

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSANG
D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

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

BRIEF FOR RESPONDENT

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QUESTION PRESENTED

Section 106(3) of the Copyright Act of 1976 provides that the “owner of copyright under this title has the exclusive righ[t]” to “distribute copies . . . of the copyrighted work to the public.” 17 U.S.C. § 106(3). Section 602(a)(1), in turn, provides that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106.” *Id.* § 602(a)(1).

These statutory limitations on distribution and importation are subject to Section 109(a), which provides that “the owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.” 17 U.S.C. § 109(a).

The question presented is whether copies made outside the United States are “lawfully made under this title” within the meaning of Section 109(a).

RULE 29.6 STATEMENT

The corporate disclosure statement included in the brief in opposition remains accurate.

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BRIEF FOR RESPONDENT

Respondent John Wiley & Sons, Inc. respectfully submits that the judgment of the court of appeals should be affirmed.

STATUTORY PROVISIONS INVOLVED

Section 106 of the Copyright Act of 1976, as amended, 17 U.S.C. § 106, provides in relevant part:

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

* * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending

Section 109(a) of the Copyright Act of 1976, as amended, 17 U.S.C. § 109(a), provides in relevant part:

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.

Section 602(a)(1) of the Copyright Act of 1976, as amended, 17 U.S.C. § 602(a)(1), provides:

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.

STATEMENT

Wiley publishes academic textbooks that are protected under the copyright laws of the United States and other countries. Under the Copyright Act, Wiley has the exclusive right to distribute copies of those textbooks in the United States. Wiley also exercises its rights under the laws of other countries to publish modified versions of the textbooks for distribution exclusively in those countries or in specified geographic territories outside the United States.

Without obtaining permission from Wiley, Supap Kirtsaeng imported foreign-manufactured copies of Wiley's textbooks into the United States and sold them at a profit. When Wiley sued for copyright infringement, Kirtsaeng argued that the importation and sales were permissible under the first-sale doctrine codified in Section 109(a) of the Copyright Act, which permits the owner of a copy "lawfully made under this title" to sell that copy. 17 U.S.C. § 109(a). The Second Circuit below held that Section 109(a) is inapplicable because the statutory language "refers specifically and exclusively" to copies that are "made in territories in which the Copyright Act is law," and not to foreign-made copies. Pet. App. 27a-28a.

1. Wiley publishes textbooks for sale both domestically and internationally. Pet. App. 5a. Textbooks "intended for international markets can differ from the domestic version in design, supplemental content," and "the type and quality of materials used for printing." *Ibid.* In addition, "[t]he foreign editions" are "marked with a legend to designate that

they are to be sold only in a particular country or geographic region.” *Id.* at 5a-6a. One such designation stated:

This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher’s authorization is illegal and is a violation of the Publisher’s rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney’s fees, in the event legal action is required.

Id. at 6a; *see also, e.g.*, J.A. 120, 123, 126, 129, 133 (additional examples).

2. Wiley brought suit against Kirtsaeng in the Southern District of New York, alleging (as relevant here) that his unauthorized sale of Wiley’s textbooks constituted copyright infringement. Pet. App. 7a. Wiley maintained that the “sale of the foreign editions in the United States” infringed the “U.S. copyrights held by Wiley on its American editions.” *Id.* at 8a n.7.

Kirtsaeng acknowledged that he had read the legends explaining the textbooks were authorized for sale only outside the United States and could not be exported from the designated regions. *See* J.A. 81. He further admitted that he had understood at the time what the legends meant. *See id.* at 81-83.

Kirtsaeng nonetheless sought to defend himself by arguing that his sales were protected by the first-sale doctrine codified in Section 109(a). The district court, however, concluded that Section 109(a) is “un-

available to the goods manufactured in a foreign country.” Pet. App. 59a. Because “[t]here is no indication that the imported books” were “manufactured pursuant to the U.S. Copyright Act,” and indeed “the textbooks introduced as evidence purport, on their face, to have been published outside of the United States,” the district court barred Kirtsaeng from asserting a defense under Section 109(a). *Id.* at 73a.

The jury found Kirtsaeng liable for infringing each of the works at issue. Pet. App. 12a. It further determined that Kirtsaeng’s infringement had been willful. *Ibid.* Pursuant to 17 U.S.C. § 504(c), the jury awarded statutory damages of \$75,000 for each of the works. Pet. App. 12a.

3. The Second Circuit affirmed. Analyzing the “structure of Title 17 as well as [this Court’s] opinion in *Quality King [Distributors, Inc. v. L’anza Research International, Inc.]*, 523 U.S. 135 (1998),” Pet. App. 28a, the court of appeals noted that Section 602(a)(1), which prohibits unauthorized importation of copies acquired abroad, is “obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item,” *id.* at 24a-25a.

“If the first sale doctrine codified in § 109(a) only applie[d] to copyrighted copies manufactured domestically,” the Second Circuit explained, then copyright holders could still “control the circumstances in which copies manufactured abroad could be legally imported into the United States.” Pet. App. 25a. By contrast, “the mandate of § 602(a)(1)” would “have no force in the vast majority of cases” if the first-sale doctrine were applied to every copy manufactured abroad by the copyright owner or its licensee. *Ibid.*

“[I]n light of its necessary interplay” with Section 602(a)(1), the Second Circuit held, Section 109(a) is “best interpreted” as applying only to copies “manufactured domestically.” *Id.* at 26a.

