No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG, D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

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

BRIEF OF *AMICI CURIAE* POWELL'S BOOKS INC., STRAND BOOK STORE, INC., HALF PRICE BOOKS, RECORDS, MAGAZINES, INC., AND HARVARD BOOK STORE INC. IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

TABLE OF CITED AUTHORITIES

Page

CASES

STATUTES

OTHER AUTHORITIES

Cited Authorities

INTEREST OF THE *AMICI CURIAE*[1]

Amici are among the nation's best-known independent booksellers.

Powell's Books, based in Portland, Oregon, is the world's largest independent used and new bookstore. It was founded in 1971.

The Strand Book Store, founded in 1927, stocks more than 2.5 million used and new books. In the 1970s, George F. Will wrote, "the eight miles worth saving in this city are at the corner of Broadway and 12th Street. They are the crammed shelves of the Strand Book Store."

Half Price Books began in a converted Dallas laundromat in 1972, and has grown to 115 locations in sixteen states. Those stores buy and sell new and used books, magazines, comics, records, CDs, DVDs and collectible items.

Harvard Book Store is an independently run bookstore serving the greater Cambridge area. The bookstore is located in Harvard Square and has been family-owned since 1932. It is known for its extraordinary selection of new, used, and bargain books and for a history of innovation.

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1. Counsel for the parties have consented in writing to the filing of this brief. Pursuant to Rule 37.6, no counsel for either party had any role in authoring this brief in whole or in part, and no party other than the named *Amici* has made any monetary contribution toward the preparation and submission of this brief.

Amici regularly buy and sell used as well as new books. We have no relationship with the parties and no direct stake in the outcome of this case, but we have a strong interest in ensuring that the marketplace for books remains robust in the digital era.

SUMMARY OF THE ARGUMENT

For centuries the free movement of goods has been a fundamental principle of American law. Restraints on alienation are strongly disfavored because they interfere with the workings of a free market. Over a century ago, this Court held that a bookseller could not control the price at which its books were resold. Once the copyright owner sold copies "in quantities and at a price satisfactory to it[, it] exercised the right to vend," exhausting that right with respect to the particular copies sold. *Bobbs-Merrill v. Straus*, 210 U.S. 339, 351 (1908). That principle was enacted into the Copyright Act the following year. Copyright Act of 1909, ch. 320, § 1, 17 U.S.C. § 41 (1946) ("nothing in this Act 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"). It was reaffirmed in the 1976 Act. 17 U.S.C. §109(a). And it has been a fundamental part of copyright law for the past two centuries.

In the modern world, traffic in ideas and goods is international. Books first published in the United States are frequently manufactured abroad. Books first released abroad are sold over the Internet everywhere in the world. Buyers of books also travel, and frequently resell their books in a different place from where they bought them.

Unfortunately, the Second Circuit has held in this case that the venerable principle of exhaustion of rights has no applicability when goods cross national borders. The practical effect of that decision is to make it more difficult for struggling bookstores to sell used books. A bookstore has no way of knowing whether the used books it buys were first sold in the United States or not. But under the Second Circuit's ruling, bookstores could be sued at any time for offering books that turn out to have been lawfully sold by the publisher on the wrong side of a border. The Second Circuit's decision imposes a practical restraint on alienation that is inconsistent with the long-standing principle of copyright exhaustion, and this Court should reject it.

ARGUMENT

I. Copyright Exhaustion Has Long Been a Central Feature of Copyright Law

The copyright exhaustion doctrine arose from the common-law aversion to restraints on alienation.[2] It was well-established in the Nineteenth Century that "inseparably with the transfer of the title in any copy of the work must go the right of alienation, so far as the peculiar protection of the copyright statutes is concerned." *Henry Bill Pub. Co. v. Smythe*, 27 F. 914 (C.C.S.D. Ohio 1886). *Henry* described exhaustion upon first sale as a "doctrine running through all the cases." *Id.* at 923.

2. For a discussion of this history, see, e.g., Jason P. Schultz & Aaron Perzanowski, *Digital Exhaustion*, 58 UCLA L. Rev. 889 (2012); Molly S. van Houweling, *The New Servitudes*, 96 Geo. L.J. 885, 897-98 (2008); Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 Harv. L. Rev. 945, 982 (1928).

Accord Harrison v. Maynard, Merrill & Co., 61 F. 689 (2d Cir. 1894); *Doan v. American Book Co.*, 105 F. 772, 776-77 (7th Cir. 1901).

