

In The  
**Supreme Court of the United States**

—◆—  
SUPAP KIRTSANG,

*Petitioner,*

v.

JOHN WILEY & SONS, INC.,

*Respondent.*

—◆—  
**On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Second Circuit**

—◆—  
**BRIEF OF *AMICI CURIAE* ENTERTAINMENT  
MERCHANTS ASSOCIATION AND NATIONAL  
ASSOCIATION OF RECORDING MERCHANTISERS  
IN SUPPORT OF PETITIONER**

—◆—  
JOHN T. MITCHELL  
*Counsel of Record*  
INTERACTION LAW  
1629 K Street NW  
Suite 300  
Washington, DC 20006  
(202) 415-9213  
john@interactionlaw.com

## TABLE OF CONTENTS

	Page
TABLE OF CONTENTS .....	i
TABLE OF AUTHORITIES .....	iv
INTEREST OF <i>AMICI CURIAE</i> .....	1
SUMMARY OF ARGUMENT .....	3
ARGUMENT .....	6
I. THE EXCLUSIVE RIGHT TO DISTRIBUTE COPIES OF THE WORK SERVES A LIMITED PURPOSE .....	8
II. THE DECISION BELOW BREAKS A LONG TRADITION AGAINST THE LEVERAGING OF COPYRIGHTS TO RESTRAIN TRADE IN NON-INFRINGEMENT COPIES .....	10
III. THE PANEL MAJORITY READS § 202 OUT OF THE ACT .....	16
A. The Second Circuit’s holding judicially nullifies the § 202 copy/copyright distinction with respect to foreign-made copies .....	17
B. The Second Circuit’s holding ignores the exhaustion principle .....	19
IV. THE MAJORITY BELOW CLOUDS THE SCOPE OF STATUTORY RIGHTS .....	21
V. CONGRESS REJECTED THE MERITS OF THE TEXTBOOK PUBLISHERS’ QUEST TO CONTROL SECONDARY SALES .....	22

## TABLE OF CONTENTS – Continued

	Page
VI. THE DECISION BELOW IMPERILS MANY WIDELY-ACCEPTED MEANS OF DISTRIBUTION .....	24
A. Determining whether one has the right to redistribute one’s own copy would be rendered a practical impos- sibility .....	24
B. Retailers’ and the public’s customary freedom to distribute copies they own would be threatened .....	25
1. Selling any noninfringing foreign- made copy would require a license ...	26
2. Competition from secondary sales could be suppressed or eliminated ...	27
3. Rental could be prohibited, or roy- alties extracted .....	29
4. Gifting would be at risk.....	31
C. The Second Circuit’s decision jeopard- izes consumers’ full use and enjoy- ment of their property, and limits the rights of other copyright owners .....	32
1. Potential liability for common, everyday acts, would chill the ex- change of constitutionally protect- ed speech.....	32

TABLE OF CONTENTS – Continued

	Page
2. Consumers authorized to make reproductions could be illogically penalized for doing so outside of the United States .....	34
3. Copies made in the U.S. would be burdened if they share the same tangible medium as a copy made abroad .....	36
CONCLUSION.....	36

## TABLE OF AUTHORITIES

Page

## CASES

<i>Bobbs-Merrill Co. v. Straus</i> , 210 U.S. 339 (1908).....	10, 12, 13, 16
<i>Clemens v. Estes</i> , 22 F. 899 (C.C.D. Mass. 1885).....	11
<i>Columbia Pictures Industries v. Redd Horne</i> , 749 F.2d 154 (3d Cir. 1984).....	18
<i>Costco Wholesale Corp. v. Omega, S.A.</i> , 131 S. Ct. 565 (2012).....	33
<i>Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.</i> , 84 F.3d 1143 (9th Cir. 1996).....	27
<i>Fogerty v. Fantasy, Inc.</i> , 510 U.S. 517 (1994).....	37
<i>Harrison v. Maynard, Merrill &amp; Co.</i> , 61 F. 689 (2d Cir. 1894).....	11, 12
<i>Harper &amp; Row, Publishers v. Nation Enters.</i> , 471 U.S. 539 (1985).....	7, 30
<i>Henry Bill Pub. Co. v. Smythe</i> , 27 F. 914 (C.C.D. Ohio 1886).....	10, 11
<i>NEGB, LLC v. Weinstein Co. Holdings</i> , 490 F. Supp. 2d 89 (D. Mass. 2007).....	29
<i>Okocha v. Amazon.com</i> , 153 Fed. Appx. 849 (3d Cir. 2005).....	23, 32
<i>Pearson Education, Inc. v. Liao</i> , 2008 U.S. Dist. LEXIS 39222 (S.D.N.Y. May 13, 2008).....	33
<i>Pearson Education, Inc. v. Liu</i> , 656 F. Supp. 2d 407 (S.D.N.Y. 2009), <i>petition for certiorari pending, sub nom, Liu v. Pearson Education, Inc.</i> , No. 11-708 .....	24

## TABLE OF AUTHORITIES – Continued

	Page
<i>Pearson Education, Inc. v. Valore, Inc.</i> , No. 07-cv-01348-JG-JMA, <i>consent judgment</i> (E.D.N.Y. Dec. 17, 2007) .....	32
<i>Platt &amp; Munk Co. v. Republic Graphics, Inc.</i> , 315 F.2d 847 (2d Cir. 1963).....	8, 14
<i>Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.</i> , 523 U.S. 135 (1998) .....	33
<i>Red Baron-Franklin Park, Inc. v. Taito Corp.</i> , No. 88-0156-A, 1988 U.S. Dist. LEXIS 15735 (E.D. Va. Aug. 29, 1988), <i>rev'd on other grounds</i> , 883 F.2d 275 (4th Cir. 1989).....	23
<i>Sony Corp. of America v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984) .....	13, 29, 36
<i>Stevens v. Cady</i> , 55 U.S. 528 (1853).....	<i>passim</i>
<i>Stevens v. Gladding</i> , 58 U.S. 447 (1854).....	7, 10
<i>UMG Recordings v. Augusto</i> , 628 F.3d 1175 (9th Cir. 2011).....	17
<i>United States v. Cohen</i> , 946 F.2d 430 (6th Cir. 1991) .....	17
<i>United States v. Masonite Corp.</i> , 316 U.S. 265 (1942).....	8
<i>UsedSoft GmbH v. Oracle International Corp.</i> , Case C-128/11, [2012] E.C.R. I___ (delivered July 3, 2012).....	19

## TABLE OF AUTHORITIES – Continued

	Page
STATUTES	
17 U.S.C. § 101 .....	19
17 U.S.C. § 106 .....	13
17 U.S.C. § 106(1) .....	21
17 U.S.C. § 106(3) .....	15, 20
17 U.S.C. § 107 .....	22, 31
17 U.S.C. § 109 .....	<i>passim</i>
17 U.S.C. § 109(a) .....	<i>passim</i>
17 U.S.C. § 115 .....	5, 35
17 U.S.C. § 115(a)(1) .....	21
17 U.S.C. § 115(d) .....	19
17 U.S.C. § 117 .....	19, 22, 35
17 U.S.C. § 202 .....	<i>passim</i>
17 U.S.C. § 602 .....	15, 21
§ 16 of the Copyright Act of 1909 .....	22
§ 41 of the Copyright Act of 1909 .....	<i>passim</i>
§ 107 of the Copyright Act of 1909 .....	22
§ 27 of the Copyright Act of 1947 .....	13, 16
Fla. Stat. ch. 540.11(3)(a)(3) (2010) .....	24
N.C. Gen. Stat. § 14-435(b) (2010) .....	25

