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No. 08-1423

IN THE

Supreme Court of the United States

COSTCO WHOLESALE CORPORATION,

Petitioner,

v.

OMEGA, S.A.,

Respondent.

On Writ of Certiorari to the
United States Court of Appeals
for the Ninth Circuit

BRIEF OF AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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QUESTION PRESENTED

Whether a copy made and distributed abroad is "lawfully made under this title," 17 U.S.C. § 109(a), and thus is exempt from the copyright owner's exclusive right to control the importation of copies of its work into the United States, *id*. § 602(a).

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1 Paul Goldstein, *Goldstein on Copyright* (3d Ed. 2005) 8

2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (Rev. Ed. 2009).......... 7

ABA General Information, *available at* http://www.abanet.org/leadership/delegates.html 2

ABA Report with Recommendation #109, *available at* http://www.abanow.org/house-of-delegates-resolutions-2010-midyear-meeting. 3

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INTEREST OF THE AMICUS CURIAE[1]

Amicus curiae American Bar Association ("ABA") respectfully submits this brief in support of respondent, Omega, S.A. Pursuant to policy adopted by the ABA, which sets forth the view of a broad cross-section of its members, the ABA urges this Court to affirm the judgment of the Ninth Circuit.

The ABA is the leading national voluntary bar organization of the legal profession, having nearly 400,000 members. Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership includes attorneys in private practice, government service, corporate law departments, and public interest organizations, as well as legislators, law professors, law students, and non-lawyer associates in related fields.[2]

Particularly relevant to this case, the ABA's Section of Intellectual Property Law ("IPL Section") is the world's largest organization of intellectual

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[1] Pursuant to Rule 37.6, *amicus curiae* certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. The parties have filed letters with the Clerk of the Court providing blanket consent to the filing of *amicus* briefs.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the ABA. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

property professionals, with approximately 25,000 members including partners, associates, and law students. Attorneys in the IPL Section represent diverse interests, including copyright owners, users of works of authorship, large and small corporations, libraries, universities, and individual authors.

The ABA policy addressed to this case originated in the IPL Section's Copyright Task Force, which is composed of the chairs of all the IPL Section's copyright committees as well as attorneys with copyright expertise. The Task Force was created to monitor judicial developments and to develop policy on matters of special importance. Before its presentation to the ABA's House of Delegates, the report and resolution that gave rise to the applicable ABA policy was unanimously approved both initially by the Task Force and subsequently by the IPL Section Council.[3]

In addition to the IPL Section, other Sections of the ABA were directly involved in the development of ABA policy on the question presented by this case. The Sections of Science and Technology Law, International Law, and Litigation co-sponsored the policy adopted by the ABA House of Delegates. No

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[3] The ABA's House of Delegates ("HOD") is the ABA's policy-making body. The HOD is composed of more than 500 delegates representing states and territories, state and local bar associations, affiliated organizations, sections and divisions, ABA members and the Attorney General of the United States, among others. Only recommendations adopted by the HOD become ABA policy. *See* ABA General Information, *available at* http://www.abanet.org/ leadership/delegates.html,

member of the House of Delegates spoke in opposition to the policy.

ABA Resolution 109 was adopted as ABA policy by its House of Delegates at the 2010 Midyear Meeting after extensive discussion and analysis, It provides:

> The American Bar Association urges courts to interpret the statutory first sale doctrine in Section 109(a) of the U.S. Copyright Act and the copyright owner's importation right in Section 602(a) to exclude application of the first sale doctrine to the importation of goods embodying a copyrighted work that were not manufactured in the United States.[4]

This brief sets forth the analysis on which the ABA's policy is based.

