

No. 08-1423

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IN THE  
**Supreme Court of the United States**

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COSTCO WHOLESALE CORPORATION,

Petitioner

v.

OMEGA, S.A.,

Respondent

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ON WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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**BRIEF OF *AMICUS CURIAE*  
INTELLECTUAL PROPERTY OWNERS  
ASSOCIATION IN SUPPORT  
OF RESPONDENT**

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DOUGLAS K. NORMAN, *President*  
KEVIN RHODES, *Chair*  
AMICUS BRIEF COMMITTEE  
INTELLECTUAL PROPERTY  
OWNERS ASSOCIATION  
1501 M Street, NW  
Suite 1150  
Washington, DC 20005  
(202) 507-4500

GEORGE L. GRAFF  
*Counsel of Record*  
112 Holly Place  
Briarcliff Manor, NY 10510  
(914) 762-3706  
georgegraff@paulhastings.com

VICTORIA A. CUNDIFF  
REBECCA K. MYERS  
LAURA K. ISENBERG  
PAUL, HASTINGS, JANOFSKY  
& WALKER, LLP  
75 East 55 Street  
New York, NY 10022  
(212) 318-6000

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**INTEREST OF AMICUS CURIAE**

*Amicus curiae* Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights.<sup>1</sup> IPO's membership includes more than 200 companies and more than 11,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO members receive about thirty percent of the patents issued by the Patent and Trademark Office to U.S. nationals. IPO regularly represents the interests of its members before Congress and the PTO and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.<sup>2</sup>

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1 No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae*, or its counsel made a monetary contribution to its preparation or submission. Both parties in this case consented to the filing of *amicus* briefs in support of either party or neither party by letters submitted to this Court on May 5 and 10, 2010.

2 IPO procedures require approval of positions in briefs by a three-fourth majority of directors present and voting.

## INTRODUCTION

The Copyright Act is designed to fulfill Congress' constitutional mission of "securing for limited Times to Authors . . . the exclusive Right to their . . . Writings" (U.S. Constitution, Art. 1, §8). This "exclusive Right" includes, most significantly, the right to prevent, and to thereby exercise control over, the distribution of copies of their works by, among other things, preventing the importation of more than a personally carried single copy of works that are "acquired outside the United States." 17 U.S.C. §602(a).

The established law with respect to unpatented useful articles, such as the watches involved in this case, is quite different – it is generally accepted that unpatented goods that have been acquired lawfully anywhere in the world can be freely imported and sold in this country and that the maker of such goods cannot prevent such importation and sale so long as the goods are "genuine" and their sale will not deceive or confuse the consumers who purchase them.

In this case, the goods are watches bearing a tiny copyrighted design (the "Globe Design") engraved on their backs. Since the watches themselves, as useful, unpatented articles, would be ineligible for copyright protection, Respondent would not have a lawful basis for preventing their importation were it not for the Globe Design, which may have no other function or value. Because the issue was not decided below for this Court's review here, however, IPO notes that the issue of whether a copyright owner may use its exclusive rights in a design solely as a means of preventing the

importation and sale of the goods on which it appears must await a future case for resolution.

In its decision below, the Ninth Circuit Court of Appeals did not consider or pass upon the question of whether, and under what circumstances, a copyright owner may use an embedded copyrighted work to prevent the importation of genuine useful articles, but confined its decision solely to one of Petitioner's affirmative defenses: the contention that the "first sale doctrine," as embodied in section 109(a) of the Copyright Act, deprives U.S. copyright owners of their right to prevent importation of copies of works made or sold anywhere in the world. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 990 (9th Cir. 2008). On that issue, IPO believes that the language and legislative history of the Copyright Act compel the conclusion that Congress intended to grant the U.S. copyright owner the right to prevent unauthorized importation of any copies of a work that were created and acquired under the copyright law of another country.

## ARGUMENT

### Point A

#### **In General, A Copyright Owner Has The Right To Bar Unauthorized Importation Of Works Acquired Outside The United States**

IPO believes that it is important to distinguish between the rules generally applicable to copies of works that are the proper subject of copyright protection, such as books, musical compositions, sound recordings,

motion pictures, graphical works and computer programs, and useful articles that are not subject to copyright or other intellectual property protection, such as the watches involved in this case. With respect to the former, the author, or his or her assignee, is granted an express statutory right to control the importation and initial sale of copies of the work in the United States. With respect to the latter, there is a well-established policy permitting the importation and distribution of genuine products that were lawfully acquired anywhere in the world.