## TABLE OF AUTHORITIES – Continued

	Page
LEGISLATIVE MATERIALS	
H.R. Rep. No. 2222, 60th Cong., 2d Sess. (1909).....	2, 17, 22
H.R. Rep. No. 94-1476 (1976).....	14, 20
S. Rep. No. 1108, 60th Cong., 2d Sess. (1909).....	22
S. Rep. No. 93-983 (1974).....	20
Computer Software Rental Amendments Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089.....	23
OTHER AUTHORITIES	
Marvin Ammori, <i>If You’ve Ever Sold a Used iPod, You May Have Violated Copyright Law</i> , THE ATLANTIC, June 8, 2012.....	34
Mike Anderiesz, <i>Publishers Rankled By Second- hand Games Boom</i> , THE GUARDIAN (Jan. 3, 2006).....	27
Cecilia Barress, <i>Cinram DVD plant loses Warner contract; faces more job cuts</i> , THE TIMES- TRIBUNE, Feb. 2, 2010.....	24
Consumer Video Sales-Rental Amendment, H.R. 1029, 98th Cong. (1983), and its Senate companion, S. 33 (defeated).....	30
DMCA SECTION 104 REPORT, U.S. Copyright Office (August 2001).....	6, 19, 35



## TABLE OF AUTHORITIES – Continued

	Page
John Gaudiosi, <i>GameStop Exec Believes It's Highly Unlikely Next Generation PlayStation And Xbox Consoles Will Block Used Games</i> , FORBES, April 30, 2012 .....	29
David D. Kirkpatrick, <i>Online Sales of Used Books Draw Protest</i> , THE NEW YORK TIMES (Aug. 10, 2002) .....	27
James Lardner, Video Wars, THE WASHINGTON POST, F1, May 2, 1982.....	30
NARM DISTRIBUTOR DATABASE .....	25
NARM, RIAA Refresh 'Give the Gift of Music' Promotional Campaign, June 10, 2010.....	31
2 M. NIMMER AND D. NIMMER, NIMMER ON COPYRIGHT § 8.12[A] .....	8, 9
The NPD Group, Inc., <i>Bargain-Hunting Gamers Turning to Impulse Buying, Used Titles</i> .....	29
THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 1975 REVISION BILL, OCTOBER-DECEMBER 1975 (DRAFT): SECOND SUPPLEMENTARY REPORT .....	23
Richard Roehl and Hal R. Varian, <i>Circulating Libraries and Video Rental Stores</i> , FIRST MONDAY, vol. 6, no. 5 (May 2001).....	30
Paul Sweeting, <i>Rental ruin?</i> , VIDEO BUSINESS, March 9, 2009.....	30
Troy Wolverton, <i>Video Games' Second Life</i> , THESTREET.COM (Dec. 2, 2005) .....	27

## INTEREST OF *AMICI CURIAE*

The first sale doctrine, codified in §§ 109 and 202 of the Copyright Act, is fundamental to *Amici Curiae*'s members' freedom to engage in the broadest possible dissemination of creative works to the public at the most competitive prices. They have experience with myriad business models based partially or entirely on this entitlement of copy-owners to which copyrights are subject.

*Amici* are, collectively, retailers of lawfully made copies and phonorecords of copyrighted works.<sup>1</sup> They represent a proud lineage of retailers who, for more than a century, have been catalysts for the development of the first sale doctrine in the courts and in Congress. The distribution of noninfringing copies and phonorecords that they own has repeatedly come under fire from copyright holders intent on controlling retail prices and secondary markets. Relying on longstanding legal precedence, and the national policy reflected in the House Committee on Patents' declaration that "it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright

---

<sup>1</sup> Petitioner Kirtsaeng is not an *Amici* member. The parties were provided with timely notice of the intent to file this brief and consented thereto. Counsel for a party did not author this brief in whole or in part. No person or entity other than *Amici Curiae*, their members, or their counsel made a monetary contribution to the preparation and submission of this brief.

after said proprietor has made the first sale,”<sup>2</sup> retailers have historically defended their natural rights to sell, rent, gift, and lend *their* legitimate copies that the publishers have willingly released into the stream of commerce.

*Amici* are, specifically, Entertainment Merchants Association, Inc., the major trade association of retailers and distributors in the home video and video game industries, and National Association of Recording Merchandisers, Inc. (“NARM”), the major trade association of retailers and distributors of sound recordings. They respectfully submit this brief as *amici curiae* in accordance with Supreme Court Rule 37.

*Amici’s* members distribute, through sale, resale and rental, lawfully made copies of “audiovisual works” and “computer programs” (home videos and video games). They also sell and resell lawfully made “phonorecords,” consisting of music CDs and DVDs, vinyl record singles and albums, and flash media.

*Amici’s* members include global mass merchants and single-store specialty shops that sell or rent through physical stores, “online” Internet stores, and stores distributing copies and phonorecords using both business models. Members sell pre-recorded media as well as licenses to reproduce (“download”) works lawfully onto the consumer’s own media, which

---

<sup>2</sup> H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 28-29 (1909).

then also become “copies” and “phonorecords” as defined in the Copyright Act.

*Amici*’s members also have an interest in preserving the first sale doctrine rights of their customers. For example, customers naturally are less likely to purchase a copy or phonorecord of a work by an unfamiliar author, or as a gift, if resale or gifting will require permission from the copyright holder.

Finally, *Amici* have a history of engagement in legislative and public policy debates concerning the proper scope of §§ 109(a) and 202<sup>3</sup> in the United States and in international treaties providing global recognition of the legitimacy of the first sale doctrine.

*Amici* submit this brief, in support of Petitioner, to offer additional arguments for reversal from the perspective of the retail sector’s long history of unfettered right of alienation over noninfringing copies and phonorecords that they own, and to highlight the very damaging consequences of the Second Circuit’s decision for *Amici*’s members and their customers.



## SUMMARY OF ARGUMENT

In 1853, this Court said: “The copy-right is an exclusive right to the multiplication of the copies, for the benefit of the author or his assigns, disconnected

---

<sup>3</sup> All section references are to the Copyright Act of 1976, 17 U.S.C., unless otherwise noted.

from the plate,<sup>4</sup> or any other physical existence.” *Stevens v. Cady*, 55 U.S. 528, 530 (1853). Ever since then, copyright holders have tried to re-connect the two. Until now, the courts and Congress have consistently maintained that, just as ownership of a copy cannot constrain the copyright, ownership of the copyright cannot constrain the right of the owner of the non-infringing copy.

The first sale doctrine is the natural outgrowth of the disconnection of copy from copyright. It is no accident that the first codification of the first sale doctrine by Congress included both principles – the separation of the copy from the copyright, and the rights of owners of copies as an express limitation on the copyright – in a single section. Copyright Act of 1909, § 41 (and now in §§ 109 and 202 of the current Act). The Second Circuit’s limitation on § 109 to copies made domestically cannot be accomplished without eviscerating § 202, obliterating this principle governing copyright law since 1853.