The Second Circuit emphasized that it was “comforted” in reaching this conclusion “by the fact that [its] interpretation of § 109(a) is one that [this Court] appear[s] to have had in mind when deciding *Quality King*.” Pet. App. 26a. The court noted that, in *Quality King*, this Court stated that Section 602(a)(1) “applies to a category of copies that are neither piratical nor ‘lawfully made under this title,’” which “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 147 (quoting 17 U.S.C. § 109(a)). “This last sentence indicates that, in the Court’s view,” copies “‘lawfully made’ under the laws of a foreign country—though perhaps not produced *in violation* of any United States laws—are not necessarily ‘lawfully made’ insofar as that phrase is used in § 109(a).” Pet. App. 26a-27a.

Because “all the books in question were manufactured outside of the United States,” the district court “correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a).” Pet. App. 27a. Accordingly, the Second Circuit affirmed the district court’s judgment. *Id.* at 33a.

District Judge Murtha, sitting by designation, dissented. He would have held that “the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured.” Pet. App. 34a.

SUMMARY OF ARGUMENT

The first-sale doctrine codified in Section 109(a) of the Copyright Act applies to copies “lawfully made under this title.” 17 U.S.C. § 109(a). The Second Circuit correctly held that this provision is inapplicable to copies manufactured abroad.

I. The Second Circuit’s interpretation of Section 109(a) is supported by the statutory text, as well as the remaining provisions of the Copyright Act. In contrast, Kirtsaeng’s interpretation—under which Section 109(a) would apply to *any* copy made or authorized by the copyright owner—finds no support in the statute and is inconsistent with Congress’s decision to prohibit importation of foreign copies absent the copyright owner’s approval.

A. Section 109(a) does not apply to foreign-made copies because the phrase “under this title” means “pursuant to Title 17.” A copy manufactured abroad is not made pursuant to Title 17—lawfully or otherwise—because the Copyright Act does not apply extraterritorially. Rather, such a copy is “lawfully made’ not under the United States Copyright Act, but instead, under the law of some other country.” *Quality King Distribs., Inc. v. L’anza Research Int’l, Inc.*, 523 U.S. 135, 147 (1998).

B. Section 109(a) cannot be interpreted as applying to foreign-made copies without depriving another provision of the Copyright Act—Section 602(a)(1)’s ban on unauthorized importation—of any meaningful effect. Section 602(a)(1) prohibits the importation of copies that “have been acquired outside the United States,” unless the copyright owner authorizes the importation. 17 U.S.C. § 602(a)(1). As Kirtsaeng acknowledges, this provision allows copyright owners to segment international markets for their works,

which would be ineffective if foreign copies could be imported into the United States to compete with domestic copies. On his theory of Section 109(a), however, any foreign copy made or authorized by the copyright owner could be imported if it had been sold abroad. “[B]ecause importation nearly always implies a first sale,” *Quality King*, 523 U.S. at 146, this interpretation of Section 109(a) would render Section 602(a)(1) virtually meaningless.

C. Wiley’s interpretation of Section 109(a) is also consistent with the Copyright Act’s other uses of “under this title.” Kirtsaeng starts from the premise that Wiley interprets “lawfully made under this title” to mean “made in the USA,” Br. 27, and argues that it would make little sense to replace “under this title” with “made in the USA” in other provisions of the Copyright Act. This is a straw man. It is true that, on Wiley’s view, foreign-made copies are not subject to Section 109(a), but the reason for that conclusion is that they are not made *pursuant to Title 17*. The proper inquiry, therefore, is whether it makes sense to read “under this title” to mean “pursuant to Title 17” in the provisions where the former phrase appears. Without exception, it does.

D. Even if this Court were to conclude that the proper interpretation of Section 109(a) presents a difficult question as an original matter, it has been settled by Congress’s acquiescence in nearly 30 years of consistent caselaw holding that the statute does not apply to foreign-made copies. Beginning in 1983, that interpretation has been adopted across the country, including by the Ninth Circuit in 1991 and in two subsequent cases. Congress has frequently responded to lower-court decisions with which it disagrees by amending the Copyright Act, and it has

amended Section 109 in several respects over the last 30 years—including by adding a second sentence to Section 109(a) in 1994. But it has never rejected the lower courts’ interpretation of “lawfully made under this title.”

II. The history and purpose of the Copyright Act of 1976 further confirm that Section 109(a) does not apply to foreign-made copies.

Under prior law, the importation provision applied only to piratical copies. During the debate leading to the 1976 revision of the copyright laws, commentators emphasized that the provision should be expanded to reach unauthorized importation of non-piratical copies, so that copyright owners could enforce geographic limitations on the distribution of their works.

The Register of Copyright initially declined to accept this proposal, reasoning that the contract between a copyright owner and its foreign distributor would provide a sufficient remedy if the distributor began to import copies into the United States. The commentators emphasized, however, that any contractual remedy would be inadequate because there would not be privity between the copyright owner and an importer that had purchased the foreign copies from the distributor. Following these comments, the Register endorsed an expanded version of the importation provision that was ultimately adopted as Section 602(a) (now Section 602(a)(1)).

Kirtsaeng’s reading of Section 109(a) would turn this history on its head. By permitting the importation of any foreign-made copies after an initial sale, Kirtsaeng would treat Section 602(a)(1) as primarily a limitation on “rogue distributors.” Br. 44. But the view that Congress sought only to supplement copy-

right owners' contractual remedies ignores that it was precisely the *inadequacy* of those remedies as applied to purchasers of foreign copies that justified expanding the importation provision.

