

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

**BRIEF OF AMICUS CURIAE AMERICAN
INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF RESPONDENT**

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STATEMENT OF INTEREST

Amicus curiae American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 14,000 members engaged in private and corporate practice, in government service, and in the academic community.¹ AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA has no stake in any of the parties to this litigation or in the result of this case other than its interest in seeking the correct and consistent interpretation of

¹ Pursuant to Supreme Court Rule 37.6, AIPLA certifies that no counsel for a party authored this brief in whole or in part, and that no person or entity, other than AIPLA, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. After reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the law as it relates to intellectual property issues.²

STATEMENT

1. In attempting to determine whether 17 U.S.C. §109(a)'s "first-sale" defense trumps a copyright owner's rights under Section 602(a)(1) to bar importation into the United States of legitimate foreign-made copies of its work, both the parties in this case and the Second Circuit (as well as a number of other courts) have focused on Section 109(a)'s "lawfully made under this title" phrase while ignoring the actual conduct regulated under Section 109(a): the right of an owner of a copy to "sell or otherwise dispose of possession" of a particular copy. However, under the well-established presumption against extraterritorial application of statutes, U.S. statutes regulate conduct only within U.S. borders absent a clear indication that Congress intended to regulate conduct abroad. As far as U.S. copyright law is concerned, the first conduct subject to regulation here was the unauthorized importation of

² In accordance with Supreme Court Rule 37.3(a) this brief is filed with the consent of Petitioner expressed in a letter of consent filed with the Clerk of the Court concurrently with this brief. Respondent has consented to this brief by filing a blanket consent with the Court. AIPLA provided counsel of record with notice of its intent to file this brief more than ten days prior to the due date, as required by Supreme Court Rule 37.2(a).

Respondent's foreign-made copies. (J.A. 60-61.)³ Under Section 602(a)(1), that importation constituted infringement of Respondent's distribution right, before Petitioner ever had the opportunity to "sell or otherwise dispose of" copies in the United States.

It is on this basis that the Court should affirm the Second Circuit's decision. This approach to the law avoids the adverse consequences (as well as the inapt domestic manufacturing requirement) that result from the lower court's unduly restrictive and unnecessary interpretation of "lawfully made under this title." This approach warrants a brief overview of how the statutory provisions at issue interrelate with the facts of this case.

2. The enforcement provisions of Section 602 give copyright owners the ability to make distinct business decisions concerning their works in domestic and international markets by allowing them to make and sell versions of their works outside of the United States without sacrificing domestic protection. Thus, Section 602(a)(1) permits the copyright owner to sue an unauthorized importer of copies made and authorized for sale only outside of the United States for infringement "of the exclusive right to distribute copies or phonorecords under Section 106"

³ AIPLA adopts and will use the same abbreviations set forth in footnote 2 of Petitioner's Brief.

This right to distribute is one of the “bundle” of six rights granted to a copyright owner under 17 U.S.C. § 106. It grants the copyright owner the exclusive right to distribute copies “to the public by sale or other transfer of ownership, or by rental, lease, or lending ...” 17 U.S.C. § 106(3). Congress limited the Section 106 “bundle” of rights with the exceptions and defenses found in later provisions of Title 17 as part of its balancing of interests under the Copyright Law. Thus, for instance, the distribution right is subject to the first-sale exception set forth in Section 109(a). In Section 109(a), Congress granted the owner of a copy of the protected work that was “lawfully made under this title” the right to freely “sell or otherwise dispose of the possession of that copy or phonorecord” without the authority of the copyright owner. 17 U.S.C. § 109(a).

3. In *Quality King Distribs., Inc. v. L’Anza Research Int’l, Inc.*, 523 U.S. 135 (1998) (“*Quality King*”), this Court addressed the effect of Sections 106, 109(a) and 602(a) on copies of copyrighted labels that initially were made in the United States, exported to foreign countries and eventually imported back into the United States. 523 U.S. at 139. Invoking Section 602(a), the copyright owner sued for infringement of its Section 106 distribution right. *Id.* at 140. This Court held that because the distribution right is subject to Section 109(a), the copyright owner could not rely on Section 602(a)’s ban on unauthorized importation, stating 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. Because the imported copies in *Quality King* were initially sold from the United States, however, this Court was not faced with the question of whether Congress intended to provide for the extraterritorial application of Section 106(3) and the related Section 109(a) exceptions to copies that were made and sold entirely outside of the United States. *See id.* at 154 (Ginsburg, J., concurring).