Except for specific and narrow statutory exceptions, first sale doctrine jurisprudence leaves no room for copyright control over distribution of non-infringing copies that the copyright owner does not own. The Second Circuit’s extension of such control over all copies made abroad has no legal basis or jurisprudential foundation; it defies Congress’s explicit

---

<sup>4</sup> Referring to the copperplate master copy from which reproductions were made.

intent; it restricts the reproduction right to domestic reproductions; it sows confusion as to the scope of statutory authority to reproduce and distribute copies and phonorecords (such as in § 115); and it leaves in disarray the market for all secondary transfers of ownership or possession, from commercial sales to gratis conveyances, lending, and intestate succession. The panel majority's approach erases the residual or resale value that owners of copies made abroad always thought they had, and places every American at risk of infringing by engaging in distributions as simple as sharing a copy of *Le Monde* following a flight from Paris, selling used copies and phonorecords at a yard sale, trading in an old game for a new one, giving used copies to charity, or sharing a textbook with a classmate.

Each time Congress addressed the first sale doctrine, it endorsed the judicial refinements to it. When it did so, again, in 1976, it was merely codifying the judicial gloss that the language of § 41 of the Copyright Act of 1909 had developed over the years. Congress neither accidentally nor purposely opened a back door for copyright holders to nullify the doctrine with respect to all copies they made by offshore manufacturing.

Respondents now seek to re-connect their copyrights to the tangible objects they already sold, so long as they choose to make them abroad. They ask this Court to disregard its own longstanding principles of copyright law and Congress's endorsement and expansion of them in §§ 109 and 202. This Court

should, instead, reaffirm these principles that are so consistent with the correct reading of the current Act, and should reject this latest creative effort to take from the owners of copies what was never the copyright holder's to begin with.

---

◆

## ARGUMENT

The question for retailers is, if their ultimate supplier – the U.S. copyright holder – releases into the stream of commerce two lines of copies (such as a movie DVD or video game disc) or phonorecords (such as a CD) of a single work, having manufactured one line at a plant in Canada and the other in the U.S., may the supplier perpetually prohibit the initial retail sale, resale, rental and lending of the foreign-made copies, while having no such power to prohibit or control secondary transactions in the copies made in the U.S. manufacturing facility? *Amici* disagree with the Second Circuit's affirmative response to that question.

Innovative retail competition benefitting the general public has been the driving force in the development of the first sale doctrine.<sup>5</sup> The Second Circuit's novel interpretation of § 109(a) and complete

---

<sup>5</sup> The Register of Copyrights observed, "competition policy is viewed as one of the underlying bases for the first sale doctrine." DMCA SECTION 104 REPORT, at 21, U.S. Copyright Office (August 2001).

disregard of § 202 eviscerates the first sale doctrine with respect to copies made abroad by the U.S. copyright owner, contravenes the text of the Copyright Act, creates an unworkable and absurd legal environment, and erases the distinction in § 202 between rights in copies and rights in copyrights, allowing the latter to subsume the former.<sup>6</sup> *Amici* urge this Court to reverse the Second Circuit’s holding, and to restore the Copyright Act’s distinction between ownership of the tangible article and ownership of the intangible copyright. Failure to reverse it would hobble the value of copyright law in promoting the progress of science and art, and would create a baseless brake on the “engine of free expression”<sup>7</sup> by suppressing

---

<sup>6</sup> 17 U.S.C. § 202 provides, in relevant part: “Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.” It was part of the original codification of the first sale doctrine in § 41 of the Copyright Act of 1909. That section, in turn, followed this Court’s own doctrine. *See, e.g., Cady*, 55 U.S. at 531 (“the property in the copyright is regarded as a different and distinct right, wholly detached from the manuscript, or any other physical existence”); *Stevens v. Gladding*, 58 U.S. 447, 452-53 (1854) (owner of copperplate for printing maps was not entitled to print maps without the copyright holder’s permission, but could otherwise do as he pleased with the copperplate copy itself, for he owned what he had purchased (the copy) and not what he had not purchased (the copyright)).

<sup>7</sup> *Harper & Row, Publishers v. Nation Enters.*, 471 U.S. 539, 558 (1985) (“[T]he Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create *and disseminate* ideas”) (emphasis added).



redistribution of non-infringing copies based solely on the place where they are made.

## I. THE EXCLUSIVE RIGHT TO DISTRIBUTE COPIES OF THE WORK SERVES A LIMITED PURPOSE

The primary purpose of the distribution right is to protect the reproduction right – to reach someone who distributes infringing copies and phonorecords but is not liable for the infringing reproduction. It is qualitatively different from the other copyrights, serving as “a necessary supplement to the reproduction right in order fully to protect the copyright owner.” 2 M. NIMMER AND D. NIMMER, NIMMER ON COPYRIGHT, at § 8.12[A]. Just as for preventing the distribution of *infringing* copies, it is useful to prevent the distribution of *noninfringing* copies when the distribution undermines the value of the copyright holder’s reproduction right, such as where a thief, warehouseman, or bailee illegally diverts them before the copyright holder has obtained the “full reward” for the reproduced copy.<sup>8</sup> That “rationale becomes inapplicable in the situation where the copyright owner first consents to the sale or other distribution of copies or phonorecords of his work.” NIMMER, at § 8.12[A].

---

<sup>8</sup> The “ultimate question” is whether the copyright holder “has received his reward” for the distribution of the copy. *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)).

In such circumstances, continued control over the distribution of copies is not so much a supplement to the intangible copyright, but is rather a device for controlling the disposition of the tangible personal property that embodies the copyrighted work. Therefore, at this point, the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints of alienation.

*Id.* (citations omitted). Accordingly, where the copyright holder has authorized the transfer of title in the copy or phonorecord, or authorized the owner of the tangible medium to reproduce the work onto it, the distribution right serves no purpose.

The copies at issue in this case are unquestionably noninfringing. Respondents' only contention is (to paraphrase their argument) that "the copies were not lawfully made under the Copyright Act because we, the U.S. copyright holders who have the exclusive right, under U.S. law, to make them, chose to make them in a place where U.S. law does not apply." But the rationale for limiting the distribution right once the copyright holder has sold the copies for its full reward applies just as strongly no matter where the copyright holder chose to make them. Where the reproduction right has been exercised along with "full reward" for relinquishing ownership of the resulting copy, the distribution right serves no further purpose. It is exhausted.

## II. THE DECISION BELOW BREAKS A LONG TRADITION AGAINST THE LEVERAGING OF COPYRIGHTS TO RESTRAIN TRADE IN NON-INFRINGEMENT COPIES

It is often said that Section 41 of the Copyright Act of 1909 codified this Court's 1908 adoption of the first sale doctrine in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). In reality, this Court's first sale doctrine jurisprudence began more than a half-century earlier. In *Stevens v. Cady*, 55 U.S. 528 (1853), and again, *sub nom.*, in *Stevens v. Gladding*, 58 U.S. 447 (1854), this Court drove home the fundamental principle that copies and copyrights are completely separate, that conveyance of one conveys no rights in the other, and that ownership of one places no burden on the other.

The lower courts followed this teaching, developed into the "exhaustion" doctrine. For example, in *Henry Bill Pub. Co. v. Smythe*, 27 F. 914, 925 (C.C.D. Ohio 1886), the court explained that the owner of the copyright cannot transfer title to a copy and keep for itself the power to authorize the sale of that copy. The distribution right in the copies made by the copyright owner belongs to the copyright holder "only so long as and to the extent that he owns the particular copies involved." *Id.* It is, the court explained,

a distinction . . . between the incident of that monopoly of sale belonging alone to the owner of the copyright, and the incident of that exclusive and inseparable right of alienation

belonging always to the owner of a copy of the work lawfully printed.

