rejected the notion that the exclusive right to vend then in existence

“vested the whole field of the right of exclusive sale in the copyright owner.” *Id.* at 349. This Court held that “the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose ... a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.” *Id.* at 350. At the heart of the first-sale doctrine is an exhaustion principle: Once a copyright owner has distributed a product, his exclusive right to distribute is not infringed by a resale. *Id.* The reason is that “[t]he owner of the copyright [has already sold] copies of the book in quantities and at a price satisfactory to it. It has [thus] exercised the right to vend.” *Id.* at 351. The owner gets one sale.

This is precisely what happened here. Wiley’s Asian subsidiary sold its works overseas and a purchaser resold them in the United States. Because Wiley “sold copies of the book in quantities and at a price satisfactory to it,” its distribution rights under United States copyright laws were exhausted.

Congress codified the *Bobbs-Merrill* holding the very next year in a statutory provision that unambiguously applied the first-sale doctrine to “any copy of a copyrighted work the possession of which has been lawfully obtained”—without regard to origin. Copyright Act of 1909, Pub. L. No. 60-349, § 41, 35 Stat. 1075 (1909). And until 1976, when § 602 was enacted, no subsequent statutory formulation ever suggested that the first-sale doctrine should apply differently depending upon the origin of the copies sold.

The understanding has always been that once a consumer legally comes into possession of a copy of a book, he can sell it, lend it, or dispose of it as he sees fit. He does not have to secure a license from the copyright owner to do so. Indeed, it is through a common reliance upon these bedrock principles that communities across this country have embraced and cultivated our nation's cherished rites of friendship (the loaned book) and weekend markets (garage sales).

The Second Circuit's reading of the statute grants the copyright owner exactly the right this Court rejected in *Bobbs-Merrill*—but only for copies that are made abroad. So long as the good is made abroad, the copyright owner enjoys unlimited downstream control over all uses of that copy. For that one category—foreign-made copies—the Second Circuit grants the copyright holder eternal control. The Second Circuit's extreme interpretation eviscerates the whole concept of exhaustion. It affords copyright owners not just one opportunity to sell their works at a bargained-for price, but perpetual control, even after the copyright owner has approved a sale in this country.

The consequences are astounding:

- One or two big movie producers, like Sony or Universal, could demolish movie rental services like Netflix and Blockbuster through the simple device of manufacturing DVDs in Mexico. Sony would then have a permanent veto power on any further rental of the foreign-made DVD, for the copyright owner's

“exclusive right[] to ... distribute” includes the exclusive right to “rent[]” or “lease.”

- A car manufacturer could prohibit or control resales of all automobiles. It would simply have them manufactured abroad and be sure to include onboard computer systems containing copyrighted software (or, as in *Costco*, a copyrighted emblem).
- As discussed above, libraries could not safely circulate books printed abroad for the copyright owner’s “exclusive right[] to ... distribute” includes the exclusive right to “lend[]”—even for free.
- Used booksellers would be hobbled as well. Not only would they be prohibited from reselling books that were made abroad, but they could not safely sell almost any book without verifying where it was printed.

Dozens of equally perplexing and troubling scenarios flow naturally from the Second Circuit’s interpretation. Any one of these consequences would be anathema to the very concept of a first-sale doctrine. All of them together make a compelling case against the Second Circuit’s reading.

Petitioner’s interpretation of § 109(a) is much more consistent with the origins of the first-sale doctrine. It would allow the copyright owner to have complete control over the release of a copy into the marketplace. And it would protect the copyright owner from piracy, for pirated copies could never be

considered “lawfully made under” the Copyright Act. Finally, Petitioner’s interpretation would give domestically made copies no less status than foreign-made copies. In short, it would do everything that the first-sale doctrine was designed to do, without any of the untoward consequences.

**D. The Second Circuit’s Opinion Misap-  
prehends § 602(a)(1) and Misreads *Qual-  
ity King*.**

The Second Circuit based its contrary reading on two points, captured in the following sentence: “[W]e think it best to adopt an interpretation of § 109(a) that best comports with both § 602(a)(1) and the Supreme Court’s opinion in *Quality King*.” P.A. 24a.

The Second Circuit’s point about the scope of § 602(a)(1) began from the premise that the provision was “obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item.” P.A. 24-25a. Based on that premise, the court concluded that “the mandate of § 602(a)(1) ... would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad” so long as the works were made consistent with the Act. P.A. 25a. The fallacy in the court’s logic was that the conclusion does not flow from the premise. It is one thing to say that Congress wanted to give copyright holders “some flexibility” to divide up international markets, even if that meant engaging in price discrimination against U.S. citizens. It is quite another to say the Congress intended to prevent in-

ternational markets from responding to price discrimination the way markets routinely do.