4. In this case, Petitioner Supap Kirtsraeng came to the United States from Thailand in 1997 to study, first at Cornell University and, later, in a PhD program at the University of Southern California. (J.A. 60.) During that time, he subsidized his education by reselling textbooks. (Pet. Brief at 7.) His family in Thailand purchased less expensive (and often lesser quality) versions of English-language textbooks and shipped them to Petitioner who, in turn, sold them in the United States. *Id.* at 7-8.

Among the textbooks Petitioner’s family purchased in Thailand for resale in the United States were books in which Respondent John Wiley & Sons, Ltd. owns the copyright. *Id.* at 8. All of the textbooks in question, which Respondent sold in Thailand for a fraction of the U.S. price, were manufactured outside the United States by Respondent’s Asian subsidiary. (J.A. 60.) Although the content of the Asian versions of the books is often similar or identical to the U.S. versions, the Asian versions vary in design and

supplemental content, omitting related CD-ROMS included in the U.S. versions and often employing lesser-quality printing material. (Pet. Brief at 8.) The Asian versions are marked with a legend limiting the sale of the books to a particular region outside the United States. (J.A. 63.) Because the books were manufactured outside the United States, the district court refused to allow Petitioner to invoke the first-sale defense under Section 109(a). (Pet. Brief at 9.)

The Second Circuit affirmed. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 224 (2d Cir. 2011). Characterizing the phrase “lawfully made under this title” as “an utterly ambiguous text,” *id.* at 220, the court ultimately concluded that reading a domestic manufacturing requirement into this language was necessary to avoid eviscerating the bulk of Section 602(a)(1):

“[T]he 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 copy manufactured abroad that was either made ‘subject to protection under Title 17,’ or ‘consistent with the requirements of Title 17 had Title 17 been applicable.’”

Id. at 221.

Limiting its analysis to the “lawfully made under this title” language, the Second Circuit did not consider the territorial limits on the Section 106(3) distribution right or the territorial limits on the conduct regulated by and expressly articulated in Section 109(a), namely, the right of an individual copy owner to “sell or otherwise dispose of” a copy. Accordingly, the court had no occasion to consider the effect of the presumption against extraterritoriality on “the mandate” of Section 602(a)(1).

ARGUMENT SUMMARY

AIPLA urges the Court to affirm, but on the following alternative grounds.

1. The Second Circuit correctly held that a copyright owner’s right to Section 602(a)(1) relief against unauthorized imports is not limited by the first-sale defense of Section 109(a). It did so, however, by incorrectly reading a non-existent geographical limitation into Section 109(a) that was purportedly found in the statutory phrase “lawfully made under this title.”

2. Contrary to Petitioner’s argument, the construction of “lawfully made under this title” does not provide the answer in this case because the actual conduct regulated by the first-sale defense is the right of the owner of a copy to “sell or otherwise dispose of the possession” of that copy. In construing Section 109(a)’s geographical reach, neither the court of appeals nor the parties appear to have considered the statute’s operative

language, let alone the long-recognized presumption against extraterritorial application of United States law. Under that presumption, a statute is interpreted only to regulate conduct that occurs within the United States absent a clear indication that Congress intended the statute's reach to extend abroad. Under this presumption, neither the right granted to copyright owners to control the distribution of their works under Section 106(3) nor a copy owner's defense under Section 109(a) can be based on sales or other dispositions of copyrighted works that occur wholly outside of the United States.

3. Such an extraterritoriality analysis is unnecessary for the phrase "lawfully made under this title" of Section 109(a) because the presumption against extraterritoriality applies to the reach of legislation that regulates *conduct*. Section 109(a)'s "sale or otherwise dispose of" language regulates the conduct that is the subject of that provision—*i.e.*, transactions involving copyrighted works—whereas Section 109(a)'s "lawfully made under this title" language simply refers to the *fact* that copies made abroad can be made with the consent or license of the copyright holder in accordance with the statute.

4. The result in this case is that Sections 106(3) and 109(a) of Title 17 had no bearing at all on the international sales and other distribution of the Asian versions of Respondent's textbooks in Thailand. Only when Petitioner imported those books into the United States in violation of Section 602(a)(1) did any infringement under the

Copyright Act occur. This infringement occurred *before* anyone had an opportunity to “sell or otherwise dispose of” the textbook copies within the United States, rendering the first-sale defense under Section 109(a) irrelevant.