SUMMARY OF ARGUMENT

On a proper construction of the Copyright Act, a copyright owner may prevent the importation into the United States of copies of copyrighted works made abroad, when no authorized first sale of those copies in the U.S. has occurred. The statute at issue in this case, 17 U.S.C. § 109(a) – which codifies the principle known as the "first sale" or "exhaustion" doctrine – applies to "the owner of a particular copy or phonorecord *lawfully made under this title*" (emphasis added). Qualifying copies exhaust the

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[4] *ABA Report with Recommendation #109* (Policy adopted Feb. 2010), available at http://www.abanow.org/house-of-delegates-resolutions-2010-midyear-meeting.

copyright owner's exclusive right to control the importation of those copies into the United States.

The Ninth Circuit in this case correctly interpreted Section 109(a) in concluding that copies made abroad – and thus "lawfully made 'under the law of some other country'" – are not copies lawfully made "under [Title 17]." *Omega S.A. v. Costco Wholesale Corp.,* 541 F.3d 982, 988 (9th Cir. 2008). Put simply, copies made abroad are not "made under" U.S. law at all. The ruling below is consistent with this Court's guidance in *Quality King Distributors, Inc. v. L'Anza Research Int'l, Inc.,* 523 U.S. 135 (1998), that, as between an American and a British publisher of a work copyrighted in the United States, "presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a)." *Id.* at 148.

Interpreting the first sale doctrine of Section 109(a) instead to permit the importation of copies of works produced and sold outside of the United States over the objection of the copyright owner would render the right to control importation in Section 602(a) largely superfluous. It would moreover invite the adoption of costly and complicated contractual arrangements that have no purpose or effect other than to preserve the copyright owner's exclusive right to control distribution into the United States.

The Ninth Circuit's judgment accordingly should be affirmed.[5]

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[5] The ABA takes no position on the view of the Ninth Circuit that an authorized first sale in the United States of a copy made abroad would exhaust the copyright owner's right to control

ARGUMENT

The Court Should Construe "Lawfully Made Under This Title" to Refer to Only Copies Made in the United States.

I. The Ninth Circuit's Construction of "Lawfully Made Under This Title" Best Reflects the Statutory Text and Structure.

Section 602(a)(1) of the Copyright Act announces a general prohibition against the "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States." 17 U.S.C. § 602(a)(1). But Section 109(a) – which embodies the so-called "first-sale doctrine" – provides – as an exception to the general prohibition – that "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." *Id.* § 109(a). The question in this case is whether a copy made and sold overseas is "made under this title" and thus falls within the exception of Section 109(a).[6]

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importation into this country of such copy. *Omega,* 541 F.3d at 989 ("parties can raise § 109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred.").

[6] The ABA policy applicable to this case is limited to the Copyright Act. Other fields, such as trademark and patent law, involve distinct statutory schemes and implicate separate policy concerns.

The Copyright Act does not separately define the phrase "lawfully made under this title." In interpreting a statute, this Court begins with the text. *Jimenez v. Quarterman,* 555 U.S. ___, 129 S. Ct. 681, (2009). Section 109(a) codifies the first sale doctrine, which limits copyright owners' ability to control U.S. distribution of particular copies "lawfully made under this title." 17 U.S.C. § 109(a). "[T]his title" is Title 17 of the U.S. Code, in which the Copyright Act is codified. The statute is thus most naturally read to refer only to copies that are "made under" U.S. copyright law.

That conclusion is consistent with the role of Section 109(a) in the overall statutory scheme. *Davis v. Mich. Dept. of Treasury,* 489 U.S. 803, 809 (1989) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme."). Section 602(a) addresses a copyright owner's right to control importation of copies "acquired outside the United States." 17 U.S.C. § 602(a). If copies made and sold abroad were exempt from the copyright owner's power to control importation, then Section 602(a) would have little effect. The statute seemingly would apply only to copies possessed by non-owners, such as bailees and licensees. It is unlikely that Congress intended the statute to have such a narrow application. *Cf. Freytag v. Comm. of Internal Revenue,* 501 U.S. 868, 877 (1991) ("Our cases consistently have expressed 'a deep reluctance to interpret a statutory provision so as to render superfluous other provisions in the same enactment'").

