

Intellectual Property Alert

March 22, 2013

The “First Sale” Doctrine Applies to Copyrighted Works Lawfully Made Abroad

On March 19, 2013, the Supreme Court issued an opinion in *Kirtsaeng v. John Wiley & Sons Inc.*, No. 11-697, bridging the divide between circuits on whether the “first sale” doctrine, set out in 17 U. S. C. § 109(a), extends to copies of a copyrighted work manufactured outside the United States. In a 6-3 decision, the Court ruled that “the ‘first sale’ doctrine applies to copies of copyrighted work lawfully made abroad.”¹

In *Kirtsaeng*, Plaintiff John Wiley & Sons, Inc., a U.S. based publisher of college textbooks, sued Supap Kirtsaeng for copyright infringement² in the Southern District of New York. Kirtsaeng, a citizen of Thailand, emigrated to the United States to attend graduate school. While in the United States, Kirtsaeng helped finance his education by having his family and friends abroad purchase and ship copies of English textbooks manufactured and sold abroad by a Wiley subsidiary. Kirtsaeng then resold the textbooks online in the United States at higher prices.

Wiley claimed that Kirtsaeng’s importation and subsequent resale of Wiley’s books without permission infringed its exclusive right under 17 U. S. C. §106(3) to distribute copies of its books. Kirtsaeng attempted to defeat Wiley’s infringement claim by asserting the first sale doctrine, a longstanding principle of copyright law (codified at 17 U.S.C. § 109(a)) that permits the lawful owner of a copyrighted work to resell or otherwise dispose of the work without the permission of the copyright owner.

The District Court held that the first sale doctrine does not apply to works manufactured outside the U.S.,³ and the jury found Kirtsaeng liable for willful infringement.

On appeal, the 2nd Circuit affirmed the District Court’s ruling on the first sale doctrine by a 2 - 1 vote. The majority pointed out that the first sale doctrine applies only to “the owner of a particular copy . . . lawfully made under this title.”⁴ To the majority, this meant the first sale doctrine does not apply to copies of American copyrighted works made overseas, but only to those copies made domestically.

The 2nd Circuit’s interpretation of the doctrine conflicts with decisions from other Circuits. The 3rd Circuit suggested in dictum that the first sale doctrine covered all non-piratical copies of works manufactured abroad.⁵ The 9th Circuit, however, follows the rule that the first sale doctrine applies only to copies

¹ *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, slip op. at 3 (Mar. 19, 2013).

² 17 U.S.C. §§106(3), 602 (a)(1).

³ *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at*9 (S.D.N.Y. Oct. 19, 2009).

⁴ *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 216 (2d Cir. 2011).

⁵ *Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988).

lawfully made in the U.S. The 9th Circuit has an exception to this rule permitting the first sale defense to copies lawfully made outside the United States but initially sold in the United States with the copyright owner's permission.⁶

Kirtsaeng provided the Supreme Court the opportunity to resolve this conflict among circuits and clarify the scope of the doctrine. The Supreme Court's decision turned on whether the words "lawfully made under this title" of §109(a) of the Copyright Act restricts the scope of the first sale doctrine geographically. The majority read the wording of §109(a) as "imposing a non-geographical limitation"⁷ This interpretation trumped Wiley's view that the phrase limits the doctrine "to copies made in conformance with the [United States] Copyright Act where the Copyright Act is applicable," not to copies made outside the United States.⁸

The majority, in an opinion authored by Justice Breyer, reasoned that the language of the provision literally favors a non-geographical interpretation; the provision says nothing about geography. In Justice Breyer's view, "neither 'under' nor any word in the phrase means 'where.'"⁹ Emphasis was placed on previous versions of the statute and the common law doctrine being silent about geography. Justice Breyer also noted that reading the geographical limitation into the provision would disruptively impact libraries, used book dealers, museums, and technology companies requiring that they obtain permission to distribute or display every book, every piece of art, or every piece of technology employing software programs manufactured overseas or risk infringement suits.

The majority dismissed the dissent's argument that the Court's opinion in *Quality King* indicated the phrase "lawfully made under this title" does not encompass works produced abroad. In the majority's view, the Court's conclusion in *Quality King* was dicta, and the phrase was neither at issue nor fully argued in that case.

The Court's decision practically implements an international sales exhaustion doctrine, continuing the legal viability of the so-called "gray market" for copyrighted works. Other areas of intellectual property law, such as the patent exhaustion doctrine, will likely be impacted by this decision. The Court currently has before it a petition that seeks clarification of whether exhaustion applies to patented products initially sold outside the United States.¹⁰

⁶ See *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1149-50 (9th Cir. 1996).

⁷ *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, slip op. at 8 (Mar. 19, 2013).

⁸ *Id.* at 7.

⁹ *Id.* at 9.

¹⁰ *Ninestar Tech. Co. v. Int'l Trade Comm'n*, U.S., No. 12-552.

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