In challenging the Ninth Circuit’s decision, Costco says little about the implications of the decision with respect to copyrighted works, but focuses on the purported adverse effects that the Ninth Circuit decision would have on the importation and use of manufactured goods that are not the intended beneficiaries of the exclusive rights granted by the Copyright Act — an issue which the Ninth Circuit has yet to address. *See* Brief for the Petitioner (hereinafter “Petitioner’s Opening Brief”) at 46-52.<sup>3</sup>

Petitioner’s parade of horribles misses the issue for the Court. IPO believes that the Ninth Circuit’s holding was correct as a matter of statutory construction. The plain language of the Copyright Act and its legislative

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<sup>3</sup> The only exception is Petitioner’s assertion that denying the “first sale” defense to libraries that lend foreign books would expose those libraries to liability for copyright infringement. Petitioner’s Opening Brief at p. 51. However, Congress specifically addressed that issue in section 602(a)(3) of the Act, which expressly permits libraries to acquire and lend out up to five copies of works acquired outside of the United States.

history compel the conclusion that section 602(a) of the Act was intended to grant the U.S. copyright owner the right to prevent the importation of copies of works that were “acquired outside of the United States.” This conclusion is reinforced by the specific limited exceptions contained in section 602(a); and the broad limitation imposed by 109(a) on application of the first sale doctrine to copies “lawfully made under this title” – *i.e.*, in the United States. That result comports with the letter and legislative intent of the Copyright Act and is consistent with this Court’s holding in *Quality King Distiribs., Inc. v. LAnza Research Int’l, Inc.*, 523 U.S. 135 (1998). Moreover, it will preserve and protect the rights of the authors, artists and industries that rely on copyright law to safeguard their investment in the creation, marketing and distribution of copyrighted works.

**1. The language of section 602(a) of the Copyright Act and its legislative history demonstrate that it was intended to apply to all works “that have been acquired outside the United States”**

The limited issue presented at this stage of the case deals solely with the effect, if any, of the “first sale doctrine,” as codified in section 109(a) of the Copyright Act, on the right granted to the copyright owner in section 602(a) of the Act to prevent the unauthorized importation of works acquired outside the United States. The two provisions are entirely consistent and independent of each other. Section 109(a) addresses works made “under this title”; that is, in the United States. It says nothing about importation. Section 602

only applies to work “acquired outside the United States.” It says nothing about works acquired in the United States. In *Quality King*, this Court held that the first sale doctrine codified in Section 109(a) applies to works made “under this title” in the United States, exported, then acquired abroad and imported. Neither the plain language of Section 109(a), nor the decision in *Quality King*, makes it applicable to works “not made under this title”; that is, works made outside the United States.

While Section 109(a) grants to the owner of “a particular copy lawfully made under this title” the right to “sell or otherwise dispose of possession of that copy . . .,” section 602(a) provides that it is an act of infringement for anyone to *import* copies acquired abroad:

(1) Importation. *Importation* 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* is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

(emphasis added.)

Section 602(a) goes on to provide for three express, limited exceptions to the right it grants: copies imported by governmental bodies for their own use (17 U.S.C. §602(a)(3)(A)); a single copy imported for the private use of the importer and “forming part of such person’s

personal baggage” (17 U.S.C. §602(a)(3)(B)); and no more than a single copy imported by an organization “operated for scholarly, educational or religious purposes” for its archival purposes, or a combined total of no more than five copies imported by such an organization for its “library lending and archival purposes.” (17 U.S.C. §602(a)(3)(C)). Those exceptions are limited even further by section 602(b), which grants the customs service the power to seize any copies of works that “would have constituted an infringement of copyright if this title had been applicable.”

The argument espoused by Costco in this case, were it to be adopted, would create an implied exception to section 602(a) that is far broader than the narrow exceptions expressly allowed by Congress, permitting the owner of copies of any work that meets the requirement of 602(b) – that is that their making would not have been an infringement if they were made in the United States – to import an unlimited number of copies for any purpose without the permission of the U.S. copyright owner. *See* discussion in Petitioner’s Opening Brief at 15-41. Indeed, it is so broad that the rights granted by 602(a), and its carefully drawn exceptions, would effectively be limited only to “piratical works” and, perhaps, some rare occasions where the importer of the copies is neither the owner of the copies nor its agent.