This Court took up the exhaustion doctrine in *Bobbs-Merrill v. Straus*, 210 U.S. 339, 351 (1908). There, the copyright owner had sold a book with a notation that it was not to be resold for less than a dollar. The defendant bought copies of the book at wholesale and sold them at retail for 90 cents. When the plaintiff sued for copyright infringement, this Court held that the lawful first sale exhausted any control over the defendant's subsequent sales. It explained that the point of the copyright laws was to prevent the making and distribution of new copies, not to put limits on commerce in existing copies. *Id.* at 347 ("it is evident that to secure the author the right to multiply copies of his work may be said to have been the main purpose of the copyright statutes."). As a result, this Court said, "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Id.* at 349-50.

While the Court described the question as one of statutory construction, that statutory construction occurred against a backdrop of common-law principles permitting free alienability of goods. While the statute in that case gave the copyright owner the exclusive right to "vend" the works, the Court refused to read that language as controlling all sales rather than merely the first sale: "What the complainant contends for embraces not only the right to sell the copies, but to qualify the title of a future purchaser." *Id.* at 351. Thus, the Court applied the common law doctrine of exhaustion of rights upon first sale to limit

what might otherwise have been argued to be the plain language of the statute.

The same common-law principle can be seen in this Court's interpretations of the Patent Act. In *Bauer & Cie v. O'Donnell*, 229 U.S. 1, 18 (1913), the Court faced the same issue as in *Bobbs-Merrill*: whether a patentee could control the price of resale of a patented good after a lawful first sale. Noting the close kinship between patent and copyright law on this very point,[3] the court emphasized the common-law disdain for restraints on alienation: "this court from the beginning has held that a patentee who has parted with a patented machine by passing title to a purchaser has placed the article beyond the limits of the monopoly secured by the patent act." *Id.* at 18. That common law principle retains its vitality today. In its most recent opinion on the issue, this Court adhered to the "longstanding principle that, when a patented item is once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee." *Quanta Computer v. LG Elecs.,* 553 U.S. 617, 630 (2008).

The principle of exhaustion upon first sale, then, has been a feature of the patent and copyright laws as long as we have had such laws. *See* Jason P. Schultz & Aaron Perzanowski, *Copyright Exhaustion and the*

3. *Id.* at 12-13 ("While [the copyright] statute differs from the patent statute in terms and in the subject-matter intended to be protected, it is apparent that, in the respect involved in the present inquiry, there is a strong similarity between and identity of purpose in the two statutes."). Both statutes at the time granted the exclusive right to "vend" copyrighted or patented works; today, the patent statute has replaced "vend" with "sell," while the copyright law has replaced "vend" with "distribution of copies to the public."

Personal Use Dilemma, 86 MINN. L. REV. __ (forthcoming 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1925059. That principle does not spring from an accident of statutory drafting. To the contrary, this Court has read exhaustion into the law even when interpreting words like "sell" or "vend" that seem to contain no first sale limitation.

Congress has repeatedly acceded to this Court's application of the exhaustion doctrine in copyright cases. Only a year after *Bobbs-Merrill*, Congress added the exhaustion doctrine to the new Copyright Act of 1909, ch. 320, § 1, 17 U.S.C. § 41 (1946) ("nothing in this Act 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"). When it embraced *Bobbs-Merrill*, Congress made it clear that it did "not intend[ ] to change in any way existing law." H.R. Rep. No. 60-2222, at 19 (1909), *reprinted in* E. FULTON BRYLAWSKI & ABE GOLDMAN, 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT (1976). That "existing law" was the common law exhaustion principles articulated by the courts.

Similarly, the 1976 Act adopted a first sale doctrine in 17 U.S.C. § 109(a). Like the 1909 Act, the legislative history of the 1976 Act indicates Congressional intent to "restate[ ] and confirm[ ]" the first sale rule "established by court decisions." H.R. Rep. No. 94-1476, at 79 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693. Congress, then, did not think it was abolishing or limiting the exhaustion principle in the 1976 Act. To the contrary, it intended to codify that common law principle as set out in this Court's decisions.

II. Bookstores Have Long Relied on the Exhaustion Doctrine, and Continue To Do So

Bookstores, including *amici*, have relied on the copyright exhaustion doctrine for centuries to permit the sale of used books. *Amici* have been operating under this legal principle since as early as 1927, and other bookstores have been selling used books for centuries longer. Indeed, the sale of used books which had been printed abroad and imported without the authority of the publisher was a widespread practice since before our nation's founding. *See generally* MADELEINE B. STERN, ANTIQUARIAN BOOKSELLING IN THE UNITED STATES (1985).

Given the long history and widespread nature of the importation of books for the purpose of further distribution, the interpretation Wiley advances would have made pirates even out of our Founding Fathers. In the 1730s and 40s, Benjamin Franklin operated a bookstore on Market Street in Philadelphia stocked primarily with books imported from British dealers. STERN at 22. If Franklin opened his bookstore today, on Wiley's view, virtually every sale he made would be an infringement of copyright, since each such sale would constitute distribution of books manufactured abroad.