III. Kirtsaeng devotes much of his brief to speculation about consequences that, he maintains, could follow from Wiley's interpretation of Section 109(a). But Congress's decision to limit the first-sale doctrine to copies made pursuant to the Copyright Act is supported by sound public policy, and not remotely undermined by Kirtsaeng's hypotheticals.

A. The first-sale doctrine recognizes that the distribution of a particular copy exhausts the copyright owner's exclusive distribution right with respect to that copy. In this manner, the doctrine ensures that the copyright owner has the opportunity to be compensated—but only once—for its exclusive right. But a copyright owner may have exclusive rights under the laws of several different countries, and there is no reason to conclude that the sale of a foreign copy necessarily represents any compensation for whatever rights the copyright owner might have in the United States. Yet Kirtsaeng would deem the copyright owner's U.S. rights extinguished by the sale.

Kirtsaeng's approach is not new: His theory of "international exhaustion" has sometimes been advanced in international discussions about the appropriate scope of copyright law. But it has been rejected by most countries, which have recognized that it makes little sense to treat the sale of copies from one country as exhausting a copyright owner's rights in another country.

B. There are, moreover, good reasons to permit copyright owners to price their works to reflect market conditions in different countries. With respect to

textbooks in particular, there are many reasons why the cost might differ among countries, including variations in teaching methods and income levels. Kirtsaeng, however, would force publishers either to set uniform prices for their books in every country, or else accept the risk that imported books from lower-priced countries could compete with, and undermine sales of, higher-priced domestic copies.

C. Against this sound rationale for Congress's decision to permit market segmentation by copyright owners, Kirtsaeng pits a number of hypotheticals that, he claims, would result if the Court were to accept Wiley's interpretation of the statute. He insists that copyright owners would have the incentive to move manufacturing facilities abroad, for example, in order to control secondary markets in their works.

Kirtsaeng ignores that Wiley's interpretation has been the consistent view of the lower courts for over 30 years, and yet *none* of the supposedly dire consequences that he predicts has ever occurred. There is a good reason for this: If a manufacturer attempted to manipulate the secondary markets as Kirtsaeng describes, Congress would surely consider whether to amend Section 109(a) to cover foreign-made copies that have been subject to an authorized sale in the United States. This Court need not decide the issue, however, because it is undisputed in *this* case that Wiley did not authorize any sales in the United States.

ARGUMENT

In 1976, Congress revised the copyright laws, which had previously prohibited the importation of piratical copies, to ban importation even of lawful copies absent the copyright owner's authorization. As both the lower courts and Kirtsaeng acknowledge,

the purpose of this change in law was to permit copyright owners to segment international markets for their works, which would be impractical if (as under prior law) they could not prevent foreign copies from being imported and competing with domestic ones. The relevant provision of the Copyright Act thus prohibits the unauthorized importation of copies that “have been acquired outside the United States.” 17 U.S.C. § 602(a)(1).

Kirtsaeng admittedly imported copyrighted textbooks acquired in Thailand, and did so without Wiley’s authorization. But he claims that his importation is protected by the first-sale doctrine codified in 17 U.S.C. § 109, which permits “the owner of a particular copy . . . lawfully made under this title” to “sell or otherwise dispose of the possession of that copy” without the copyright owner’s consent.

For almost 30 years, however, courts and commentators have recognized that copies manufactured abroad are not “lawfully made under this title,” at least where (as here) the copyright owner has limited their distribution to foreign markets. That is so because foreign-manufactured copies are made under the law of a foreign country rather than under Title 17; the Copyright Act, which does not apply extraterritorially, has nothing to do with the making—lawful or otherwise—of copies abroad.

Kirtsaeng would permit the purchaser of *any* copy manufactured abroad to import that copy into the United States, and sell it in competition with domestic copies, so long as the copy had been made by the U.S. copyright owner or its licensee. But he has no *textual* support for this conclusion. He claims that the relevant statutory language asks whether the copy at issue was made “in accordance with” the

Copyright Act, but he never explains how such copies could “accor[d]” with an inapplicable statute—or, if they could, why *every* foreign copy would not be made “in accordance with” the Copyright Act, which does not prohibit the making of a foreign copy *by anyone*.

Just as problematically, Kirtsaeng admits that his approach would permit international “arbitrage,” under which anyone could “buy goods” in foreign countries (“where they are cheap”) and “sell them” in the United States (“where they are more expensive”). Br. 15. He even characterizes his own conduct as “unremarkable,” designed simply to “meet the needs of fellow students for an alternative market for lawfully purchased, lower-priced textbooks.” *Id.* at 7. But it is precisely such an “alternative market” that Congress proscribed in 1976. If any purchaser of foreign copies were (as Kirtsaeng maintains) permitted to import those copies in bulk to compete with the copyright owner’s domestic copies, then there would have been little point in Congress’s enactment of Section 602(a)(1).

Unable to muster any convincing arguments based on the text, structure, or history of the Copyright Act, Kirtsaeng must instead resort to rhetoric, breathlessly claiming that Wiley’s reading of Section 109(a) would create the “Holy Grail” for copyright owners, giving them “eternal control” over further sales of goods manufactured abroad and amounting (he inveighs) to nothing short of “political-suicide.” Br. 4, 25.