No such broad exception can reasonably be inferred from the language of the statute or its legislative history. To the contrary, in discussing the structure of section 602, the legislative history shows that Congress intended subsection 602(a) to apply to *all* works acquired abroad, and that it was only subsection 602(b) that was to be

limited to works that would not have been lawfully made had they been made in the United States:

Section 602 details with two separate situations: importation of “piratical” articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. The general approach of section 602 is to make unauthorized importation an act of infringement *in both* cases, but to permit the Bureau of Customs to prohibit importation only of “piratical” articles.

Joint statement by both houses of Congress: H.R. REP. NO. 1476, 94th Cong., 2d Sess. 169 (1976), reprinted in 1976 U.S. CODE CONG. & AD. NEWS 5659, 5785 and S. REP. NO. 473, 94th Cong., 1st Sess. 151 (1975), hereinafter “Joint Report” (emphasis added). Indeed, after re-stating the “general rule [of section 602(a)] that unauthorized importation is an infringement *merely* if the copies or phonorecords ‘have been acquired abroad,’” (emphasis added) and then enumerating the three exemptions to that rule, the Joint Report concludes:

If none of the three exemptions applies, *any* unauthorized importer of copies of phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken place.

*Id.* (emphasis added).

Certainly nothing in the language of section 109(a), which defines the first sale doctrine for purposes of the Copyright Act, purports to create such a broad exception to section 602(a). The relevant portion of that section reads as follows:

Notwithstanding the provisions of Section 106(3), 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.*

17 U.S.C. §109(a) (emphasis added). In contrast to section 602(b), which authorizes seizure at the border of works that “would have constituted an infringement of copyright if this title had been applicable,” section 109(a) says nothing about copies made under the laws of other countries. Nor does it purport to limit the *entire* public distribution right granted to the copyright owner under section 106(3) of the Act, but only a very specific subset of that right, granting the owner of a copy only the very specific right to “sell or otherwise dispose of possession” of the particular copy it owns. In sum, sections 109(a) and 602(a) are very different, both in terms of the copies to which they apply and the exclusive rights that they affect, and there is no overlap in their application which would support a conclusion that section 109(a) was intended to create a massive exception to the right of U.S. copyright owners under section 602(a) to treat the importation of all works acquired outside of the United States (subject to the limited express exceptions it contains) as an infringing act.

## 2. This Court's Decision in *Quality King* does not require a different result

This Court's decision in *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998) is entirely consistent with the conclusion of the Ninth Circuit in this case and, if anything, supports the conclusion that application of the first sale doctrine is limited in its application to copies made in this country. In *Quality King*, plaintiff, L'Anza manufactured hair care products in California bearing a copyrighted label and sold them to distributors around the world. Quality King acquired some of the products that L'Anza had exported to foreign markets<sup>4</sup> and reimported them into the United States for domestic sale in this country at a significantly reduced price.

Although the Court held that section 602(a) did not prevent the re-importation of the copies involved in that case, the opinion makes it quite clear that this Court would have reached a different result had the copies involved not been made in the United States. Specifically, in response to the argument advanced by L'Anza that applying the first sale doctrine would render section 602(a) superfluous, Justice Stevens' opinion for

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<sup>4</sup> It was unclear from the record in *Quality King* whether legal title to the goods formally passed to the foreign distributors in the United States, but it was clear that the goods and the labels were made and shipped directly from L'Anza's facilities in California. Thus, the copies were unquestionably "lawfully made under this title" as required by section 109(a) and, at least in the first instance, were not "acquired outside the United States," a predicate for infringement under section 602(a).

the Court points to three instances where the section would still apply:

First, even if § 602(a) did apply only to piratical copies, it at least would provide the copyright holder with a private remedy against the importer, whereas the enforcement of § 602(b) is vested in the Customs Service. Second, because the protection afforded by § 109(a) is available only to the “owner” of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful. [footnote omitted] *Third, § 602(a) applies to a category of copies that are neither piratical nor “lawfully made under this title.” That category encompasses copies that were “lawfully made” not under the United States Copyright Act, but instead, under the law of some other country.*