In the 1820s, Thomas Jefferson worked closely with Boston bookseller William Hilliard to build a collection of books for the newly-founded University of Virginia, consisting in large part of the importation of books purchased abroad from book dealers and at auction. STERN at 7-8. If Jefferson did so today, under Wiley's

interpretation of the law, he would need to secure the permission of each publisher each time a book was lent.[4]

The Founding Fathers recognized, as *amici* do, the critical role that second-hand bookstores play in the literary life of the nation.

Selling used books helps spread knowledge to those who might not otherwise be able to afford it, and it promotes reading. The sale of used books from abroad, in particular, helps American readers broaden their world view, as they are not limited to those books which have been published in the United States. Books published abroad are frequently not distributed in the United States by their publishers. Without used book stores, those books would be unavailable for purchase by American consumers. A clear and untrammeled first-sale rule has served the reading public well since the founding era, providing unique benefits to booksellers and readers alike.

The Second Circuit's decision threatens to destroy those benefits. In the modern world, books – like any other goods – cross borders. Books may be released by a U.S. publisher but manufactured abroad and shipped into the United States. They may be released at different times in different countries but sold online to a worldwide audience. Readers may order a box of used books from Amazon.com without knowing from where the books originally came. Publishers may release different versions of books

4. While 17 U.S.C. §602(a)(3) would excuse the act of *importing* books for a non-profit university library, under Wiley's reading of the statute those books are not "lawfully made under this title" under section 109(a) despite the legality of their importation, and so the act of lending them would violate section 106(3).

in different countries, and fans may acquire the version they prefer from abroad. *See, e.g.*, Alan Cowell, "Harry Potter and the Magic Stock," N.Y. TIMES, Oct. 18, 1999 ("Many American children and their parents, in fact, know Harry and his fellow students at the Hogwarts School of Witchcraft and Wizardry from the British versions they have bought over the Internet – books that use different art, different typography and in some cases different spelling and vocabulary than their American cousins."). Readers may purchase books in one country and move to another country, shipping their books along with them.

Each of these perfectly ordinary transactions is threatened by the opinion below. Consider a reader who buys a handful of copies of the British version of a *Harry Potter* book on the Internet for her book club, or a traveler who brings home a gift for a friend from Shakespeare and Company in Paris, or a professor of literature who brings his books when he moves to the United States and then donates his collection to the university library upon his retirement. Under the Second Circuit's interpretation of the Copyright Act, all those readers are infringing copyright even though they paid the copyright owner for the book. That fact itself should give us pause; it seems unlikely Congress really intended to make those benign acts illegal.

For bookstores that sell used books, however, the problem caused by the Second Circuit's rule is more than an inconvenience: it is an existential threat. Stores like Powell's Books purchase used books in bulk to sell in the store. Powell's may look at 5,000 used books at a time, making almost immediate decisions whether to buy a book or not. There is no realistic way for a bookstore

to tell whether a particularly copy of a book is one first sold in the United States or first sold in England. But if it was first sold in England, under the Second Circuit's rationale, both the customer's sale of the book to Powell's and Powell's subsequent sale of the book to a new reader violate the Copyright Act.

The Second Circuit's cramped reading of the law, then, puts bookstores in an impossible position. To comply with the law, they would for all practical purposes have to stop buying and selling used books in bulk, and could buy only those books which, upon close examination, indicate that they were printed in the United States. (Eventually, the proportion of books manufactured domestically would dwindle, given the incentive that Wiley's interpretation would give publishers to move book manufacturing abroad.)

And it is no answer to say that Wiley (or other reputable publishers) are unlikely to sue the bookstores. There are enough copyright owners out there – and enough crazy copyright lawsuits – that it is not always reasonable to rely on forbearance by copyright plaintiffs. *See, e.g.*, *In re BitTorrent Adult Film Copyright Infringement Cases*, CIV.A. 11-3995 DRH, 2012 WL 1570765 (E.D.N.Y. May 1, 2012) (decrying "a nationwide blizzard" of dubious lawsuits seeking quick settlements). In any event, no one should be put to the choice of violating the law and hoping they don't get caught or losing their business.

CONCLUSION

Selling used books has always been legal. And Americans have always imported some of the books they read. Congress did not intend to change that. An interpretation of the Copyright Act that makes impossible a practice that has been widespread since the early days of the Republic, one that promotes the progress of science, is an interpretation this Court should be reluctant to credit.

The judgment of the Court of Appeals should be reversed.

Respectfully submitted,

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