*Id.* Having parted with ownership of the copy, “the ordinary incident of alienation” flows to the new owner, and the right of the new owner “supersedes the other, – swallows it up, so to speak.” *Id.*

Like Respondents here, even Mark Twain tangled with retailers selling HUCKLEBERRY FINN at discount. He lost his attempt to leverage his distribution right to impose minimum resale pricing upon independent dealers. *Clemens v. Estes*, 22 F. 899 (C.C.D. Mass. 1885).

The Second Circuit further developed the exhaustion doctrine in the landmark case of *Harrison v. Maynard, Merrill & Co.*, 61 F. 689 (2d Cir. 1894). *Harrison* involved copies of a work of literature that were damaged by fire to such extent that the copyright holder deemed them of no commercial value, sold them for scrap, and contractually specified that they were intended for no other purpose. In apparent breach of the agreement, the copies were sold to a used book dealer, who proceeded to re-sell them. The court emphatically affirmed the retailer’s right to do so:

So long as the owner of a copyright retains the title to the copies of the book which he has the exclusive right to vend by virtue of the copyright, he can impose restrictions upon the manner in which and upon the persons to whom the copies can be sold. Having

the exclusive right to vend, he has the right to appoint to whom the book shall be sold. . . . But the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes.

*Id.* at 690-91. The exhaustion doctrine derives from the distinct property rights in copies and copyrights, unaffected by where the copy is made. It is a limitation inherent in the distribution right itself, unattached to the copy.

By the time this Court reiterated the first sale doctrine in 1908, lower courts had uniformly rejected the use of copyrights to restrain the free alienation of copies that the author had already sold. The *Bobbs-Merrill*, decision broke no new ground, but simply ratified the evolution of the *Stevens v. Cady* teaching at the hands of the lower courts.

The following year, Congress not only adopted the *Stevens v. Cady* doctrine applicable to exhaustion of the distribution right following a sale (now § 202), but went substantially further, creating an affirmative right enjoyed by the possessor of the copy (now § 109) rather than mere exhaustion of the distribution right. Although it continues to be referred to as

the “first *sale* doctrine,” no codification since 1909 has ever required that there be a “sale” at all.<sup>9</sup> As we shall explain, the statutory question presented by this new right evolved from the initial question, “Who *possesses* the copy?” to “Who *owns* the *noninfringing* copy?”

Each codification of the doctrine has had two components. First, the codifications declare, consistent with the decisions from *Stevens v. Cady* to *Bobbs-Merrill v. Straus*, that copies and copyrights are distinct, and the rights in one do not affect the rights in the other. See § 41 of the Copyright Act of 1909 (renumbered § 27 in 1947), and § 202 of the Copyright Act of 1976. This principle continues to support the exhaustion doctrine, independently of § 109.

Second, to this *separation* of rights, each codification added an express *limitation* upon the copyright by virtue of an express entitlement, superior to the copyright, conferred upon either the *possessor* of *any* copy (§ 41 of the 1909 Act) or the *owner* of a *lawfully made* copy (§ 109(a) of the 1976 Act). That is, Congress moved beyond mere exhaustion of the distribution right to add an *entitlement* upon the owner of the noninfringing copy. Section 106 makes the distribution right “subject to” this entitlement.<sup>10</sup>

---

<sup>9</sup> See, *infra*, n.14.

<sup>10</sup> See, e.g., *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984) (“[T]he definition of exclusive rights in § 106 . . . is prefaced by the words ‘subject to sections  
(Continued on following page)

The journey from a right attaching to the mere possessor of the copy to requiring ownership of the copy – and not just any copy, but a “lawfully made” copy – is the result of many years of judicial gloss on the 1909 language. The journey itself illuminates the rationale for the “lawfully made under this title” language, and lends no support to Respondents.

From 1909 until 1976, the Copyright Act literally granted the right of alienation to anyone in *lawful possession* of the copy, including both good faith purchasers of copies stolen before the copyright holder received consideration for them, and good faith purchasers of infringing copies. Courts were uniformly unwilling to read the 1909 and 1947 Acts that broadly.

In *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963), Judge Learned Hand summarized the history of the judicial gloss upon the original language. Judge Hand explained the rationale behind judicially requiring possession to be more than merely lawful, but also limited to copies that no longer belonged to the copyright holder, so that neither acquisition through a thief or through a person to whom the copyright holder had entrusted possession of the copy, such as a bailee, could allow

---

107 through [122].’”); accord H.R. Rep. No. 94-1476, at 61 (1976) (“[E]verything in section 106 is made ‘subject to sections 107 through [122]’ and must be read in conjunction with those provisions.”).

the possessor to enjoy the statutory right to redistribute at will.

Judge Hand also noted how the courts had limited the reach of the statute to *owners* of *non-infringing* copies. Despite the plain language to the contrary, not even lawful ownership of infringing copies would find refuge for redistribution under the 1909 and 1947 wording of the statute.

The 1976 Act's change from the original 1909 wording is unremarkable in that historical context. The preceding case law was so consistent and uncontroversial that it was no substantive change for Congress to adopt it in the 1976 Act, substituting "owner of a copy lawfully made under this title" for "any copy of a work copyrighted under this act the possession of which has been lawfully obtained." Given Congress's express desire to follow the judicial developments in the doctrine and to prevent "any control whatever" by the copyright holder, Congress's 1976 choice of the words in issue here simply removed the literal right of anyone in lawful possession of an infringing copy or lawful possession of an undistributed copy held in trust, to redistribute it, just as the courts had already done.<sup>11</sup>

---

<sup>11</sup> Likewise, expansion of § 106(3) to include "importation" (§ 602) was necessary because mere possession of an infringing copy is not unlawful, and importation without transferring title or possession could not be prevented. But importation need not escape the § 109(a) limitation any more than gifts and bequests. The sole question is, "Who owns the noninfringing copy?" If not

(Continued on following page)



### III. THE PANEL MAJORITY READS § 202 OUT OF THE ACT

In the proceedings below, and at the petition stage, this case has focused on the portion of the common law first sale doctrine codified in § 109(a). As shown above, the remainder of the codification of the first sale doctrine, now found in § 202, shares both statutory and common law roots with § 109, and must be read together with it. However, the panel majority did not even mention § 202, and failed to grasp the copy/copyright distinction.

Judicially recognized in 1853, and reiterated by this Court in 1908, in *Bobbs-Merrill*, the initial codification of the first sale doctrine, § 41 of the Copyright Act of 1909 provided, “*copyright is distinct from the property in the material object copyrighted,*” and “*nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.*”<sup>12</sup>

Both subsequent codifications followed the 1853 doctrine’s separation of the copyright owner’s rights from the copy owner’s right.<sup>13</sup> As this dichotomy

---

the copyright owner, then the distribution right is subject to the right of the copy’s owner.

<sup>12</sup> (Emphasis added). The unchanged text was renumbered as § 27 of the Copyright Act of 1947.