523 U.S. at 146-7 (emphasis added). Similarly, in its discussion of the potential adverse effect on the publishing industry (a matter of particular concern to IPO), the opinion once again emphasizes that copies made in other countries would not qualify for application of the first sale doctrine:

Even in the absence of a market allocation agreement between, for example, a publisher of the U.S. edition and a publisher of the

British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive U.S. distribution rights — enforceable under the Act — to the publisher of the U.S. edition and the exclusive British distribution rights to the publisher of the British edition, [footnote omitted] however, presumably *only those made by the publisher of the U.S. edition would be “lawfully made under this title” within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).*

523 U.S. at 146-7 (emphasis added).

Finally, the opinion’s statement in response to the argument that application of the first sale doctrine to section 602(a) would make the exceptions to section 602(a) superfluous resolves any conceivable doubt on the point:

The argument that the statutory exceptions to § 602(a) are superfluous if the first sale doctrine is applicable rests on the assumption that the coverage of that section is co-extensive with the coverage of § 109(a). But since it is, in fact, broader because it encompasses copies that are not subject to the first sale doctrine — *e.g., copies that are*

*lawfully made under the law of another country* — the exceptions do protect the traveler who may have made an isolated purchase of a copy of a work that could not be imported in bulk for purposes of resale.

523 U.S. at 148 (emphasis added).

In her concurring opinion in *Quality King*, Justice Ginsburg emphasized that the Court’s holding was limited to the facts presented in that case, where the copies were made in the United States and exported by the copyright owner, and that it does not apply to copies that were neither made nor first sold in the United States:

This case involves a “round trip” journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court’s opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad.

*Id.* at 1135 (citing W. Patry, *Copyright Law and Practice*, 166-170 (1997 Supp.) (commenting that provisions of Title 17 do not apply extraterritorially unless expressly so stated, hence the words “lawfully made under this title” in the “first sale” provision, 17 U.S.C. §109(a), must mean “lawfully made in the United States”). *See also* P. Goldstein, *Copyright* §16.0, 16:1-16:2 (2d ed. 1998) (“Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation’s borders.”)

To be sure, IPO recognizes that strictly limiting the application of the first sale doctrine to copies made in the United States could arguably lead to unjustified and unintended consequences with respect to works that have been lawfully imported with the consent of the copyright owner, limiting their alienability in the hands of consumers and affecting other rights, such as those set forth in section 109(c),<sup>5</sup> that apply only to copies “lawfully made under this title.” But these concerns can easily be avoided by establishing a presumption that, when a United States copyright owner authorizes the importation of a work made outside the United States, it is intended, in the absence of specific evidence to the contrary, to vest the owner with the same rights as the statute affords to owners of copies that were made in this country.

In all events, none of those issues is now before the court. The issue in this case is simply whether, despite the clear language of section 602(a), the first sale doctrine applies generally to permit the unauthorized importation of copies of works that were acquired abroad and were not lawfully made pursuant to United States copyright law. And, it is clear that none of the language of the statute, its legislative history nor this Court’s decision in *Quality King* supports such a conclusion.

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<sup>5</sup> Section 109(c) grants the owner of a copy “lawfully made under this title” the right to “display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.”

**3. The practices and economics of the copyright-based industries require that the copyrights in different countries be treated separately and that rights granted in one country do not apply in another.**

Permitting the unauthorized importation of copies of works first made and sold outside the United States will have broad negative implications to the copyright-based industries that are such major contributors to this country's economic strength.<sup>6</sup> While it is common for copyright owners to authorize publication and distribution of their works in many countries throughout the world, there is a strong economic need to maintain their ability to assure that their publication in other countries will not result in flooding the United States market with the foreign versions of their works.

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<sup>6</sup> See, e.g., July 20, 2009 economic report entitled *Copyright Industries in the U.S. Economy: The 2003-2007 Report*, the twelfth study written by Stephen Siwek of Economists Inc. for the International Intellectual Property Alliance, a coalition of seven trade associations representing the copyright-based industries. The report follows the statistical methodology outlined by WIPO in its *2003 Guide on Surveying the Economic Contribution of the Copyright-Based Industries*, and concludes that the latest data shows that the core U.S. copyright industries accounted for an estimated \$889.1 billion or 6.44% of the U.S. gross domestic product in (GDP) 2007. These core industries were responsible for 22.74% of the real economic growth achieved by the U.S. economy in 2006-2007. In addition, the core copyright industries employed 5.6 million workers (4.05% of U.S. workers) in 2007. Finally, estimated 2007 foreign sales and exports of the core copyright industries increased to at least \$126 billion, leading other major industry sectors.