Kirtsaeng’s strategy appears designed to deflect attention away from his own conduct—the unauthorized importation of copies made abroad for distribution only in foreign countries—and instead onto a hypothetical scenario where the copyright owner

makes the copy abroad but authorizes its sale in the United States. The experience of the last 30 years would seem to foreclose Kirtsaeng's argument: Even though it has long been settled that Section 109(a) generally does not apply to foreign copies, Kirtsaeng has not identified a *single* manufacturer that has ever attempted to move its facilities abroad to avoid the first-sale doctrine. Beyond that threshold defect, the supposed policy issues identified by Kirtsaeng are committed to *Congress*, which simply rejected the "nondiscriminatory" approach (Br. 24) to foreign and domestic copies that Kirtsaeng now seeks to write into the statute.

Kirtsaeng compounds his reliance on misguided policy arguments by resorting to *ad hominem* attacks dubious even for a jury trial. Imagining himself as Gallup, Kirtsaeng baselessly speculates that Wiley's executives would "[d]ollars to donuts" have rejected its interpretation of Section 109(a) if they had been "polled." Br. 24. They nonetheless advanced this interpretation, he claims, to "tormen[t]" and "crus[h]" a graduate student who supposedly made only "a measly profit" at Wiley's expense. *Id.* at 58. Kirtsaeng grossly understates his own profit, and Wiley's loss, but in any event the critical question here is whether the Copyright Act permits entrepreneurs like Kirtsaeng to undermine Congress's decision to allow copyright owners to segment international markets by importing large quantities of foreign-made copies for sale in the United States. Despite Kirtsaeng's attempt to change the subject, the answer under the Copyright Act—no—is clear.

I. THE TEXT AND STRUCTURE OF THE COPYRIGHT ACT DEMONSTRATE THAT SECTION 109(A) DOES NOT APPLY TO FOREIGN-MANUFACTURED COPIES.

Kirtsaeng begins from the premise that there is a “latent ambiguity” in Section 602(a)(1)’s prohibition on unauthorized importation that “[t]he lower courts and previous parties before this Court have all missed.” Br. 19. Section 602(a)(1) cannot be read as prohibiting *all* importations “without the authority of the owner of copyright,” 17 U.S.C. § 602(a)(1), he insists, because “there obviously have to be exceptions,” Br. 19, including the first-sale doctrine in Section 109(a). According to Kirtsaeng, the “key” to resolving this ambiguity—recognizing that Section 602(a)(1) is subject to Section 109(a) and other statutory limitations—was “ignored” by the lower courts, *id.* at 23, but “make[s] all the difference” in this case, *id.* at 6.

The “key” identified by Kirtsaeng is hardly novel. It was, indeed, the holding of this Court in *Quality King Distributors, Inc. v. L’anza Research International, Inc.*, which concluded that the “literal text” of Section 602(a)(1) is “simply inapplicable” where the first-sale doctrine applies. 523 U.S. 135, 145 (1998). That is so, the Court explained, because Section 602(a)(1) provides that “unauthorized importation is an infringement of an exclusive [distribution] right ‘under section 106,’” which is itself “limited by the provisions of §§ 107 through 120.” *Id.* at 144-45 (quoting 17 U.S.C. § 602(a)(1)). Far from recognizing a “latent ambiguity,” Br. 19, the Court unanimously emphasized the “clarity of the text” on this point, 523 U.S. at 145.

This much is settled law, and it was decidedly not “ignored” (Br. 23) by the lower courts. The Second Circuit recognized that *Quality King* had “held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a).” Pet. App. 17a. But the applicability of Section 109(a) to *some* imported goods does not end the inquiry because *other* categories of imported goods are beyond the scope of Section 109(a). See *Quality King*, 523 U.S. at 146-49. Thus, as the Second Circuit noted, it was required to “consider the extent to which the protections set forth in § 109(a) may apply to items manufactured abroad.” Pet. App. 19a. The text of Section 109(a), as well as the remainder of the Copyright Act, confirms that they do not.

A. FOREIGN-MANUFACTURED COPIES ARE NOT “LAWFULLY MADE UNDER THIS TITLE.”

Section 109(a) provides that “the owner of a particular copy . . . *lawfully made under this title*” is “entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.” 17 U.S.C. § 109(a) (emphasis added). The phrase “lawfully made under this title” is most naturally understood as referring only to copies made in conformance with the Copyright Act *where the Copyright Act is applicable*. It makes little sense, in contrast, to say that conduct occurred “under this title” where Title 17 does not apply at all.

1. The word “under,” when followed by a statute, refers to activity that is *actually governed* by the statute: “‘under’ means ‘subject [or pursuant] to’ or ‘by reason of the authority of.’” *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (internal quotation marks omitted; alteration in original). The phrase “under this

title” therefore means “pursuant to this title.” And the inquiry required by Section 109(a), in turn, is whether the particular copy at issue was “lawfully made” pursuant to Title 17 (*i.e.*, the Copyright Act).

The Copyright Act does not apply outside the United States, and thus the foreign production of a copy for distribution exclusively abroad does not implicate any of the exclusive rights granted by the Copyright Act. *See, e.g., United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260, 264 (1908); *see also, e.g., 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright* § 17.02 (2012) (“[C]opyright laws do not have any extraterritorial operation.”). There is, accordingly, no basis for “ascrib[ing] legality under the Copyright Act to conduct that occurs entirely outside the United States.” *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 988 (9th Cir. 2008), *aff’d by an equally divided Court*, 131 S. Ct. 565 (2010) (*per curiam*).

Instead, the legality of a copy produced in a foreign country is governed by that country’s own copyright laws; a foreign copy is either lawfully or unlawfully made *under the law of the particular foreign country*. *See, e.g., Am. Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909) (“[T]he character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”), *overruled on other grounds, Cont’l Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962).