5. AIPLA’s analysis is consistent with this Court’s decision in *Quality King*. That case did not concern copies made outside the United States, but, rather, copies that initially were sold domestically. *See Quality King*, 523 U.S. at 139. The Court held that once those copies entered into the stream of commerce through sale, the copyright owner “exhausted” its statutory right to control distribution. *Id.* at 152. Here, however, all of the sales at issue were made outside of the United States before importation of any of the copies. (J.A. 60.) To hold that “exhaustion” applies here would require a conclusion that Congress intended both Section 106(3)’s distribution right and Section 109(a)’s right to “sell or otherwise dispose of” copies to apply to transactions occurring entirely outside the United States, in direct conflict with the long-standing presumption against extraterritorial application of U.S. statutes.

6. Properly construing the Copyright Act through the lens of the presumption against extraterritoriality gives effect to the important balance of rights inherent in Section 602(a)(1) that Congress provided to copyright owners and the public at large. Section 602(a)(1) was intended to allow copyright owners to partition global markets for their copyrighted works. This is a right critical

to encouraging copyright owners to tailor their works for distribution to the public in other markets, such as developing nations, where the works and prices offered by the owner may be much different than in the United States. Similarly, the public can be assured that the copies they purchase in the United States meet the standards set by the copyright owner for the United States.

ARGUMENT

I. The “Lawfully Made Under This Title” Language of Section 109(a) Does Not Impose a Territorial Restriction; the Right to “Sell or Otherwise Dispose of Possession” Language Does.

A. Petitioner correctly maintains that “lawfully made under this title” does not impose a territorial restriction in applying the first-sale doctrine.

AIPLA agrees with Petitioner that a copy is “lawfully made under” a statute if it was made “in compliance with” or “in accordance with” the statute. (Pet. Brief at 11, 24.) AIPLA will not reiterate the myriad bases advanced by Petitioner for its conclusion that this language imposes no domestic manufacturing requirement. It is helpful, however, to amplify a few points.

First, as Petitioner points out, 17 U.S.C. § 104 expressly provides that unpublished works

anywhere in the world and published works created in “treaty-party” nations “are subject to protection” under the Copyright Act.⁴ (Pet. Brief at 30-31.) In light of this near-universal protection for originals, applying the lower court’s analysis—that “lawfully made under this title” must mean “made in the United States”—would create a disparity that Congress never could have intended. Under Title 17, originals are, in fact, “copies.” 17 U.S.C. § 101.⁵ Thus, under the express language of Section 104, foreign-made originals are copies “subject to protection” under Title 17. 17 U.S.C. § 104.

The Second Circuit’s construction would require foreign-made originals to be subject to the first-sale exception of Section 109(a) because they are, by definition, “made under this title.” At the same time, this construction also means that foreign-made *copies* of those foreign-made originals would fall outside Section 109(a) because they are not manufactured on U.S. soil. The consequence of this construction is that the purchaser of a foreign-made original would be free to sell or otherwise dispose of that original; the purchaser of a copy, on the other hand, would be subject throughout the

⁴ As discussed *infra*, although a work may be copyrightable under U.S. copyright law, the exclusive rights in the work under Section 106 may only be exercised in the United States. (See, *infra*, pp. 15-16.)

⁵ Section 101 provides in part, “The term ‘copies’ includes the material object, other than a phonorecord, in which the work is first fixed.” 17 U.S.C. § 101.

copyright term to the whims of the copyright owner. This unprincipled distinction between purchasers of the same work is both unreasonable and untenable and cannot be what Congress intended. *See Am. Tobacco Co. v. Patterson*, 456 U.S. 63, 71 (1982) (“Statutes should be interpreted to avoid untenable distinctions and unreasonable results whenever possible.”).⁶

Second, AIPLA also agrees with Petitioner and other *amici*, including the Association of Art Museum Directors (“AAMD”), *et al.*, as to the effect of the Second Circuit decision on the right to display artwork. (*See* Pet. Brief at 34; AAMD Brief at 13-16.) Thus, applying the Second Circuit’s reading of “lawfully made under this title” in Section 109(a) to the identical language in Section 109(c) which limits the display right in Section 106, means that museums could “... lose their ability to display foreign-made copyrighted works of art to the public.” (AAMD Brief at 3.) Concluding that Congress intended to create a display right for domestically-created copies, but not for works of fine art created abroad likewise