Recent developments in the textbook market provide a good example of the consequences that could result from eliminating the right to prevent importation of copies that are made abroad. In a July 2005 report issued by the United States Government Accountability Office on the price of college textbooks, the GAO stated:

Textbooks developed for certain academic disciplines are more likely to have broader international appeal than others, according to publishers. For example, the content in many mathematics, science and engineering textbooks is essentially global in its applicability ... If international demand for a textbook exists, publishers may sell the same textbook that is sold in the United States, an international edition produced with less expensive materials, or an adaptation of the textbook that includes locally relevant examples. In international markets where the primary language spoken is not English, publishers may sell the rights to translate the textbook into the local language.

U.S. Government Accountability Office, *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*, GAO-05-806, pp. 21-22 (2005), available at <http://www.gao.gov/new.items/d05806.pdf>. Finding that publishers consider many different factors in pricing the textbooks sold abroad, including the quality of the reproduction and materials used, income level, cost of living, strength of currency, demand, etc., the report observes:

Publishers told us that they have to be particularly concerned about pricing at a level that is affordable to students in developing countries because of the threat of piracy in these countries.

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In addition to income levels, differences in instructional styles and systems of higher education influence publishers' pricing decisions. For example, publishers told us that even though average income levels are high in the United Kingdom, textbooks tend to sell for lower prices than in the United States because the demand for textbooks is lower. Specifically, they said that instructors in the United Kingdom are more likely to recommend several textbooks for students to consider, rather than requiring a specific textbook. Additionally, publishers told us that there is less demand for electronic and print supplements to support teaching and learning in non-U.S. markets. Publishers also told us that because higher education funding tends to be highly subsidized in the United Kingdom and European countries, students may not be willing to pay out-of-pocket costs for textbooks at U.S. prices. According to publishers, textbook prices in Canada and Australia tend to be similar to those in the United States because the instructional styles are similar in that instructors select specific textbooks for their classes. However, publishers noted that

in these markets there is also greater demand for U.S. textbooks that have been adapted to the local culture or economy. In order for international pricing differences to persist, there must be barriers that limit mass importation of less expensive U.S. textbooks from other countries.

*Id.* at 22-23.

As these materials demonstrate, the practical effect of broadening the availability of a defense based on the first sale doctrine to an unauthorized importer would likely be that copyright owners would only authorize sales of copies of their works in jurisdictions in which they could command a relatively high price and refuse to sell them anywhere else, lest they undercut the market for their works elsewhere. The dissemination of copyrighted works internationally, and particularly at reduced prices in developing nations, would suffer. *See, e.g.,* John O’Neil, *Getting Textbooks Cheaper from India*, N. Y. Times, Mar. 29, 2006, available at <http://www.nytimes.com/2006/03/29/education/29textbooks.html> (discussing the concerns of the Indian government that the widespread importation into the United States of textbooks sold at reduced prices in India will lead to a return to “the bad old days,” when to prevent infringement, American publishers sold only out-of-date textbooks to overseas markets).

The need to tailor their products and their pricing to maximize the distribution of their works throughout the world has led to the longstanding and established practice of copyright-based industries treating separate

nations as separate markets. This Court expressly recognized the widespread and prevalent nature of that practice in *Quality King*, when it referenced comments made by the Register of Copyrights in a 1961 report to Congress:

When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries.

*Quality King*, 523 U.S. at 147 (citing Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 125-126 (H.R. Judiciary Comm. Print 1961)). Remarking on these comments by the Register of Copyright, the *Quality King* court further elaborated that, so long as the application of section 109(a) is limited to copies made in the United States, these longstanding industry practices would be preserved:

Even in the absence of a market allocation agreement between, for example, a publisher of the U.S. edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights - enforceable under the Act - to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition,

. . . 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). The first sale doctrine would not provide the publisher of the British [i.e., foreign] edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

*Id.* at 148.