<sup>13</sup> The present codification divides the provisions of § 41 of the Copyright Act of 1909 (and § 27 of the Copyright Act of 1947) into two sections: § 202 stresses the distinction between owning

(Continued on following page)

demonstrates, the first sale doctrine rests on broader principles than mere “sale”<sup>14</sup> or place of reproduction. The Second Circuit’s ruling annuls this fundamental dichotomy upon which the first sale doctrine is based.

**A. The Second Circuit’s holding judicially nullifies the § 202 copy/copyright distinction with respect to foreign-made copies**

In keeping with the original codification of the first sale doctrine in § 41 of the Copyright Act of 1909,<sup>15</sup> § 202 of the Copyright Act of 1976 provides, in part:

---

a copyright in a copyrighted work and owning a copy of the copyrighted work, and § 109(a) entitles the copy owner to a superior right to distribute that particular copy if it was made consistent with the U.S. Copyright Act (*i.e.*, by authority of either the U.S. copyright owner or authority of the U.S. Copyright Act).

<sup>14</sup> Despite its name, the “first sale doctrine” has never depended upon whether the copy in question was ever sold. *See, e.g., UMG Recordings v. Augusto*, 628 F.3d 1175 (9th Cir. 2011) (first-sale doctrine applies to promotional copies *given away* by the copyright owner); *United States v. Cohen*, 946 F.2d 430, 434 (6th Cir. 1991) (“copyright law does not forbid an individual from renting or selling a copy of a copyrighted work which was lawfully obtained *or lawfully manufactured by that individual*”) (emphasis added, citation omitted).

<sup>15</sup> The Committee on Patents explained: “Section 41 is not intended to change in any way existing law, but simply to recognize the distinction, long established, between the material object and the right to reproduce copies thereof.” H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 28-29 (1909).

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.

The holding below reads this distinction out of the Copyright Act with respect to copies made abroad.<sup>16</sup> Owners of noninfringing copies made domestically would enjoy a right of ownership in the tangible medium that is wholly distinct from the copyright owner's intangible copyright. Owners of noninfringing copies made abroad, however, would no longer enjoy such a distinct right of ownership in the tangible medium. Their ownership would be subject to the author's continued control over the future disposition of the copy it had already sold.<sup>17</sup>

---

<sup>16</sup> The panel majority seemed oblivious to the difference between an intangible "work" and a tangible "*copy of a work*," using the former in place of the latter no less than 25 times. The error even infects the conclusion: "the first sale doctrine does not apply to *works* [sic] manufactured outside of the United States," Petition Appendix, at 33a (emphasis added), rather than *copies of works*.

<sup>17</sup> The Third Circuit, in contrast, has embraced the distinction embodied in § 202:

Section 109(a) is an extension of the principle that ownership of the material object is distinct from ownership of the copyright in this material. *See* 17 U.S.C. § 202 (1982). The first sale doctrine prevents the copyright owner from controlling the future transfer of a particular copy once its material ownership has been transferred.

*Columbia Pictures Industries v. Redd Horne*, 749 F.2d 154, 159-60 (3d Cir. 1984) (citations omitted).

Where the noninfringing copy or phonorecord is made abroad, the panel majority has converted common law *ownership* of chattel into a limited right of mere *possession*.

### **B. The Second Circuit’s holding ignores the exhaustion principle**

The common law formulation of the first sale doctrine articulated by this Court and codified by Congress is akin to the “exhaustion” principle that has come to be universally recognized in international law.<sup>18</sup> Apart from the ability to control distribution of infringing copies, the copyright owner simply has no distribution right at all. By relinquishing

---

<sup>18</sup> “‘Exhaustion’ is the term that is often used in international agreements to refer to the termination of a copyright owner’s distribution right with respect to a particular copy after that copy has been sold with the copyright owner’s authorization – *i.e.*, the first sale doctrine. The distribution right is said to ‘exhaust’ after the first sale.” DMCA SECTION 104 REPORT, at 92 n.301. *Cf. UsedSoft GmbH v. Oracle International Corp.*, Case C-128/11, [2012] E.C.R. I\_\_\_ (delivered July 3, 2012), where the Court of Justice of the European Union recently applied the exhaustion principle to allow subsequent *reproduction* of the work (provided only one reproduction remained) to permit owners of copies reproduced onto a hard drive under license to pass the benefits of ownership to someone else. (The Court spoke of “intangible copies,” which is an oxymoron under the definition of “copies” in § 101, but was effectively addressing a concept within the realm of our § 117, and consistent with the concept of “digital phonorecord delivery” in § 115(d), where although the tangible medium is not distributed, the consumer owns the copy or phonorecord at the conclusion of the transaction.)

ownership of the copy, the copyright owner exhausts its distribution right.<sup>19</sup>

[T]he copyright owner would have the right to control the first public distribution of an authorized copy or phonorecord of his work, whether by sale, gift, loan, or some rental or lease arrangement. Likewise, any unauthorized public distribution of copies or phonorecords that were unlawfully made would be an infringement. *As section 109 makes clear, however, the copyright owner's rights under section 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it.*

H.R. Rep. No. 94-1476, at 62 (1976) (emphasis added). The Second Circuit contravenes Congress's express intent by holding that rights under § 106(3) do not end with respect to copies and phonorecords made abroad. It erroneously looked to whether U.S. law applied to the place where the work was reproduced into a copy. Congress, in contrast, looks to whether the reproduction was made by or with the consent of the owner of the exclusive right, under U.S. law, to reproduce the work into copies and, if so, whether it is now owned by someone other than the copyright owner. The panel majority failed to grasp that the

---

<sup>19</sup> "Section 109(a) restates and confirms the principle that where a copyright owner has transferred ownership of a particular copy or phonorecord of his work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means." S. Rep. No. 93-983 (1974).

distribution right over the copies in question had ended.<sup>20</sup>

#### IV. THE MAJORITY BELOW CLOUDS THE SCOPE OF STATUTORY RIGHTS

If copies can only be “lawfully made under” the U.S. Copyright Act by exercising § 106(1) reproduction rights on U.S. soil, it logically would follow that the copyright holder’s exclusive right “to do or to authorize” the reproduction of the work would be limited to domestic reproductions. Consequently, it could not infringe the § 106(1) reproduction right for a stranger within the U.S. to authorize reproductions abroad without the consent of the U.S. copyright holder. That cannot be what Congress intended.

A similar cloud is cast over the scope of the compulsory license in § 115(a)(1). Where Congress authorizes a “compulsory license to make *and distribute* phonorecords of the work” (emphasis added),

---

<sup>20</sup> It follows that we believe Petitioner’s suggestion that § 602 provides a “powerful copyright weapon (and not just a contract remedy) against distributors who distribute outside their assigned domains,” Brief for Petitioner, at 13; *id.* at 41, paints with too broad a brush. If the copies were made by or with consent of the U.S. copyright holder, only the distributor who was not the “owner” of the authorized copies (such as a sales agent or bailee) could be liable for infringement in addition to breach of contract.

the Second Circuit adds the caveat, “provided that they are made in the United States.”<sup>21</sup>

## V. CONGRESS REJECTED THE MERITS OF THE TEXTBOOK PUBLISHERS’ QUEST TO CONTROL SECONDARY SALES

Not one case dating back to the mid-1800s countenanced a more favorable outcome for the copyright owner who prints abroad. In fact, the opposite is true.<sup>22</sup> The amendments in the Copyright Act of 1976 caused no change whatsoever in the distribution practices prevalent among the copyright holders supplying *Amici’s* products, despite the historic inclination, by some, to control secondary distributions.<sup>23</sup> In

---

<sup>21</sup> The holding clouds the reach of the statutory license in § 117, as well.