Relatedly, Section 602(a) in certain circumstances exempts from the copyright owner's exclusive right to control importation those copies that (1) will be used by the government, (2) are for the personal use of the importing party, or (3) are imported for "scholarly, educational, or religious purposes." *Id.* § 602(a)(1)-(3). But when applicable, these explicit exceptions to the copyright owner's exclusive right to control importation do not allow the importer to then further distribute the lawfully imported copies. Instead, in cases governed by these exceptions, the copyright owner continues to control the further downstream distribution of its works in the United States. *See* 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (Rev. Ed. 2009). Petitioner's reading of Section 109(a), by contrast, would give the importer of a copy made and sold abroad the much greater power to distribute that copy in the United States over the copyright owner's objection. The statutory design – with its narrower express exemptions – suggests that Congress did not intend in Section 109(a) to enact such a sweeping exception to Section 602(a).

That conclusion is reinforced by the long-standing presumption, which formed the backdrop for the adoption of the Copyright Act, that the country's proscriptive and prescriptive competence ends at its own borders. *See American Banana Co. v. United Fruit Co.,* 213 U.S. 347, 356 (1909) ("[T]he character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."), *overruled on other grounds, Continental Ore Co. v. Union Carbide & Carbon Corp.,* 370 U.S. 690, 704-705 (1962). Containing no contrary statutory indication, the U.S. Copyright Act has been

interpreted consistently as subject to this presumption of territoriality. *See generally* 1 Paul Goldstein, *Goldstein on Copyright* § 1.12, at 1:26 (3d Ed. 2005) ("Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders."). That is no oversight. In enacting the Copyright Act, Congress recognized territorial limits on copyright – for example, the statute identifies the types of works Congress chose to protect under copyright within U.S. borders and provides an importation right in Section 602(a) distinct from the public distribution right of Section 106(3). There is no evidence in the statute that Congress determined that the copyright owner's activities abroad should enhance or extinguish rights under the U.S. Copyright Act that are solely exercisable in the United States. Thus, the Ninth Circuit's refusal to accept the copyright owner's manufacture and sale of copies strictly outside the U.S. as the legal trigger that would exhaust its rights under Section 602(a) in this country is sound.

II. The Ninth Circuit's Decision Is Consistent with This Court's Guidance in *Quality King*.

In *Quality King*, this Court addressed the status under Section 602(a) of copies lawfully made in the United States that returned in the stream of commerce to this country – a so-called "round trip." The Court had no reason to construe the phrase "lawfully made under this title" in Section 109(a), because copies produced in the United States are obviously "lawfully made under" Title 17.

Nonetheless, *Quality King* provides substantial guidance with respect to the question presented here.

To illustrate why its holding did not render Section 602(a) a nullity, the Court distinguished between copies "lawfully made" under "the United States Copyright Act" from those made "under the law of some other country." 523 U.S. at 147. The Court then offered as an "example" of this principle the hypothetical case of a copyright owner's division of its distribution rights between U.S. and British publishers. The Court specified that in such a circumstance copies made by the British publisher would not be "lawfully made under this title" for purposes of Section 109(a). *Id.* at 148. The Ninth Circuit in this case properly recognized that the only rationale for this Court's conclusion would be that the British copies in that circumstance were "made" in another country, not "made under" Title 17. *Omega,* 541 F.3d at 988.

Petitioner responds that in this case respondent did not in fact formally divide its distribution rights between the United States and other countries such as Britain. But that formality is not dispositive, and it is not the point made by this Court in *Quality King*. Section 109(a) looks to where the copy was "made," not to the copyright owner's corporate or contractual relationships with non-U.S. rights holders, such as whether there exists an explicit geographical allocation of distribution rights. Nor would the regime that petitioner proposes make practical sense. It would operate as an inducement to prudent copyright owners to engage in otherwise unnecessary organizational and licensing schemes in foreign markets solely in order to preserve their U.S. distribution rights. There is no basis on which to conclude that Congress intended to do so.

CONCLUSION

The judgment of the court of appeals should be affirmed.

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