The commercial practices of the industries that rely on copyright to protect their products are structured in recognition of the principle that the holding of a copyright, either by ownership or exclusive license, in one jurisdiction confers no rights in another. As Justice Stevens observed in *Quality King*, copyright owners may exclusively license or assign their rights to different publishers in different jurisdictions under different terms. As a result, the holders of the rights in different jurisdictions may be unrelated and even competitors with each other in different markets. Thus, it would be extremely disruptive, and destructive of the value of United States copyrights, if copies of works made in other countries could be freely imported and resold in this country without the consent of the United States copyright owner.

Section 602(a) of the Copyright Act was enacted to preserve the established and economically beneficial practice of treating the copyright in each country as different and independent, so that its exercise in one

country confers no rights in another. It contains three limited and express exceptions that are carefully designed to minimize any adverse impact of foreign distribution of copies on the rights of the U.S. copyright owner, allowing only a limited class of persons to import a limited number of copies for very limited purposes. The extension of the first sale doctrine to permit the importation of commercial quantities of copies made and acquired in other countries would subvert the congressional intent of section 602(a) of the Copyright Act and the prevalent commercial practices of the core copyright industries, which treat the copyright in each country as separate and distinct, so that the exercise of rights in one country has no adverse affect on the rights in another.

### **Point B**

**While Holding the First Sale Doctrine Inapplicable, This Court Should Expressly Reserve Judgment on the Question of Whether It Is Appropriate to Use Copyright Law To Prevent the Importation of “Gray Market” Goods.**

Many of the arguments asserted in favor of extending the first sale doctrine to copies made in other countries are premised on the assumption that the first sale doctrine is the only avenue available to prevent Omega from imposing unreasonable restrictions on the importation and free alienation of its watches. However, in its memorandum in opposition to Omega’s motion for summary judgment filed in the district court, Costco raised several defenses in addition to the first sale doctrine, including claims that Omega engaged in

“copyright misuse.” Defendant Costco Wholesale Corporation’s Memorandum of Points and Authorities in Opposition to Omega’s Motion for Summary Judgment at pp. 21-25. In particular, Costco argued that the application of section 602(a) to the watches involved in this case constituted a form of “copyright misuse” and that, under these circumstances, the Globe Design, as an inextricable component of a “useful article,” is not copyrightable. *Id.* In its decision, however, the Ninth Circuit confined its conclusions solely to the availability the “first sale” defense, and remanded the case for further proceedings. Accordingly, the other defenses raised *by Costco* are not now before this Court.

Although the Court cannot, in the present procedural context of this case, take a final position on the applicability of Costco’s other defenses, it is important to recognize that neither the Ninth Circuit decision, nor an affirmance of that decision by this Court, will foreclose those defenses. Acknowledging the potential availability of a “copyright misuse” or copyrightability defense would make it clear that this Court has not foreclosed consideration of the issue of whether copyright protection is appropriate for the watches at issue in this particular case without subverting the language and legislative policy of the Copyright Act as a whole or the established practices of the core copyright industries who rely on the provisions of section 602(a) of the Copyright Act to support and protect the value of their United States copyrights.

**CONCLUSION**

For the foregoing reasons, IPO respectfully requests that the Court hold that the first sale doctrine is inapplicable to works made and acquired outside the United States. In doing so, however, the Court should expressly note that it is not holding that section 602(a) of the Copyright Act necessarily applies to the watches involved in this case, but that there may be other defenses that the courts below have not yet had an opportunity to consider.

Respectfully Submitted,

DOUGLAS K. NORMAN, *President*  
KEVIN RHODES, *Chair*  
AMICUS BRIEF COMMITTEE  
INTELLECTUAL PROPERTY  
OWNERS ASSOCIATION  
1501 M Street, NW  
Suite 1150  
Washington, DC 20005  
(202) 507-4500

GEORGE L. GRAFF  
*Counsel of Record*  
112 Holly Place  
Briarcliff Manor, NY 10510  
(914) 762-3706  
georgegraff@paulhastings.com

VICTORIA A. CUNDIFF  
REBECCA K. MYERS  
LAURA K. ISENBERG  
PAUL, HASTINGS, JANOFSKY  
& WALKER, LLP  
75 East 55 Street  
New York, NY 10022  
(212) 318-6000

## **APPENDIX**

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1. IPO procedures require approval of positions in briefs by a three-fourths majority of directors present and voting.

*Appendix*

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