

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSANG
d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

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

**REPLY IN SUPPORT OF PETITION FOR
WRIT OF CERTIORARI**

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ARGUMENT

I. THE SCOPE OF THE FIRST-SALE DOCTRINE IS CERT-WORTHY AND IMPORTANT.

The Petition revolves largely around a single proposition, which is captured in the first sentence of the “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).” Searching for any acknowledgment of these facts in Wiley’s Brief in Opposition is like trying to find a needle in a haystack. (Hint: Study the footnotes.) But Wiley cannot change the legal conclusions that flow from these facts. The issue is indeed cert-worthy.

Wiley parses the lower court cases and treatises in an effort to demonstrate that the issue is not in fact worthy of the Court’s attention. *See* Opp. 13-18. Yet, when this Court grants certiorari on an issue, by definition that means the issue must be cert-worthy. Wiley’s advocacy—mistakenly asserting a “consensus view of courts and commentators for almost 30 years,” Opp. 13—amounts to little more than an indelicate assertion that this Court was misguided when it granted certiorari in *Costco*. After all, this Court granted certiorari 27 years into that purported history and at a point at which only one circuit had published a definitive ruling on the question presented.

The reasons for granting certiorari in *Costco* have not faded with the passage of a couple of years. Now, as then, the answer to the question presented is extraordinarily important to wide swaths of the business community. Notably, Wiley does not dispute this much. It says not a word in quarrel with the sections of the Petition summarizing all the businesses that have a stake in the answer to this question—from retailers to wholesalers, booksellers to watch sellers, software companies to car companies, librarians to consumers. Pet. 12-13, 28-29. Nor can Wiley dispute the sheer magnitude of the stakes—valued in the billions of dollars. Pet. 11.

All Wiley says on this point is that “it has now been almost three years since the Petition for certiorari was filed in *Costco*,” “[y]et the supposedly adverse consequences ... have yet to materialize.” Opp. 26 n.6. But the single most important adverse consequence—the legal bar on a huge stream of commerce—obviously has materialized, at least on the West Coast and, if certiorari is denied, in New York and throughout the Second Circuit. The rest of the adverse impacts are bound to materialize over time unless and until this Court intervenes.

Now, as when this Court granted certiorari, there is considerable doubt as to the correctness of the judgment below. Here, Wiley does quarrel. Opp. 18-25. Yet, all of Wiley’s arguments as to the correctness of the Second Circuit’s ruling fail to overcome the simple reality that half of the Justices believe it was wrong.

Since the last time this Court granted certiorari, two things have happened—both of which make this case even more cert-worthy than before. The first relates to the degree of uncertainty then versus now. Wiley is just plain wrong in asserting that there was some 30-year consensus as to what the law was when this Court granted certiorari in *Costco*. Opp. 13. The law about the scope of § 109 was sufficiently unclear that this Court granted certiorari to resolve the issue in *Quality King Distrib. v. L’Anza Research Int’l*, 523 U.S. 135 (1998)—although it ended up resolving the issue only as to so-called round-trip goods. While Wiley offers one reading of *Quality King*, it does not dispute that the alternative reading is reasonable. Pet. 17-34. And while Wiley cites two scholars supporting its view of the law, it neglects to mention that both of them support Petitioner’s account of the post-*Quality King* state of play. Nimmer observes: “The remarkable upshot is that [the] unanimous Supreme Court opinion [in *Quality King*] has now addressed the copyright gray market, *without leaving any clear guidance* as to what the status is of pedestrian gray market goods manufactured abroad and sought to be imported into the United States.” Melville B. Nimmer & David Nimmer, 2-8 *Nimmer on Copyright* § 8.12(B)(6)(c) n.456 (2011) (emphasis added). Consequently, as Patry explains, there was “disarray in the lower courts.” 4 William F. Patry, *Patry on Copyright* § 13:44 (2011). But the grant of certiorari in *Costco* raised “the hope ... that resolution would finally come to this tortured realm.” Nimmer, *supra*, § 8.12(B)(6)(d). “Tortured realm” is the opposite of a 30-year consensus.

The uncertainty back then pales in comparison to the uncertainty that abounds now that this Court split 4-4. As Nimmer observes, “That 2010 affirmation, if anything, casts more doubt than reassurance on the correctness of *Omega’s* reasoning.” *Id.* Even if there had been a 30-year consensus among lower courts and commentators, that consensus would be utterly meaningless to the businesses making real-life decisions about how to invest their money, how to structure their operations, and what products to buy and sell. Those businesses know that the lower courts and commentators will not be deciding their fate. This Court will. And the moment this Court announced that its decision is on a razor’s edge, it put all these businesses there as well.