⁶ In her concurrence, Justice Ginsburg referenced a treatise to highlight her observation that the Court was not faced with the issue of the importation of foreign-manufactured copies. *Quality King* at 154. However, the referenced conclusion that “lawfully made under this title” can only mean “lawfully made in the United States” was not been carefully examined in the treatise based on any rule of statutory construction or with reference to the interrelation of the various provisions of Title 17.

constitutes an “untenable distinction” and “unreasonable result.” *Patterson*, 456 U.S. at 71.⁷

B. The right to “sell or otherwise dispose of” a copy under Section 109(a) applies only to transactions within the territorial jurisdiction of the United States.

An analysis of the scope and effect of Section 109(a) does not end with the proper construction of the “lawfully made under this title” phrase. Construing only this language ignores the portion of Section 109(a) that actually regulates conduct, specifically, the right to “sell or otherwise dispose of the possession of that copy or phonorecord.” 17 U.S.C. § 109(a). Failing to consider this operative language also avoids a fundamental question for any statutory interpretation, *i.e.*, the presumption against extraterritoriality.

⁷ AIPLA has referenced the AAMD’s brief to underscore that Congress could not have intended such an incongruous result. Left unresolved is the full effect of Section 602(a)(1) on the unauthorized importation of a single work of art and whether a copyright owner can sue for infringement of the distribution right should that work be imported into the United States without authorization. This question is not before the Court, but under such circumstances, the importer could assert a number of defenses including, the “personal baggage” exception, *see* 17 U.S.C. § 602(a)(3)(B), the fair use doctrine, *see* 17 U.S.C. § 107, implied license theories and whether the reference to the plural “copies” in Section 602(a)(1) refers only to duplicates of originals.

The presumption is a “longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.” *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (“*Aramco*”) (internal citation and quotation marks omitted). This tool of statutory interpretation presumes that Congress legislates to regulate domestic and not foreign matters. See *Morrison v. Nat’l Australia Bank, Ltd.*, 130 S. Ct. 2869, 2877 (2010) (citing *Smith v. United States*, 507 U.S. 197, 204, n.5 (1993)). “Thus, unless there is the affirmative intention of the Congress clearly expressed to give a statute extraterritorial effect, [the Court] must presume it is primarily concerned with domestic conditions.” *Id.* (quoting *Aramco*, 499 U.S. at 248 (internal quotation marks omitted)). This Court “appl[ies] the presumption in all cases, preserving a stable background against which Congress can legislate with predictable effects, *Morrison*, 130 S. Ct. at 2881, ... regardless of whether there is a risk of conflict between the American Statute and a foreign law,” *id.* at 2877-78 (citing *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155, 173-174 (1993)). “When a statute gives no clear indication of an extraterritorial application, it has none.” *Id.* at 2878.

Here, the application of the presumption against extraterritoriality is straightforward. Section 106(3) gives the copyright owner the exclusive right “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.” Because Congress gave no clear indication that the Copyright Act was intended to regulate conduct abroad, Title 17 rights do not extend beyond the territorial jurisdiction of the United States. This much is uncontroversial. Courts have long recognized that Section 106 rights do not apply outside the United States. *See, e.g., Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994) (“[W]e are unwilling to overturn eighty years of consistent jurisprudence on the extraterritorial reach of the copyright laws without further guidance from Congress.”); *see also Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) (“It is well established that copyright laws generally do not have extraterritorial application.”).⁸

Likewise, there is no indication in the statute that Congress intended extraterritorial application of the Section 109(a) exception to Section 106(3) which permits the owner of a specific copy to “sell or otherwise dispose of” that copy. *See Morrison*, 130 S. Ct. at 2885 (“ [I]t is the foreign location of the *transaction* that establishes (or reflects the presumption of) the Act’s inapplicability....”) (emphasis in original).

⁸ This is in stark contrast to the Lanham Act, whose language has been expressly interpreted by this Court as having extraterritorial effect. *Morrison*, 130 S. Ct. at 2887, n.11 (citing *Aramco*, 499 U.S. at 252).