Section 602(a)(1) has multiple applications even where the first-sale doctrine applies generally to works manufactured and then sold abroad with the copyright owner's authorization. One application is to facilitate copyright holders who are intent on dividing up markets—but only up to a point. Section 602(a)(1) applies where the copyright owner has divided up the international market into exclusive geographic areas, but one of its licensees violates the deal. Imagine, for example, the owner of a copyright on books, who grants Brit Publishing the right to publish in England and Yankee Publishing the right to publish in the U.S. Imagine further that Brit Publishing starts exporting its copies and selling them directly into the U.S. That is obviously a violation of his contract with the owner. But it is also an act of infringement, which is subject to all the remedies under the Copyright Act, including injunctive relief, disgorgement of the infringer's profits, statutory damages, impoundment of the infringing articles, as well as costs and attorneys fees to the prevailing party. *See* 17 U.S.C. §§ 502-05.

Beyond that, § 602(a)(1) also provides remedies against various forms of piracy. The provision obviously applies to counterfeit works—giving the copyright owner the power to enjoin any work made by someone who was never authorized to make the work. It also provides remedies in a variety of situations where the importer is not the owner of the copies and there has not yet been a first sale. For example, if the shipper of the copyrighted goods tried



to divert the shipment from its intended foreign pier and instead brought the goods to the United States, without the authorization of the copyright owner, § 602(a)(1) would subject that shipper to a claim for infringement. The first-sale doctrine would not apply to this bailee. Similarly, a company that leases original artwork from a copyright owner to display in its office space abroad would be barred by § 602(a)(1) from importing that artwork into the United States; again, the first sale doctrine would not apply to this lessee.

Understood this way, § 602(a)(1) is not at war with the first-sale doctrine. In each of these infringing scenarios, there was no first sale authorized by the copyright owner—whether domestically or abroad. And § 602(a)(1) operates with full force.

The Second Circuit was equally wrong about *Quality King*. That case affirmatively supports Petitioner’s reading of the statute—and indeed rebuts the very position the Second Circuit took regarding § 602(a)(1). As noted above, in *Quality King*, this Court recognized that § 602(a)(1) and § 109(a) are easily reconciled insofar as § 602 derives from § 106 and § 106 is subject to the limitations of § 109. By syllogism then, § 602 is also subject to § 109. See *Quality King*, 523 U.S. at 145; *supra* at 20.

The Second Circuit also failed to recognize that *Quality King* expressly rejected its concern that application of the first-sale defense to imports would render § 602(a)(1) meaningless. Such a contention, this Court explained, rests on the faulty “assumption that the coverage of [602] is coextensive with the

coverage of Section 109(a).” *Id.* at 148. In fact, § 602(a)(1) is “broader because it encompasses copies that are not subject to the first sale doctrine.” *Id.* at 146-47. That includes copies that are pirated as well as those that have never been sold (e.g., copies held by lessees, bailees, or consignees). *Quality King*, 523 U.S. at 147. Accordingly, *Quality King* affirmatively supports Petitioner’s reading of §§ 602(a)(1) and 109(a).

The Second Circuit concluded that *Quality King* supported the opposite position only by fixating upon—and misreading—dictum in a hypothetical that this Court posed. P.A. 17-20a. That hypothetical envisioned an author dividing exclusive distribution rights between American and British publishers. It is the Brit Publishing/Yankee Publishing scenario described above—a situation where a copyright owner grants an overseas publisher the right to distribute its products, but only outside the United States. This Court observed that “[t]he 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).” *Quality King*, 541 U.S. at 148 (emphasis added). That is exactly right. In that scenario, the copyright owner has not conferred on Brit Publishing a U.S. copyright immunity. The copies exported by Brit Publishing headed for the U.S. for a first sale have not triggered § 109(a) and are still subject to § 602(a)(1). The Second Circuit was wrong to surmise that the hypothetical’s salient feature was a condition never referenced in it (place of manufacturing) rather than one that was (lack of a sale).

The exercise of statutory construction at the intersection of §§ 109(a) and 602(a)(1) presents a stark choice. Under the Second Circuit’s interpretation, Congress intended to make all copies manufactured on foreign soil more valuable than those manufactured domestically. In effect, § 602(a)(1) trumps § 109(a) despite the structural and textual cues strongly indicating the contrary, and despite the complete implausibility of the notion that Congress intended to send countless manufacturing jobs overseas. Under Petitioner’s (and the Third Circuit’s) interpretation, Congress intended to give copyright owners a significant right—a very big stick with which to enforce their territorial contracts with worldwide distributors—but did not deliberately disadvantage domestic production of copyrighted works and at the same time grant all copyright owners the right to extract endless rents from U.S. consumers in order to subsidize their ability to generate expatriate profits. The latter is a much more plausible set of intentions to attribute to Congress.

This Court should reaffirm the principle it first announced more than a century ago in *Bobbs-Merrill*, which Congress immediately and strongly approved and from which it has never retreated. If the current Congress prefers to send manufacturing jobs overseas and force U.S. consumers to pay for the development of foreign copyright markets, it can swiftly correct the problem.

## CONCLUSION

For these reasons, this Court should grant certiorari.

Respectfully submitted,

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December 5, 2011