The second event that occurred since this Court granted certiorari in *Costco* was the Second Circuit’s decision in this case. As the petition explains—and Wiley acknowledges—back when this Court accepted *Costco*, the Ninth Circuit had come out one way (in *Costco* and other cases) and the Third Circuit had previously published a widely cited opinion expressing “uneasiness” with that position. *See Sebastian Int’l, Inc. v. Consumer Contacts (PTY) LTD*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988).

Wiley asserts that “[t]here is no basis for Petitioner[] to claim” that the Third Circuit was in conflict with the Ninth. Opp. 16. But lower courts certainly have seen a basis for reading the Third Circuit’s opinion as an indication of how that court would resolve the question. *See Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412 (S.D.N.Y. 2009); P.A. 36-37a (Murtha, J., dissenting), 58-59a (district

court opinion). Moreover, the Third Circuit, itself, embraced the same position in an explicit holding in *Okocha v. Amazon.com*, 153 F. App'x 849, 849-50 (3d Cir. 2005). In that case, a copyright owner sued Amazon.com for copyright infringement in connection with the domestic sale of books that were unquestionably manufactured in Nigeria. *Id.* at 851. Nevertheless, the Third Circuit held that “Amazon.com did not interfere with [the copyright owner’s] exclusive right to distribute his book because reselling a copy of a previously purchased book does not infringe upon the right of distribution.” *Id.* at 850-51.

Thus, Wiley is mistaken when it asserts that “[e]very court of appeals to decide the issue has agreed that the first sale doctrine in Section 109(a) does not apply to copies manufactured abroad, at least where (as here) the copy at issue has not been subject to any domestic sale authorized by the copyright holder.” Opp. 13. While the Third Circuit chose not to publish the opinion, there is little doubt that future panels and lower courts will think twice before departing from both the dictum in *Sebastian* and the explicit holding in *Okacha*. That is presumably why this Court considers unpublished opinions in deciding whether to grant certiorari. *See, e.g., Hall Street Associates v. Mattel Inc.*, 552 U.S. 576, 583 n.5 (2008) (describing a split among the circuits by citing the unpublished opinion of one court and dicta from another); *see also* Eugene Gressman et al., *Supreme Court Practice* 263 (9th ed. 2007) (“[A]n unpublished or summary decision on a subject over which courts of appeals have split” signals “a persistent conflict.”).

The Second Circuit’s decision compounds the split, further fueling the uncertainty. Wiley does not—and cannot—dispute that the Second Circuit explicitly rejected the Ninth Circuit’s rationale en route to its conclusion that the first-sale doctrine is inapplicable. Pet. 26a. Nor does Wiley dispute that the Second Circuit’s substitute rationale has vastly more far-reaching ramifications. Thus, while it is technically true that the Second Circuit did not formally “hold[] that foreign-made copies are *never* subject to Section 109(a),” Opp. 17, Wiley does not explain how a subsequent panel could reach any other conclusion and remain faithful to the simple logic of the Second Circuit’s opinion in this case. The dissent certainly believed that was the inescapable conclusion of the majority’s rationale. P.A. 40a.

Though ignoring these critical considerations, Wiley at least acknowledges that this case presents the perfect vehicle for deciding the issue. Opp. 29-33. In contrast with *Liu*, which arrives at this Court saddled with a host of jurisdictional questions arising from its interlocutory origin, this appeal comes to this Court after a full trial in which the district court denied jury instructions on the first-sale defense, so that the legal issue is clearly outcome determinative as presented on this fully developed record.

II. WILEY’S ARGUMENTS ON THE MERITS ARE UNRESPONSIVE AND UNPERSUASIVE.

The Petition’s discussion of the merits revolves around two propositions that Wiley never even mentions. First, Wiley does not address the point that

the Second Circuit interprets the Copyright Act in a manner that is fundamentally at odds with the structure of the Act and creates obvious inconsistencies in its application. Second, Wiley does not dispute, or even address, the far-reaching consequences of the decision below—consequences that gut the established doctrine of exhaustion. Instead, Wiley puts all its eggs in the extraterritorial basket. But Wiley’s argument that Petitioner seeks an impermissible extraterritorial application of the U.S. Copyright Act is based on a fundamental misunderstanding of copyright law that this Court rejected in *Quality King*.

As the Petition explains (at 8, 19-20, 32), and *Quality King* confirms, § 602(a)(1), as a subset of § 106’s right of distribution, is explicitly subject to the limitations and rights set forth in §§ 107 through 120. *Quality King*, 523 U.S. at 149-50. Among those limitations are fair use (§ 107), compulsory licensing (§ 115), and the first-sale doctrine (§ 109(a))—all on equal footing. Wiley does not resolve the central paradox of its position: Fair use and compulsory licensing indisputably trump the importation right of § 602(a). How could it be that the first-sale doctrine of § 109(a) does not?