The facts of this case handily illustrate this point. The purchase by Petitioner's family in Thailand of the textbooks at issue implicated neither the Section 106(3) distribution right nor any other Section 106 right. As far as U.S. law was concerned, they were free to sell, distribute, copy or otherwise dispose of the books outside the United States. Likewise, the bookseller in Thailand who sold Petitioner's family the books did not need to rely on Section 109(a) to do so because the transaction was wholly outside the United States. The Copyright Act remained a stranger to all of those transactions. It is for this reason that it was proper to bar Petitioner from invoking the first-sale defense under Section 109(a).

C. The presumption against extraterritoriality has no application to the “lawfully made under this title” phrase.

Applying the presumption against extraterritoriality, does not, however, support the Ninth Circuit's suggestion in *Omega S.A. v. Costco Wholesale Corp.* that finding foreign-made copies to be “lawfully made under this title” would require extraterritorial application of the statute. See 541 F.3d 982, 988 (9th Cir. 2008). The presumption against extraterritoriality “applies almost only to laws governing what *people can or cannot do.*” *Shady Grove Orthopedics Assocs. P.A. v. Allstate Ins. Co.*, -- U.S. --; 130 S. Ct. 1431, 1457, n.16 (2010) (Stevens J., concurring) (emphasis added); see also *Kirtsaeng*, 654 F.3d at 219

“extraterritorial application of Title 17 is more complicated than Wiley allows.”). Thus, it is wholly consistent with extraterritorial analysis to recognize the *fact* that copies manufactured abroad are “lawfully made under this title” (*i.e.*, made consistent with the provisions of the Copyright Act), while also recognizing that Congress did not intend the Copyright Act to regulate conduct abroad.

The Court’s recent *Morrison* decision illustrates this point. In *Morrison*, this Court held that in a securities fraud action, Section 10(b) of the Securities Exchange Act of 1934 could not apply to the purchase and sale of securities traded on Australian exchanges, even though a portion of the alleged fraud may have occurred in the United States. *See* 130 S. Ct. at 2883, 2885. In so holding, the Court’s analysis hinged not on where the securities originated, but on the geographic location of the conduct regulated by Section 10(b). *See id.* at 2885. “Those purchase-and-sale transactions are the object of the statute’s solicitude. It is those transactions that the statute seeks to ‘regulate’” *Id.* at 2884 (citations omitted). Foreign securities (*i.e.*, securities, like copies, that originate abroad) are routinely traded on U.S. stock exchanges. The presumption against extraterritoriality was not invoked by this Court in *Morrison* because the securities originated abroad, but, rather, because they were exclusively traded abroad. *Id.* at 2885. Likewise, here, it is the right to “sell or otherwise dispose of” that is the “object

of the statute’s solicitude” and not the situs of the copies reproduction.⁹

II. The Proper Application of the Presumption Against Extraterritoriality Harmonizes the Section 109(a) First-Sale Exceptions with the “Mandate” of Section 602(a)(1).

A. The Section 109(a) first-sale exception is not triggered until after foreign-made copies are on U.S. soil.

In an effort to rescue Section 602(a)(1) from irrelevance, the Second Circuit (as well as Respondent) focused only on the “lawfully made under this title” language of Section 109(a), but ignored the operative language regulating the right to “sell or otherwise dispose of” copies. The difficulties inherent in the Second Circuit’s and Respondent’s analyses are now apparent. By shifting the focus of the territorial analysis to the statutory language regulating conduct (as this Court has done for decades in other cases), both Sections 109(a) and 602(a)(1) can be harmonized and given the full effect Congress intended.

⁹ Similarly, 35 U.S.C. § 102(b) recognizes that a U.S. patent can be invalidated if the “the invention was patented or described in a printed publication in this or a foreign country . . . more than one year prior to the date of the application for patent in the United States.” This hardly invokes extraterritorial enforcement of the Patent Act.

As discussed above, Section 106 provides the copyright owner's "bundle" of rights, including the right to distribute copies "... *to the public* by sale or other transfer of ownership, or by rental, lease, or lending" 17 U.S.C. § 106(3) (emphasis added). As Professor Nimmer has emphasized, it is not just any distribution of copies that falls into Section 106(3) but only "such distributions as are made 'to the public.'" 2-8 NIMMER ON COPYRIGHT, § 8.11[C] (2012) (citation omitted). Likewise, the Congressional Committee notes to Section 106 focus on the public conveyance requirement of Section 106(3), stating that the purpose of Section 106 is to make clear that the copyright owner has "... the right to control the first public distribution of an authorized copy or phonorecord of his work" H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976).