<sup>22</sup> For example, § 107 of the Copyright Act of 1909 noted the place of manufacture for the *opposite* purpose. It prohibited U.S. importation of “any copies thereof (although authorized by the author or proprietor) which have not been produced in accordance with the manufacturing provisions specified in section 16.” (§ 16 required that reproduction of most English-language works be made in the United States.) The Committee Report stressed the “protection of the men engaged in the work of setting type, making plates, printing and binding.” H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 18 (1909) (adopted by the Senate, S. Rep. No. 1108, 60th Cong., 2d Sess. (1909)).

<sup>23</sup> This inclination was manifest in 1983, with the introduction of legislation to exclude video rentals from the reach of § 109. *See, infra*, n.30. Years earlier, during the development of the Copyright Act of 1976. “The proposal that royalties be imposed on the large-scale commercial resale of used copies of textbooks and other works received no support” from Congress and ran counter to the first sale doctrine embodied in the

(Continued on following page)

fact, at that time, Congress rejected the extension of rights now urged by Respondents. Congress was asked to include a copyright to control secondary sales of textbooks in the 1976 Act, and refused. Reporting on those legislative hearings, the Register of Copyrights recounted, under the heading, “RESALE OF USED TEXTBOOKS,” how Prof. Rondo Cameron lobbied for an obligation to pay royalties on the sale of used books, “especially textbooks,” and opposed § 109(a) precisely because it “specifically excludes the right of resale in this situation.” THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 1975 REVISION BILL, OCTOBER-DECEMBER 1975 (DRAFT): SECOND SUPPLEMENTARY REPORT, at ch. II, p. 49. Respondents’ position is, in essence, that the Register of Copyrights got it wrong, and that Congress had, in fact, supported the textbook publishers’ request and granted it after all, provided they make the copies offshore.<sup>24</sup>

---

unopposed § 109(a). THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 1975 REVISION BILL, OCTOBER-DECEMBER 1975 (DRAFT): SECOND SUPPLEMENTARY REPORT, at ch. II, p. 55.

<sup>24</sup> Until the textbook publishers’ initiative against dozens of sellers in the Southern District of New York, the lower courts comfortably applied § 109 to copies made abroad. *See, e.g., Okocha v. Amazon.com*, 153 Fed. Appx. 849 (3d Cir. 2005); *Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 U.S. Dist. LEXIS 15735, at \*2-3 (E.D. Va. Aug. 29, 1988), *rev’d on other grounds*, 883 F.2d 275 (4th Cir. 1989) (tacitly approved by Congress when it legislatively overruled the Fourth Circuit using the very words “lawfully made under this title” to extend a public performance privilege with respect to performances from the foreign-made video game copy in question, Computer

(Continued on following page)



## VI. THE DECISION BELOW IMPERILS MANY WIDELY-ACCEPTED MEANS OF DISTRIBUTION

### A. Determining whether one has the right to redistribute one's own copy would be rendered a practical impossibility

When purchasing new and used copies and phonorecords in the free flow of commerce, retailers often lack privity with the copyright holder. They regularly purchase from independent distributors, a competitor with an “exclusive” on a given title, their own customers (trade-ins), or from merchants with excess inventory. They generally do not know, nor could they reasonably determine, the country in which these copies and phonorecords were made.<sup>25</sup>

---

Software Rental Amendments Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089. Even Judge Holwell, in *Pearson Education, Inc. v. Liu*, 656 F. Supp. 2d 407 (S.D.N.Y. 2009), *petition for certiorari pending, sub nom, Liu v. Pearson Education, Inc.*, No. 11-708, found that § 109's language and legislative history, and the public policy behind it, all indicated that the place of manufacture was irrelevant.

<sup>25</sup> State “true name and address” laws require identification of the manufacturer, but not the place of manufacture. *See, e.g.*, Fla. Stat. ch. 540.11(3)(a)(3) (2010). A single replicator serving a major copyright holding company may own facilities in different countries. *See, e.g.*, Cecilia Barress, *Cinram DVD plant loses Warner contract; faces more job cuts*, THE TIMES-TRIBUNE, Feb. 2, 2010, at <http://thetimes-tribune.com/news/cinram-dvd-plant-loses-warner-contract-faces-more-job-cuts-1.590239>. (Uniform resource locators (URLs) for all Internet materials last visited July 3, 2012.) Moreover, such laws focus on the reproduction of the

(Continued on following page)

The NARM DISTRIBUTOR DATABASE,<sup>26</sup> a leading industry database through which copyright owners inform retailers of copies and phonorecords available for distribution, has never contained a field indicating where the copy or phonorecord was made, and no one in the industry has ever requested it. Yet, under the panel majority's holding, prior knowledge of the place of manufacture would be indispensable for any retail merchant or customer.

Moreover, copyright holders commonly sell their copyrights long after copies are in circulation. Neither retail merchants nor consumers can tell who currently owns the copyright just by examining the copy, and the current copyright holder may have little idea where the previous copyright holder made the copies and phonorecords of the work.

**B. Retailers' and the public's customary freedom to distribute copies they own would be threatened**

Retailers generate billions of dollars of annual revenue distributing copies and phonorecords, and

---

primary work being sold, and not the other discrete copies of works that may be included. *See, e.g.*, N.C. Gen. Stat. § 14-435(b) (2010). A music CD, video game, or movie DVD may have been made in the United States, but the copyrighted packaging, instructions or label could have been made elsewhere, setting up a conflict where a single unit of merchandise is concurrently privileged under § 109(a) and not, under the holding below.

<sup>26</sup> *See* [http://www.narm.com/PDF/DDB\\_Brochure.pdf](http://www.narm.com/PDF/DDB_Brochure.pdf).

licensing reproductions of works into copies and phonorecords, for public benefit. Their businesses are at risk if the Second Circuit's interpretation of "under this title" in § 109(a) takes hold, undoing 160 years of settled expectations under the first sale doctrine.

The varied business models employed by *Amici's* members demonstrate how the Second Circuit's decision would fundamentally alter the traditional contours of copyright protection and undermine established and legitimate access to copies of expressive works.<sup>27</sup>

### **1. Selling any noninfringing foreign-made copy would require a license**

The Second Circuit's interpretation would radically change settled practice by requiring a license from the copyright holder for the simple act of selling a copy or phonorecord made abroad by or under the authority of the U.S. copyright holder, even if the copyright holder supplies the U.S. market. Copyright holders could grant or withhold licenses on a whim. A disfavored retailer, whether because of its discount pricing, product reviews, or for untold reasons, could be prohibited from selling specific copies or phonorecords for a period of days or for the entire term of

---

<sup>27</sup> To the degree not rightfully limited by copyright, such access is fully protected by the First Amendment to the U.S. Constitution.

the copyright, even though the copies were acquired lawfully from a licensed seller.