Wiley is silent because the puzzle has no solution. Provisions that stand on equal statutory footing must have the same statutory consequence. See *Ali v. Federal Bureau of Prisons*, 552 U.S. 214, 222 (2008) (construction of a statutory term “must, to the extent possible, ensure that the statutory scheme is coherent and consistent”). That must mean that § 109(a) must be treated and applied in the same

way as the other provisions of §§ 107 through 120. And that, in turn, must mean that the first-sale doctrine applies to works manufactured abroad in the same way as the fair use doctrine does: When the effects are both felt and adjudicated in the United States, then both the protections and the exemptions of the Copyright Act apply. Since Wiley has no solution to this puzzle, its reading cannot be correct.

Wiley also does not dispute the far-reaching implications of the Second Circuit's decision, implicitly admitting that the Second Circuit's holding eradicates the long-standing principle of exhaustion with respect to foreign-made works. As set forth in the Petition, and unlike the Ninth Circuit's position on the issue, the Second Circuit's decision allows no possibility that the copyright in foreign-made works will ever be exhausted; they are never subject to the first-sale doctrine and as a result the original owner may trace them forever, through sale, rental, loan and gift. In fact, the Ninth Circuit, in choosing a different path, has acknowledged that such a ruling would go too far, noting that if imported copies were never subject to the first-sale defense, 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). Wiley has no response to this never-ending downstream control and makes no attempt to reconcile the Second Circuit result with the teachings of this

Court in *Bobbs-Merrill Co. v. Strauss*, 210 U.S. 339, 351 (1908) (“To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute ...”); cf. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008) (“The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.”).

All Wiley offers is that this was not the Second Circuit’s actual holding, because “this case does not involve an authorized domestic sale.” Opp. 26. But Wiley does not dispute that this was what the Second Circuit intended, that the dissent raised alarms about that conclusion, P.A. 40-42a, or that future panels faithfully applying the court’s logic will have no choice but to reach the same conclusion.

Rather than address these crucial points, Wiley waves the specter of extraterritoriality, arguing that “[i]t has long been established that the Copyright Act does not apply outside the United States, and thus the foreign production of a copy for distribution exclusively abroad does not implicate any of the exclusive rights granted by the Copyright Act.” Opp. 18. This argument, however, is based on a misunderstanding of both the concept of extraterritoriality and the copyright laws. An extraterritorial application of the Copyright Act would be an effort to force foreigners to comply with U.S. copyright norms in their own countries *with respect to goods that never make it into the United States*. But there is nothing inappropriate about a law that reaches only products

that enter the U.S. market. And there is nothing extraterritorial about attaching consequences in the U.S. market to conduct committed abroad.

This Court made exactly that point in *Quality King*, when it held that certain precedent acts may occur outside the U.S. without causing any extraterritorial application of the Copyright Act. As the Court explained, the “owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)’s ‘acquired abroad’ language does.” *Quality King*, 523 U.S. at 145 n.14. This principle applies with equal force if the work is manufactured abroad. *See* 17 U.S.C. § 104(b)(2).

Notably, the Second Circuit rejected Wiley’s extraterritorial argument, acknowledging that the issue is “more complicated than Wiley allows, since certain provisions of Title 17 explicitly take account of activity occurring abroad.” P.A. 22a. As the court below observed: “[B]ecause § 104(b)(2) provides that copyright protection can apply to works published in foreign nations, it is possible to interpret § 109(a)’s ‘lawfully made under this title’ language to mean, in effect, ‘any work that is subject to protection under this title.’” *Id.* As such, the place of manufacture in this instance has no bearing on whether U.S. copyright law is applicable; what matters is whether the copy finds its way into the United States.

Even more mystifying is Wiley’s assertion that Petitioner may not seek protection “under both” U.S.

and foreign law. Opp. 20-21. That is exactly what Wiley is trying to do. Wiley argues that works manufactured abroad can only be considered creatures of foreign copyright (and thus the first-sale doctrine does not apply), but then, when the works arrive in the United States, Wiley calls on U.S. law to assert infringement. This have-your-cake-and-eat-it-too approach certainly was not what Congress intended and it is not mandated by any principle of extraterritoriality, particularly where the U.S. Copyright Act and the applicable foreign treaties seek to avoid such a result.

In the end, this whole discussion of the merits just confirms the central point of the Petition. The first-sale doctrine is a morass of conflicting provisions and policy concerns. Only this Court can straighten out the mess. And having heightened the confusion by splitting 4-4, it is important for this Court to do so sooner rather than later.

CONCLUSION

For these reasons, this Court should grant certiorari.

Respectfully submitted,

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