Kirtsaeng claims that, on Wiley’s interpretation of the statute, “‘lawfully made under this title’ means ‘manufactured on U.S. soil.’” Br. 25. Indeed, the bulk of his arguments based on the text of the Copyright Act begin with this assumption, as he “see[s] what happens” when the latter phrase is “substitut-

ed” for the former. *Id.* at 33. But Kirtsaeng’s premise is incorrect. While the *consequence* of Wiley’s interpretation is that the first-sale doctrine does not apply to foreign-manufactured copies, the *reasoning* is that such copies are not made “under this title” because they are not “made in territories in which the Copyright Act is law,” Pet. App. 27a-28a—*i.e.*, the copies are not made *pursuant to Title 17*. It is the fact that the Copyright Act does not apply extraterritorially, and not geography for its own sake, that means foreign-manufactured copies are not “lawfully made under this title.”¹

2. This straightforward reading of Section 109(a) is confirmed by the Court’s decision in *Quality King*. In that case, this Court rejected the argument that, “because importation nearly always implies a first sale,” Section 602(a)(1) would be rendered “superfluous” unless it reaches “nonpiratical (‘lawfully made’) copies sold by the copyright owner” without regard to the first-sale defense. 523 U.S. at 146. Among other things, the Court explained, Section 602(a)(1) “ap-

¹ That “lawfully made under this title” and “manufactured on U.S. soil” are not interchangeable also forecloses Kirtsaeng’s argument (Br. 28-29) that Congress’s use of the phrase “manufactured in the United States” in the Copyright Act’s now-expired manufacturing provision, *see* Pub. L. No. 94-553, 90 Stat. 2541, 2588 (1976), is inconsistent with Wiley’s interpretation. By combining “lawfully made” and “under this title,” Section 109(a) makes clear that lawfulness must be evaluated under Title 17. But a copy may be “lawfully made” *pursuant to the Copyright Act* even if the copy was not lawfully “manufactured in the United States,” because its making ran afoul of *other* provisions of U.S. law (*e.g.*, minimum-wage provisions). If the copy is made where the Copyright Act does not even apply, however, then it can neither lawfully nor unlawfully be “made under this title.”

plies to a category of copies that are neither piratical nor ‘lawfully made under this title.’” *Id.* at 147. “That category,” the Court noted, “encompasses copies that were ‘lawfully made’ not under the United States Copyright Act, but instead, under the law of some other country.” *Ibid.*

This Court’s opinion recognized that copies may be made either “under the United States Copyright Act,” or “under the law of some other country,” but not “under” both. 523 U.S. at 147; *see also id.* at 148 (noting that Section 602(a)(1) “encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country”). Kirtsaeng, in contrast, must argue that the textbooks at issue here were simultaneously “lawfully made under” *both* the Copyright Act *and* foreign law.

The Court illustrated its conclusion in *Quality King* by invoking “one example” involving market allocation agreements drawn from the “deliberations that led to the enactment of the 1976 Act.” 523 U.S. at 147. The Court explained that, “[e]ven in the absence of a market allocation agreement” between “a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies.” *Id.* at 148. In contrast:

If the author of the work gave the exclusive United States distribution rights . . . 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).

Ibid. (footnote omitted). This passage means that the copyright owner may grant distribution rights limited to foreign markets, and that the foreign-made copies produced for those markets are not “lawfully made under” the Copyright Act. *See, e.g.*, Am. Bar Ass’n, Recommendation No. 109, at 8-9 (Feb. 2010) (“ABA Recommendation”) (“[I]t is apparent from the Supreme Court’s decision in *Quality King* that a copyright owner may, pursuant to [Section] 602(a), prevent the importation of certain copyrighted works lawfully made under the law of another country.”).

Kirtsaeng attempts to dismiss *Quality King* on the theory that, while this Court’s “conclusion was clearly correct,” it selected the wrong “explanation for [this] correct conclusion.” Br. 41. According to Kirtsaeng, this Court should instead have reasoned that, because “the hypothetical British distributor has sold directly into the U.S. before there was any first sale,” “[t]here can be no first-sale defense.” *Ibid.* But Kirtsaeng cannot substitute his preferred reasoning for what this Court *unanimously* explained: that foreign-manufactured copies are not “lawfully made under this title.” 17 U.S.C. § 109(a).

Kirtsaeng also tries to distinguish *Quality King* by arguing that “this Court’s analysis did not revolve around—or even mention—the place of manufacture.” Br. 40. There is every reason to believe the Court’s distinction between domestic and foreign distribution rights rested on the assumption that the “publisher of the British edition” would have manufactured the copy abroad—particularly since the Court’s example was discussing possible liability for

importation. *Quality King*, 523 U.S. at 148. In any event, Kirtsaeng ignores that *Quality King*'s hypothetical was an illustration of the Court's broader point that Section 602(a) "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country," *id.* at 147, which is precisely the distinction advocated here: foreign-manufactured copies are "lawfully made" under foreign law rather than under the Copyright Act.

3. Kirtsaeng, for his part, argues that "a copy is 'lawfully made under' a statute, if it was made 'in compliance with' or 'in accordance with' the statute." Br. 26. Kirtsaeng then leaps from this definition to the assertion that a copy manufactured *anywhere in the world* "by the owner of the work itself or by someone who is authorized by the owner to make it" (*id.* at 27) is "lawfully made under [Title 17]," 17 U.S.C. § 109(a).