Section 602(a)(1), however, requires no such public conveyance. It merely provides that importation of copies into the United States "without the authority of the copyright owner ... is an infringement of the exclusive right to distribute copies or phonorecords under Section 106, actionable under Section 501."¹⁰ 17 U.S.C. § 602(a)(1). Put another way, Section 602(a)(1) provides the copyright owner with a means of suing for infringement of the distribution right, even though the simple act of causing a copyrighted work to cross the border in itself does not constitute a conveyance or distribution to the

¹⁰ Section 501 defines infringement of the exclusive rights.

public. The Committee notes to Section 602(a) confirm this point by stating that if none of Section 602(a)'s exceptions apply, "any unauthorized importer of copies ... could be sued for damages and enjoined from making use of them even before any public *distribution in this country* has taken place." H.R. Rep. No. 1476, 94th Cong., 2d Sess. at 170 (1976); S. Rep. No. 473, 94th Cong., 2d Sess. at 162 (1976) (emphasis added).

As discussed above, the Section 109(a) right to sell and dispose of copies (as with the right to distribute) is conduct that can only be regulated within U.S. borders. (*See, supra*, pp. 13-16.) So long as copies are made and remain outside the United States, they can be transferred, sold, rented, leased, destroyed, modified and resold without ever invoking the reach of Title 17. It is only after such copies are imported that Title 17's regulation of conduct begins.

At that point, if the importation is unauthorized, Section 602(a)(1) provides that such importation is "an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." 17 U.S.C. § 602(a)(1). Prior to this moment, no Section 106 rights have been exercised, let alone exhausted, because no U.S. conduct regulated under the Copyright Act has occurred. Likewise, no Section 109(a) first-sale defense exists because it, too, is not triggered until *after* the copies are

imported and *after* they have been sold or disposed of.¹¹

Simply examining the text of the exceptions to Section 106 debunks Petitioner’s suggestion that reading 109(a) as Congress intended will undermine those exceptions. (Sections 107-122). Almost all of the exceptions contain blanket “non-infringement” language which protects the integrity of the privileges they provide at the point of importation.¹² For instance, the fair use language of Section 107 states that “... the fair use of a copyrighted work ... is not an infringement of copyright.” 17 U.S.C. § 107. Period. Section 109(a) requires a “sale” or other disposition of the foreign-made copy before the copy’s owner may assert the right. 17 U.S.C. § 109(a). By contrast, an importation that can satisfy the fair use factors

¹¹ The use of the term “first-sale” in connection with Section 109(a) is common but may be something of a misnomer. The provision assumes lawful ownership of a legitimate copy, and then sets forth what a copy’s owner may do with that individual copy, *i.e.*, “sell or otherwise dispose of” it. How a copy’s owner lawfully acquires it—*e.g.*, through purchase, lawful reproduction or compulsory license—is irrelevant to the subsequent disposition. Accordingly, whether a copy has been sold once abroad or not before it is imported into the United States is likewise irrelevant.

¹² It is also unlikely that many of the exceptions would ever involve importation or implicate Section 602(a)(1) since the conduct they regulate can occur only within U.S. borders. *See, e.g.*, Sections 106A (right of attribution), 108 (library reproduction right), 112 (ephemeral recordings), 116 (licenses for coin-operated phonorecord players.)

of Section 107 would never constitute infringement in the first place.

B. AIPLA’s analysis is consistent with this Court’s holding in *Quality King*.

In *Quality King*, this Court chose not to focus on the word “importation,” holding that importation of the copies at issue could be subject to a Section 109(a) defense because: “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.” 523 U.S. at 152. There, however, the copyright owner’s rights had long since been exhausted under Title 17 because the copies had been made in the United States and sold. It would make little sense (without any statutory support) to suggest that *exporting* the U.S. copies somehow “reanimated” the copyright owner’s rights of alienation because the copies hit foreign soil. The difference, here, of course, is that, prior to Petitioner’s importation, no transactions involving the copies at issue were ever subject to U.S. law.

