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Supreme Court Holds That "First Sale" Provision Applies to Copies of Copyrighted Works Lawfully Made Abroad

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The Supreme Court of the United States yesterday held that the first sale doctrine codified at § 109 of the 1976 Copyright Act permits the lawful owner of a copyrighted work manufactured abroad to import and sell that work in the United States. *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697 (U.S. Mar. 19, 2013). Specifically, by the 6-3 majority, the Court held that copies of copyrighted works manufactured abroad with authorization from the copyright holder are "lawfully made under" the Act, and therefore that 17 U.S.C. § 109 excepts those copies from § 602(a)(1)'s prohibition against "[i]mportation into the United States, without the authority of the owner of copyright . . . of copies . . . of a work that have been acquired outside the United States." Slip Op. at 2.

Supap Kirtsaeng, a native of Thailand pursuing a degree at Cornell University imported and sold in the U.S. over 600 copies of copyrighted textbooks that his friends and family had purchased for low prices in bookstores in Thailand, keeping as profit the difference between the sale price of the textbooks in Thailand and their price in the U.S. Slip Op. at 5 & (Ginsburg, dissenting) 6. Those textbooks were manufactured in Thailand by the respondent publishing company, Wiley, and sold there with its permission. *Id.* slip op. at 5. However, a notice printed on the textbooks specified that they were not to be imported into the United States without Wiley's permission. *Id.* at 4. The district court and the U.S. Court of Appeals for the Second Circuit held that the "first sale" provision of the Copyright Act did not prevent Wiley from pursuing a copyright infringement action against Mr. Kirtsaeng for his importation and sale of the copyrighted textbooks because they were not "lawfully made under" the U.S. Copyright Act, as they had been made in Thailand and, therefore, § 109 did not apply.

A majority of the Supreme Court disagreed, holding instead that "lawfully made under" in §109 means "in accordance with" or "in compliance with" the Copyright Act, regardless of the location in which the manufacturing takes place. *Id.* at 8. Writing for the majority, Justice Breyer (joined by justices Roberts, Thomas, Alito, Sotomayor, and Kagan) concluded that a literal reading of the statutory language compelled the conclusion that § 109 does not contain a geographical limitation, slip op. 8-12, and that the legislative history and statutory context also supported that conclusion. *Id.* at 12-15. The Court next found that this reasoning was consistent with the common law, which

placed a premium on buyers' freedom "to compete with each other when reselling or otherwise disposing of" goods, and found that a law permitting a copyright holder to control the resale or disposition of a copyrighted work is at odds with the common law's refusal to permit restraints on the alienation of chattels. *Id.* at 17–18. "The common-law doctrine makes no geographical distinctions," the majority stated. *Id*. at 18.

Following its analysis of the statute and legislative history and context, the Court turned to analysis of policy considerations and concluded that inclusion of a geographic limitation in § 109 would be impractical for libraries, technology companies, and retailers that may have to obtain permission from copyright owners to import copyrighted works produced abroad or display or sell them in the United States. *Id.* at 23. The Court then dismissed as dicta its earlier statement in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*, 523 U.S. 135 (1998), that only copies of works made in the United States fall within the scope of § 109's "first sale" exception. Id. at *27*. Finally, the Court rejected the argument that a non-geographical interpretation would make it impossible for copyright holders to divide foreign and domestic markets, finding that there is "no basic principle of copyright law that suggests that publishers are especially entitled to such rights," and that determining whether "copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide." *Id.* at 31–32.

Concurring with the majority, Justice Kagan, joined by Justice Alito, wrote separately to express the view that *Quality King*—which held that the first sale doctrine applies to U.S.-made copies of copyrighted works sold abroad and re-imported—may have been wrongly decided. *Id*. at 1–3 (Kagan, J., concurring). "Had we come out the opposite way in that case, § 602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine." *Id.* at 2. The concurring opinion suggested that Congress should legislatively overrule *Quality King* if it disagrees with the practical result of yesterday's decision. *Id*. at 4.

Dissenting, Justice Ginsburg, joined by Justice Kennedy and, in part, Justice Scalia, wrote that the majority's decision conflicted with Congress's expressed intention in § 602(a)(1) of the Copyright Act to reserve copyright holders' right to exclude from importation copies of their works manufactured abroad. *Id.* at 1–12 (Ginsburg, J., dissenting). ("The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made copies of their copyrighted works."). Following an extensive review of the legislative record leading up to the 1976 Act (which portion of the dissent was not joined by Justice Scalia), Justice Ginsburg concluded that it confirmed her reading of the plain text of the Act. *Id*. at 13–18. Finally, the dissent criticized the majority for adopting a principle of "international exhaustion" inconsistent with the stance taken by the United States in international trade negotiations, *id*. at 18–23, stating that the Court's decision "risks undermining the United States' credibility on the world stage," *id.* at 22.

> While the Government has urged our trading partners to refrain from adopting international-exhaustion regimes that could benefit consumers within their borders but would impact adversely on intellectual-property producers in the United States,

> the Court embraces an international-exhaustion rule that could benefit U.S. consumers but would likely disadvantage foreign holders of U.S. copyrights. This dissonance scarcely enhances the United States' 'role as a trusted partner in multilateral endeavors.'

Id. at 22-23 (citation omitted).

The opinion can be found here.

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