Kirtsaeng's approach would lead to the bizarre result that a foreign-made copy could be unlawful under the applicable foreign law, yet still "lawfully made under" inapplicable U.S. law. Yet even more significantly, Kirtsaeng never explains how a foreign copy could be made in "compliance" or "accordance" with a statute that does not apply; there would be nothing to "compl[y]" or "accor[d]" with.

Kirtsaeng claims that his definition comports with *New York Gaslight Club, Inc. v. Carey*, which held that state proceedings required by Title VII of the Civil Rights Act of 1964 were "action[s] or proceeding[s] under this title" for purposes of the statute's fee-shifting provision. 447 U.S. 54, 60-61 (1980) (quoting 42 U.S.C. § 2000e-5(k)). But no one suggested that the fee-shifting provision would have ap-

plied to proceedings *in Thailand* that might, had they been in the United States, have been conducted “according to Title 42.” *Id.* at 61.

Indeed, Kirtsaeng’s proposed definition, if taken at face value, proves far too much. Because “all the rights conferred under the Copyright Act relate to exploitation *within this country*,” 2 *Nimmer on Copyright, supra*, § 8.11[B][1] (emphasis added), *any* copy manufactured abroad—including piratical copies—is “made ‘in compliance with’ or ‘in accordance with’” (Br. 26) the Copyright Act, in the sense that its making does not violate the statute.

As the Second Circuit recognized, therefore, Kirtsaeng’s position must instead be that the inquiry is whether the copy was “lawfully made under this title *had this title been applicable*.” Pet. App. 24a (emphasis added). Kirtsaeng, however, studiously avoids this formulation, undoubtedly because the text of Section 109(a) does not envision such a counterfactual inquiry.

In this respect, Section 109(a) stands in stark contrast to Section 602’s prohibition on importing piratical copies, which expressly turns on whether “the making of the copies . . . would have constituted an infringement of copyright *if this title had been applicable*.” 17 U.S.C. § 602(b) (emphasis added); *see also id.* § 602(a)(2) (asking whether the making “would have constituted an infringement of copyright *if this title had been applicable*” (emphasis added)). Congress’s use of this language in Section 602 precludes Kirtsaeng’s attempt to read the same inquiry into

Section 109(a). *See, e.g., Russello v. United States*, 464 U.S. 16, 23 (1983).²

B. SECTION 109 CANNOT BE INTERPRETED AS APPLYING TO FOREIGN-MADE COPIES WITHOUT DEPRIVING SECTION 602(A)(1) OF ANY MEANINGFUL EFFECT.

Section 602(a)(1) sweeps broadly to bar any “[i]mportation into the United States” of “copies . . . of a work that have been acquired outside the United States” unless the importer obtains “authority of the owner of copyright.” 17 U.S.C. § 602(a)(1). Under this provision, a copyright holder “ha[s] the right to prevent [foreign-made] products from entering the United States and competing with the identical products authorized to be distributed here.” *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245, 1254 (S.D. Fla. 2006). Indeed, even *Kirtsaeng* is forced to concede that Section 602(a)(1) “is obviously intended to allow copyright holders some flexibility to divide . . . international and domestic markets for the particular copyrighted item.” Br. 43 (quoting Pet. App. 24a-25a).

For Section 602(a)(1) to have any real meaning, the first-sale doctrine in Section 109(a) cannot be

² The fact that Congress “explicitly employed” *Kirtsaeng*’s preferred interpretation of the statute “elsewhere in Title 17” (Pet. App. 24a n.38) further undermines his argument that, when “Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so explicitly.” Br. 28 (quoting U.S. Br. 30, *Quality King*). Even if Wiley’s interpretation equated “made under this title” with “made in the USA,” which it does not, the *most* that *Kirtsaeng* could assert is that each of the “possible” interpretations of Section 109(a) had been employed by Congress in other statutory provisions. Pet. App. 24a n.38.

read so broadly that it would encompass the “vast majority” of lawful copies. Pet. App. 25a. Otherwise, because “importation nearly always implies a first sale,” *Quality King*, 523 U.S. at 146, the copyright holder’s ability to limit importation into the United States would effectively be eliminated.

Kirtsaeng therefore strives to identify *some* category of cases that would remain actionable under Section 602(a)(1) notwithstanding his interpretation of Section 109. See Br. 43-46. This is not simply a matter of avoiding “superflu[idity],” Br. 13, although Kirtsaeng’s view would indeed deprive Section 602(a)(1) of any real meaning. It is also significant because, even if Kirtsaeng were correct that Section 109(a) could be viewed as ambiguous in isolation, “[t]he meaning . . . of certain words or phrases may only become evident when placed in context.” *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 132 (2000). “It is a ‘fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.’” *Id.* at 133 (quoting *Davis v. Mich. Dep’t of Treasury*, 489 U.S. 803, 809 (1989)). Section 109(a)’s “place in the overall statutory scheme” makes clear that it cannot be interpreted as Kirtsaeng suggests.

1. Kirtsaeng first claims that Section 602(a)(1) retains independent meaning because it “give[s] the copyright owner a powerful *copyright* weapon against distributors who distribute outside their assigned domains.” Br. 43. But Kirtsaeng ignores that the foreign distributor could avoid liability, under his approach, simply by reversing the order of shipment and sale. By selling the copies abroad—whether to an individual purchaser or even to a separately in-

corporated distributor—the foreign distributor could avoid application of Section 602(a)(1) to its activities, and the purchaser would then be able to invoke Section 109(a) as a basis for its subsequent importation. There is no reason to believe that Congress intended its import limitation to be so easily circumvented.³

2. Kirtsaeng also claims that Section 602(a)(1) would apply to copies “lawfully made” under “the law of some other country,” but that would not be lawful if they had been made under U.S. law. Br. 45 (quoting *Quality King*, 523 U.S. at 147). But Section 602(a)(2) and (b) *separately* prohibit the importation of copies where “the making of [the copies] would have constituted an infringement of copyright if [Title 17] had been applicable.” 17 U.S.C. § 602(a)(2); *see also id.* § 602(b) (same).

