# IP Alert: Supreme Court Decides Kirtsaeng v. John Wiley & Sons, Inc.

March 20, 2013




# Supreme Court Decides *Kirtsaeng v. John Wiley & Sons, Inc.*

By Steve S. Chang

The U.S. Supreme Court has just issued its decision in *Kirtsaeng v. John Wiley & Sons, Inc.*[1], and its holding could have consequences on international sales and trafficking of copyrighted goods. In short, the Supreme Court held that the "first sale" doctrine applies to copies of a copyrighted work lawfully made abroad. The outcome could cause copyright holders and retailers of copyrighted works to rethink their global distribution pricing strategies and could very well lead to higher prices charged on sales of copyrighted works outside of the United States. Within the United States, fans of second-hand stores, such as used book stores, are breathing a collective sigh of relief following the decision, knowing that their sales of used imported goods need not involve obtaining approval from the original copyright holder.
In the case, petitioner Kirtsaeng moved from Thailand to the United States to study mathematics, and noticed that different versions of the same textbook could be purchased cheaper in Thailand. He arranged for his friends and family to buy English-language versions of the textbooks from Thai book shops, at their lower price, and mail those books to him in the United States. He then sold those books in the United States at a profit. The respondent, John Wiley & Sons, Inc. (Wiley), sells the textbooks in question via its wholly-owned subsidiary, Wiley Asia, and also sells versions of the textbooks in the United States.
Wiley sued Kirtsaeng, accusing him of infringing Wiley's exclusive right to distribute and import its copyrighted textbooks. The legal issue boiled down to the "first sale" doctrine, which is codified in 17 U.S.C. 109(a). Section 109(a) recites the following:
Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord 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 or phonorecord. (emphasis added).
Specifically, the issue turned on whether the Thai textbook is considered "lawfully made under this title." If it were, then Wiley would have exhausted its distribution right to the copy sold in the Thai store, and the buyer (Kirtsaeng) could dispose of it as he saw fit. If the textbook were not "lawfully made under this title," then Kirtsaeng's importation and distribution would be deemed a copyright infringement.

The Supreme Court's majority opinion, authored by Justice Breyer and joined by Justices Roberts, Thomas, Alito, Sotomayor and Kagan, concluded that the phrase "lawfully made under this title" did not carry a geographic limitation, and could apply to works made in jurisdictions where U.S. laws are not applicable. The majority ultimately reached its decision by selecting the interpretation that was simpler, and most consistent with other portions of the Copyright Act. The majority reasoned that there is nothing in the language of Section 109(a) that refers to geography, and the word "under" can simply mean "in accordance with," with no geographical aspect. The majority found the non-geographical interpretation to be more palatable than the geographical interpretation, for which it identified several problems. The first problem was that the geographical interpretation appeared to render the word "lawfully" redundant, since it did not appear possible for something to be *un*lawfully "made under this title."

As for a second problem, the majority identified the complicated implications that would arise if the term "under" had a geographic requirement. Such a requirement would assume that the Copyright Act was only applicable within the United States' borders, while there are other portions of the Act that extend beyond, or at least disregard, those borders. For example, Section 104 of the Act indicates that the Act's protection includes unpublished works "without regard to the nationality or domicile of the author," and works that were first published in any one of the nearly 180 nations that have signed a copyright treaty with the United States. The Act's ban on importation of infringing items even addresses acts of infringement occurring where the Act were not applicable.

A third problem was a parade of horribles. The majority noted that, as expressed in the *amici* briefing, a geographical interpretation could wreak havoc in the used book industry, and with libraries and museums, all of which would face impossible difficulty in ascertaining whether a foreign-made book or work was "lawfully" made. The majority noted that other industries, such as the automobile industry, could suddenly face challenges as the owners of imported automobiles having copyrighted software might not have the copyright owner's authority to resell their cars.

The majority also noted that under common law, the "first sale" doctrine did not include a geographic requirement, and that the Copyright Act's legislative history did not suggest an intent to add such a condition to the doctrine.

Justice Kagan, joined by Justice Alito, offered a concurring opinion, fully agreeing with the majority, and adding a note directed to any future congressional efforts to legislatively alter the outcome of the decision. Specifically, Justice Kagan noted that the decision is logically grounded in the earlier decision the court made in *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 145 (1998). In *Quality King*, the court dealt with a buyer who purchased the copyrighted work in the United States, exported it, and then sought to bring it back into the United States. There, the court held that the copyright owner's right to prohibit importation was subject to the first sale doctrine. Justice Kagan indicated that any efforts to alter the outcome of the *Kirtsaeng* decision would have to address the holding in *Quality King* as well.

Justice Ginsburg authored a dissenting opinion, and was joined by Justice Kennedy in whole, and by Justice Scalia in part. The dissenting opinion found that the majority opinion runs counter to Congress' intent to protect copyright owners, and to its other efforts at avoiding "international exhaustion" of copyrights. The dissenting opinion also addressed *Quality King*, noting that the opinion in that case (which did not involve the same geographic question present here) included language in dictum that, if applied to the facts of the present case, would actually have led to a different result. The dissenting opinion also noted that the word "under" has a common definition meaning "in … a condition of … regulation," or "suffering … control by," and that those meanings would justify a different outcome. As for the parade of horribles, the dissenting opinion noted that there are other protections in the Copyright Act and case law that would protect the libraries, museums and used car sales.

In conclusion, the *Kirtsaeng* decision offers resolution to an issue that was left open in the 4-4 split in the *Costco v. Omega***[2]** decision in 2010. United States copyright holders will undoubtedly need to reconsider their strategies for international markets, perhaps by adjusting price differences to reduce the commercial advantage in doing what the petitioner did here, and also exploring other measures (e.g., software restrictions) to control unauthorized distribution of their copyrighted works. Retailers of used goods, however, can take relief in knowing they can continue to sell imported used goods without having to obtain approval from the original copyright owner.

[1] No. 11-697, slip op (March 19, 2013)
[2] 131 S.Ct. 565 (2010)

**Posted: March 20, 2013**