To extend this Court’s statement regarding the copyright owner’s “exhaustion” of his or her rights to the facts of this case—when all such transactions occurred abroad—would constitute a bold extension of the territorial reach of both Sections 106 and 109 without any express directive

from Congress in direct contradiction to the long-held teachings this Court reiterated in *Morrison*.¹³

Finally, this analysis resolves one other potential statutory conflict with which this Court grappled in *Quality King*. Section 501(a) specifically provides:

Anyone who violates any of the
exclusive rights of the copyright
owner as provided by sections
106 through 122 ... *or* who

¹³ There is nothing to suggest that Congress sought to incorporate international exhaustion into the Copyright Act. There certainly has been no treaty or other international agreement adopting this doctrine. To the contrary, in negotiating the Agreement on Trade-Related Aspects of Intellectual Property Rights, the United States and other signatories were unable to agree on adoption of international exhaustion. *See, e.g.*, Heath, Christopher, “Parallel Imports and International Trade” at 8-9, accessible at http://www.wipo.int/sme/en/ip_business/export/international_exhaustion.htm. Currently, Article 6 of the TRIPs Agreement reads that “for the purposes of dispute settlement under this Agreement . . . nothing . . . shall be used to address the issue of exhaustion of intellectual property rights.” TRIPs: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994). It is also worth noting that, even though this case involves express statutory language, the territorial requirement of exhaustion urged here is consistent with the rule in patent law. *See, e.g., Fujifilm Corp. v. Benum*, 605 F.3d 1366, 1370-72 (Fed. Cir. 2010).

imports copies or phonorecords into the United States in violation of section 602, is an infringer...

(Emphasis added).

As this Court noted in *Quality King*, the use of the disjunctive “or” “is more consistent with an interpretation that a violation of § 602 is distinct from a violation of § 106.” 523 U.S. at 149. But the Court went on to conclude that such an inference was outweighed by other statutory language. *Id.* at 149. Applying Section 602(a)(1) to foreign-made copies would resolve the difficulty addressed by the Court in *Quality King* and give the language in Section 501 its full effect.

III. Section 602(a)(1) Protects Important Rights for Copyright Owners and the Public at Large.

The proper means of harmonizing Sections 109(a) and 602(a)(1) described above preserves an important right Congress intended to provide in adopting the Copyright Act: the ability of copyright owners to partition global markets for their copyrighted works. Not only did the court below recognize this principle, *see Kirtsaeng*, 654 F.3d at 221 (observing that Section 602(a)(1) is “obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work.”), this Court in *Quality King* acknowledged the long-standing practice of book publishers

dividing up international markets. *See Quality King*, 523 U.S. at 147. In opting to permit copyright owners to partition markets, Congress expressed its intention to preserve this important right.

The reasons Congress made this choice are compelling and obvious. Suppose, for example, a U.S. filmmaker creates a movie containing sexual subject matter that may be considered unacceptable in various parts of the world. Recognizing, however, that India is one of the largest film markets in the world, the filmmaker decides to exploit that market by distributing an edited version of the film. Section 602(a)(1) permits the filmmaker to distribute the film there without fear that it will have to face competition from the compromised derivative work being sold or distributed in the United States. These are not hypothetical concerns for filmmakers and movie studios. *See, e.g., Clean Flicks of Colorado, LLC v. Soderbergh*, 433 F. Supp. 2d 1236 (D. Colo. 2006) (injunction granted for filmmakers and movie studios against companies who distributed altered copies of videos to delete sex, nudity, profanity and violence).

The facts of this case illustrate perhaps even more vividly the need for proper application of Section 602(a)(1). As *amicus curiae* Intellectual Property Owners Association discusses extensively in its brief at pp. 15-21, the global textbook market is a competitive one. As in this case, publishers make the decision to sell textbooks produced with less expensive materials in international markets

that they sell at lower prices. Without the protections of Section 602(a)(1), importers like Petitioner can purchase the cheaper versions of the textbooks and undercut the market for the high-quality books in the United States. These circumstances provide a powerful disincentive to publishers considering whether to sell in other markets, particularly those in developing nations whose populations may benefit most from access to protected content. While Petitioner and other amici may attempt to debate the merits of this policy, ultimately, it was Congress' decision to provide these rights to copyright owners and, ultimately, any such change in policy should come from Congress.

CONCLUSION

For the foregoing reasons, AIPLA urges this Court to affirm on the alternative grounds advanced above.

Respectfully submitted.

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