Although Kirtsaeng asserts that “[n]one of th[e] products” he describes is “piratical,” Br. 46, that is not the relevant test. Instead, the inquiry under Section 602(a)(2) and (b) is whether “the making of the copies . . . would have constituted an infringement of copyright if this title had been applicable.” 17 U.S.C. § 602(b). And a copy that is produced under a compulsory license that is not recognized in the United States (“would be unlawful here,” Br. 45), or where the copyright term had expired in the foreign country but not here (“would not be lawful here,” *ibid.*), or under an oral assignment that is invalid in the United States (“would not be legitimate under

³ To the contrary, as discussed below, Section 602(a)(1) was necessary precisely *because* the U.S. copyright holder would not have any contractual remedy against the importer under these circumstances. *See infra* Part II.

U.S. law,” *id.* at 46) would constitute copyright infringement if Title 17 were applicable.

Indeed, the House Judiciary Committee noted in 1976 that a “typical example” of an actionable copy under this provision “would be a work by an American author which is in the public domain in a foreign country because that country does not have copyright relations with the United States.” H.R. Rep. No. 94-1476, at 170 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5786. In such a case, “the making and publication of an authorized edition would be lawful in that country, but the Customs Service could prevent the importation of any copies of that edition.” *Ibid.* Kirtsaeng’s examples are indistinguishable.

3. Finally, Kirtsaeng claims that “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.” Br. 44 (quoting *Quality King*, 523 U.S. at 146-47). That is true, but it is hardly sufficient—standing alone, as it does—to “give meaningful effect” to Section 602(a)(1). *New Process Steel, L.P. v. NLRB*, 130 S. Ct. 2635, 2640 (2010).

One might reasonably “wonder whether such potential causes of action are more than theoretical.” 2 *Nimmer on Copyright, supra*, § 8.12[B][6][c] n.432. But it hardly seems plausible, in any event, that Congress intended to give such a limited scope to Section 602(a)(1). If Congress had wanted the statute to apply narrowly to “bailees and similar possessors of copyrighted goods,” there would have been no reason for it to have used such “broad language.” Pet. App. 63a n.21; *see also, e.g.*, ABA Recommendation at 9 (“it would be troubling if th[e] category of works [subject to Section 602(a)(1)] were limited to

those held by bailees and similar possessors, in light of the statute’s broad language”).

Congress chose to sweep into Section 602(a)(1) *all* copies “acquired outside the United States,” and by any importer who lacked the “authority of the owner of copyright under this title.” 17 U.S.C. § 602(a)(1); *see also* H.R. Rep. No. 94-1476, at 170 (statute covers “any unauthorized importer”). Section 109 cannot be read as limiting Section 602(a)(1) to such a narrow category of cases that the provision no longer bears any resemblance to the broad language enacted by Congress.

**C. INTERPRETING SECTION 109(A) AS
INAPPLICABLE TO FOREIGN-MADE
COPIES IS CONSISTENT WITH THE
REMAINDER OF THE COPYRIGHT ACT.**

Invoking a host of provisions in the Copyright Act, Kirtsaeng insists that Wiley’s interpretation of “under this title” is inconsistent with other uses of that phrase in the statute. None of the examples he cites can support this argument. Instead, “under this title” consistently means “pursuant to this title,” as in Section 109(a) itself.

Section 104. As Kirtsaeng correctly notes, the types of works that are “subject to protection *under this title*” (17 U.S.C. § 104(a)-(b) (emphasis added)) have an “expansive geographic sweep” and could be “authored anywhere in the world.” Br. 30 (emphasis omitted). But he goes astray in claiming that this use of “under this title” is inconsistent with Wiley’s position.

In Section 104, the phrase “under this title” simply means “pursuant to this title.” That is, the works covered by Section 104 are subject to protec-

tion pursuant to the Copyright Act, and thus even works authored in foreign countries can benefit from copyright protection in the United States “without regard to the nationality or domicile of the author,” in the case of unpublished works, 17 U.S.C. § 104(a), or, for published works, where (*inter alia*) “one or more of the authors” is a “national . . . of a treaty party” or “the work is first published . . . in a foreign nation that, on the date of first publication, is a treaty party,” § 104(b)(1)-(2).

Kirtsaeng claims that “[t]he words ‘under this title’ cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words” in Section 104 “to describe a breathtakingly international focus.” Br. 31. But he ignores that the “international focus” in Section 104 identifies only what works are “*subject to protection*” under the Copyright Act. 17 U.S.C. § 104(a)-(b) (emphasis added). Indeed, he simply elides the point, omitting the phrase “subject to protection” in claiming that “virtually any work made in [treaty-party] countries or made by citizens or residents of those countries are ‘under this title.’” Br. 31.

But the fact that a foreign author can obtain copyright protection under Title 17—that is, his works are “subject to protection under this title”—does not mean that his rights in the foreign country are governed by U.S. law, or that any copies he publishes there are *made* “under this title.” Instead, because the Copyright Act does not apply extraterritorially, the *scope* of the “protection under this title” remains limited to the United States—just as the category of copies that can be “made under this title” is similarly restricted. *See supra* at 15-17.