Copyright holders sometimes grant “exclusives” to certain retailers or for other reasons refuse to sell copies directly to a retailer or a class of retailers. Until now, competing retailers were free to purchase copies or phonorecords from the exclusive retailer and offer them for resale. Under the Second Circuit’s reading, however, such copies, if made abroad, would not be “lawfully made under this title,” and any unlicensed resale would be infringing.<sup>28</sup>

## **2. Competition from secondary sales could be suppressed or eliminated**

Like the college textbook publishers here, some copyright holders chafe at the growing market for used copies and phonorecords.<sup>29</sup> They fail to appreciate

---

<sup>28</sup> We disagree with the suggestion that these evils might be ameliorated by adopting the Ninth Circuit’s approach of applying § 109 “only if the copies have been sold in the United States by the copyright owner or with its authority.” *Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). Passive acquiescence to a third party supplying the U.S. market would suffice to avoid the *Denbicare* trigger.

<sup>29</sup> See, e.g., Mike Anderiesz, *Publishers Rankled By Secondhand Games Boom*, THE GUARDIAN (Jan. 3, 2006), at <http://www.guardian.co.uk/technology/2006/jan/19/games.guardianweeklytechnologysection2>; Troy Wolverton, *Video Games’ Second Life*, THE STREET.COM (Dec. 2, 2005); David D. Kirkpatrick, *Online Sales of Used Books Draw Protest*, THE NEW YORK TIMES (Aug. 10, 2002), at <http://query.nytimes.com/gst/fullpage.html?res=9400e0dc113df933a25757c0a9649c8b63>.

that a consumer's original purchasing decision may have been encouraged by the residual value of the new copy, or that the consumer may prefer a cheaper used copy in the same manner that consumers may prefer thousands of other used articles, from cars to clothing.

Under the Second Circuit's holding, manufacturing abroad empowers copyright holders to prohibit all secondary sales, even though they are an established and significant part of the market. *Amici* estimate the market for retail-level resale of used copies to comprise up to 15% of all video game sales and substantial portions of total DVD sales. Independent music retailers estimate used CD sales at about 20% of all sales, on average, with some stores ranging as high as 50%.<sup>30</sup> For video games, where the cost of a new title is substantially higher than for a music CD or movie DVD, used games provide both a lower cost opportunity to acquire these copies, as well as a "trade-in value" that makes the original new purchase more affordable.

A leading industry research firm, The NPD Group, Inc., found an increase in "impulse" used game purchases in response to the recession. Low-cost used games "flourished during the recessionary months to the tune of \$65 million in sales," one-third

---

<sup>30</sup> This volume of commerce does not include informal sales, or non-commercial redistribution by lending, trading, or gifting.

of gamers bought used games, and “only 10 per cent say they would never buy a used game.”<sup>31</sup>

In financially trying times, the secondhand market is a lifeline to low-income customers who otherwise could not gain access to these works.

### **3. Rental could be prohibited, or royalties extracted**

This Court’s 1984 decision in *Sony*, 464 U.S. 417, ushered in the age of consumer-owned or rented copies of motion pictures. The videocassette recorder (VCR) provided a platform for explosive market growth in pre-recorded videocassette tapes. Since then, copyright holders have attempted to prevent or impair home video rental, such as by contractual agreements to delay or restrain such trade, exclusive sales to non-renting companies, or labeling copies of videos as “not for rental.” Each effort was neutralized by the first sale doctrine and its codification in §§ 109 and 202.<sup>32</sup> Now, the Second Circuit points to offshore

---

<sup>31</sup> The NPD Group, Inc. *Bargain-Hunting Gamers Turning to Impulse Buying, Used Titles*, at [http://www.npd.com/press/releases/press\\_091015.html](http://www.npd.com/press/releases/press_091015.html). See also, John Gaudiosi, *GameStop Exec Believes It’s Highly Unlikely Next Generation PlayStation And Xbox Consoles Will Block Used Games*, FORBES, April 30, 2012, at <http://www.forbes.com/sites/johngaudiosi/2012/04/30/gamestop-exec-believes-its-highly-unlikely-next-generation-playstation-and-xbox-consoles-will-block-used-games/>.

<sup>32</sup> See, e.g., *NEGB, LLC v. Weinstein Co. Holdings*, 490 F. Supp. 2d 89 (D. Mass. 2007) (producer choosing Blockbuster as the exclusive rental store, labeling DVDs sold to others as

(Continued on following page)

manufacturing as the trick for side-stepping this Court's historic determination that the copyright cannot be leveraged to restrain ownership rights in the non-infringing copy. It provides copyright holders with a roadmap for re-gaining control over copies they no longer own. It offers new opportunities for prohibiting, or extracting royalties for, rental despite that rental has long been permitted under §§ 109 and 202, that Congress has rebuffed efforts to narrow § 109, and that commercial rental practices have served the constitutional purpose of copyright.<sup>33</sup>

---

“intended for sale only” (with toll-free number to report rentals). Before this Court decided *Sony*, efforts were underway to repeal the first sale doctrine with respect to video rental. *See, e.g.*, Consumer Video Sales-Rental Amendment, H.R. 1029, 98th Cong. (1983), and its Senate companion, S. 33 (both defeated); James Lardner, *Video Wars*, THE WASHINGTON POST, F1, May 2, 1982 (“A little-noticed section of the two royalty bills would abolish the first-sale doctrine for prerecorded videocassettes.”). Even today, copyright holders are in tension over retailers’ freedom to do with their copies as they please. Paul Sweeting, *Rental ruin?*, VIDEO BUSINESS, March 9, 2009, at 5 (reporting on the 99-cent movies at Redbox rental kiosks, and various studios’ efforts to curtail it).

<sup>33</sup> *Harper & Row*, 471 U.S. at 558. Unlicensed rentals, for example, allow home video copies of motion pictures to reach the most remote and least affluent communities, and stimulate production of “direct-to-video” movies that do not depend on “box office” revenues for economic viability. Book rentals similarly stimulated the creation of more literary works in England, *circa* 1725-1850. *See* Richard Roehl and Hal R. Varian, *Circulating Libraries and Video Rental Stores*, FIRST MONDAY, vol. 6, no. 5 (May 2001), at <http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/view/854/763>.

#### 4. Gifting would be at risk

Retailers encourage purchases as gifts. NARM, for example, sponsors the “Give the Gift of Music” campaign to encourage consumers to buy phonorecords for the sole purpose of redistributing them as gifts.<sup>34</sup> The Second Circuit’s ruling requires customers to either ensure that their copy or phonorecord comes with a “gift license” or blaze new legal ground by establishing gift-giving of foreign-made copies and phonorecords as non-infringing fair use under § 107.<sup>35</sup>

The risk is not borne by consumers alone. Before special holidays, merchants often *encourage* giving copies and phonorecords of copyrighted works as gifts. To avoid risking liability for “inducing” infringement by customers, the Second Circuit’s interpretation counsels that retailers limit such promotions to “domestically made copies and phonorecords only,” despite the fact that the place of manufacture is frequently difficult or impossible to determine.<sup>36</sup>

---

<sup>34</sup> See, e.g., NARM, RIAA Refresh ‘Give the Gift of Music’ Promotional Campaign, June 10, 2010, at <http://www.narm.com/news/narm-riaa-refresh-give-the-gift-of-music-promotional-campaign/>.

<sup>35</sup> And, would the fair use analysis change if the copyright owner was marketing a higher-priced gift version, and gifting of the regular version was perceived as undercutting sales of the package with higher margins?

<sup>36</sup> See *supra*, at 22.



**C. The Second Circuit’s decision jeopardizes consumers’ full use and enjoyment of their property, and limits the rights of other copyright owners**

**1. Potential liability for common, everyday acts, would chill the exchange of constitutionally protected speech**

When *Amici*’s customers purchase noninfringing copies, they rely on longstanding expectations that ownership is outright, unencumbered by servitudes; and with the right of alienation by any means they choose (sale, trade, gift, bequest, or lending). The Second Circuit’s ruling lays down a legal minefield for engaging in customary heretofore-lawful activities. For example:

- o Beyond yard sales, web portals like Amazon.com, eBay, Craigslist and Valorebooks, are available for consumers to sell their copies nationwide. Some copyright holders have already sought injunctions against retail sites (and those using them) where owners of non-infringing copies were selling them at sharp discounts.<sup>37</sup> The Second Circuit’s ruling would encourage this.

---

<sup>37</sup> See, e.g., *Okocha v. Amazon.com*, 153 Fed. Appx. 849 (3d Cir. 2005) (Nigerian author and publisher of a work, the copies of which were printed and sold in Nigeria in 1993, sued to halt online resale in competition with self-published copies of the same work in the U.S. in 2002; dismissal upheld on the basis of § 109); *Pearson Education, Inc. v. Valore, Inc.*, No. 07-cv-01348-JG-JMA, *consent judgment* (E.D.N.Y. Dec. 17, 2007) (prohibiting  
(Continued on following page)

- o Executors of decedents' estates would need to cull through the estate's belongings to identify any articles that are "copies" made abroad. The burden is not limited to books, photographs, movie DVDs, music CDs, and the like. (The last two first sale doctrine cases to reach this Court<sup>38</sup> illustrate that claims of infringement could come from watchmakers and creators of shampoo bottle labels.) The law-abiding executor must also contend with the fact that even a distribution to the trash collector may be infringing.
- o Trading-in used video games would require a license for both the customer trading it in and the retailer selling it thereafter. Publishers could legitimately give retailers a "black list" of games that cannot be traded in, or, conversely, a royalty sheet of what must be paid to the copyright holder to authorize the trade-in.

---

Valore, operator of the valorebooks.com website, from allowing anyone to sell books "manufactured abroad and intended for sale abroad," and thereby suppressing the distribution of copies of the works of all other copyright holders, even if they welcomed such sales); *Pearson Education, Inc. v. Liao*, No. 07-civ-2423 (SHS), 2008 U.S. Dist. LEXIS 39222 (S.D.N.Y. May 13, 2008) (ruling against a *pro se* defendant). Respondents have already sued dozens of online resellers in the Southern District of New York, often as *pro se* defendants, resulting in numerous default judgments and settlement agreements based on the theory eventually adopted by the panel majority, below.

<sup>38</sup> *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2012); *Quality King Distributors, Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135 (1998).

- o Compliance with the new rule could create Lanham Act liability for anyone choosing to remove a foreign-made copyrighted label bearing the producers' trademark in order to sell the underlying product that is either not copyrighted at all, or is a noninfringing copy made in the U.S.

The panel majority below has dramatically altered the legal landscape in innumerable ways, and the import reaches common citizens in their daily routines. Not an academic exercise for lawyers, the holding is already raising doubts in the general press. See, e.g., Marvin Ammori, *If You've Ever Sold a Used iPod, You May Have Violated Copyright Law*, THE ATLANTIC, June 8, 2012, at <http://www.theatlantic.com/national/archive/2012/06/if-youve-ever-sold-a-used-ipod-you-may-have-violated-copyright-law/258276/>. Legal uncertainty will dampen the dissemination of works through secondary exchange of copies and phonorecords.

## **2. Consumers authorized to make reproductions could be illogically penalized for doing so outside of the United States**

Consumers routinely make *authorized* copies and phonorecords when browsing news through the Internet, downloading a podcast, sending and receiving e-mail, purchasing the latest "app" or installing a new computer program – or its latest security update. The ever-increasing capacity of storage media increases the likelihood that many thousands of works,

authored by myriad discrete copyright owners, will be reproduced onto a single tangible medium. They may have been authorized by the copyright owner, or by law (*e.g.*, §§ 115, 117). Similarly, computer users are accustomed to routinely reproducing additional works onto their devices at the urging of the copyright holder, in the form of “updates,” “patches,” and “drivers,” by downloading directly from the copyright holder’s Internet website at no charge. A growing number of copyright owners authorize the copy to be restored in case of corruption of the file or malfunction of a hard drive. “Automatic updates” may install new works with no intervention by the owner of the tangible medium that becomes the new copy. The original might have been reproduced in the U.S., but the replacement or “update” made abroad. The very notion of pinpointing “where” the copy is made can be a challenge.<sup>39</sup> It makes little sense for these noninfringing reproductions made in full compliance with the Copyright Act or authority of the U.S. copyright holder to trigger the loss of a person’s freedom to alienate the device onto which they were made.

---

<sup>39</sup> “Nothing in the statute limits the manner in which the making of the copy may be accomplished, so long as the resulting copy is lawful.” DMCA SECTION 104 REPORT, at 23.

**3. Copies made in the U.S. would be burdened if they share the same tangible medium as a copy made abroad**

Under the Second Circuit’s holding, if any such authorized reproductions are made while the device is outside of the United States, every U.S. copyright holder of every work so reproduced would enjoy a distribution right over the computer, portable media player or smartphone once it re-enters the country. The holding creates a legal quagmire when a single tangible medium contains works reproduced onto it both within and beyond U.S. borders. If all are reproduced lawfully, consistent with the Copyright Act (*i.e.*, under authority of the U.S. copyright holder or of the Act), the owner of the medium has, concurrently, both an absolute right (under §§ 109 and 202) and no right at all (under the holding below) to sell it or lend it.

A fundamental basis for this Court’s holding in *Sony*, 464 U.S. 417, was the principle that a copyright owner may not “enlarge the scope of [its] statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection,” *id.*, at 421. The Second Circuit’s interpretation makes that enlargement an unintended side effect.



**CONCLUSION**

This Court has recognized the importance of carefully demarcating the boundaries between the

reach of the copyright and the wealth of activity beyond that reach.

Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.

*Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994). In demarcating those boundaries, the rights of owners of copies and phonorecords must also be weighed, precisely because they have rights separate from and superior to those of the copyright owners.

The Second Circuit has departed from over 160 years of judicial and legislative jurisprudence in which the first sale doctrine never looked to the place where the U.S. copyright holder made the copy to determine whether the owner of the copy was entitled to alienate ownership. Given the long and unbroken history in which both custom and law honored exhaustion of the distribution right once title passed to another, coupled with the legislative history of the 1976 Act asserting no intent to change that history, the Second Circuit's holding below should be reversed. It is irreconcilable with the first sale doctrine's purpose, roots, and longstanding application; likely to create chaos in the marketplace; and serves no discernible objective of the Constitution's copyright clause in article 1, section 8.

Since the U.S. copyright owner's exclusive right to distribute copies is not restricted to those made domestically, neither should exhaustion of the distribution right, or the copy owner's § 109 right to which it is subject, be restricted to copies made domestically. Accordingly, this Court should reverse the judgment below.

Respectfully submitted,

JOHN T. MITCHELL

*Counsel of Record*

INTERACTION LAW

1629 K Street NW

Suite 300

Washington, DC 20006

(202) 415-9213