Kirtsaeng’s argument also appears to conflate the distinction between “works” and “copies” (*i.e.*,

“material objects . . . in which a work is fixed”). 17 U.S.C. § 101. That Section 104 applies the “full range of U.S. copyright protections” to “*all* eligible works” does not mean that “it makes no distinction based on where a work *or a copy of it* was manufactured,” Museum Br. 17 (second emphasis added); “U.S. copyright protections” are inapplicable in foreign countries, even to copies of works that are “subject to protection” under the Copyright Act. For this reason, it is perfectly sensible to conclude that “foreign-manufactured goods are not considered to have been made ‘under this title’” and also that “U.S. courts” should “enforce copyright protection as to those goods” when they are imported, eBay Br. 15: It is precisely the importation of foreign-made copies of works that are “subject to protection under this title” (17 U.S.C. § 104) that *first* implicates the exclusive rights provided by the Copyright Act, *see id.* § 602(a)(1); *see also* Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int’l L. 587, 590 (1997) (importation provision “proclaims, ‘I don’t care how lawfully made that copy was wherever you obtained it, nor do I address what happens to that copy so long as it stays outside the United States; but, once you bring it *here*, it’s *our* law that applies”).

Section 106. Section 106 provides that “the owner of copyright *under this title* has the exclusive rights to do and to authorize” certain actions with respect to copyrighted works. 17 U.S.C. § 106 (emphasis added). According to Kirtsaeng, this provision would yield “nonsense” if “under this title” were interpreted to mean “on United States soil,” because “an owner who leaves the U.S.” would then “los[e] all rights.” Br. 33 (emphasis and internal quotation marks omitted).

But no one is arguing that the “owner of copyright under this title” retains that status only when located in the United States. Kirtsaeng suggests otherwise only by pretending that Wiley believes “under this title” and “on United States soil” to be interchangeable. *See* Br. 33. Not so. *See supra* at 16-17 & n.1. Wiley’s interpretation of “under this title”—*i.e.*, pursuant to Title 17—makes perfect sense in Section 106, which grants exclusive rights to the “owner of copyright” pursuant to the Copyright Act, which contains detailed provisions on the subject of ownership, *see, e.g.*, 17 U.S.C. § 201.

Section 109(c). Section 109(c) provides that “the owner of a particular copy *lawfully made under this title*” is “entitled, without the authority of the copyright owner, to display that copy publicly.” 17 U.S.C. § 109(c) (emphasis added). Kirtsaeng protests that, under Wiley’s interpretation of “lawfully made under this title,” “the right to display” provided in Section 109(c) “would be limited to copies ‘manufactured in the U.S.’” Br. 34. That is true as far as it goes: A “photograph . . . printed in Niagara Falls, Ontario” (*ibid.*) is not “lawfully made under this title” because the Copyright Act did not apply to its manufacture. But this point does not support Kirtsaeng’s claim that Section 109(c) would make “no sense at all” (*id.* at 33) if Wiley were correct.

As discussed in more detail below, the premise of the first-sale doctrine is that the copyright owner is entitled to obtain “a price satisfactory to it” through “exercis[ing]” its exclusive rights. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 351 (1908). But Kirtsaeng cannot explain why the sale of a Canadian-printed photograph in Canada should be understood as an “exercis[e]” (*ibid.*) of any exclusive rights provided by

American law, which was completely inapplicable. Kirtsaeng would prefer an approach under which a sale anywhere in the world would terminate the copyright owner's exclusive rights—in this hypothetical, the right to publicly display the work. But that is not the approach adopted by Congress in 1976 (or, for that matter, by most other countries in the world). *See infra* at 45-46.

Kirtsaeng finds it “[un]natural” that the “proprietor of a café in Buffalo” would be “forbidden to hang the photo [purchased in Canada] without permission.” Br. 34. But what he finds odd is a central tenet of the Copyright Act: “owner[s] of copyright” have “exclusive rights” to “display the[ir] copyrighted work publicly,” and any infringing display is therefore illegal. 17 U.S.C. § 106. Congress’s decision to create a limited exception to this rule covering copies “lawfully made under this title” hardly compels the Court to conclude that “nondiscrimination” principles require expanding the exception to include copies made under the laws of foreign countries.⁴

⁴ Kirtsaeng’s *amici* similarly miss the mark in claiming that Wiley’s interpretation would “pu[t] at risk museums’ ability to exhibit foreign-made works of art to the public.” Museum Br. 13 (capitalization omitted). They acknowledge that other statutory defenses, such as fair use, could protect museums’ ability to publicly display foreign-made artwork. *See id.* at 13 n.17. Yet even more significantly, they are simply advancing their preferred outcome—that the copyright owner should not be permitted to sell only the foreign rights for its foreign-made copies without also parting with its U.S. rights—under the guise of statutory interpretation. But just as most copyright regimes have concluded that the sale of a foreign copy does not exhaust the copyright owner’s domestic rights to control distribution, there is no basis for assuming that such a sale exhausts the domestic right to display the copy publicly. And if an excep-

[Footnote continued on next page]

Section 110. Section 110 provides that certain “performance[s] or display[s]” during “face-to-face teaching activities” are “not infringements of copyright” unless they are “given by means of a copy that was not *lawfully made under this title*” and that “the person responsible for the performance knew or had reason to believe was not lawfully made.” 17 U.S.C. § 110(1) (emphasis added); *see also id.* § 110(2) (similar). Kirtsaeng claims it is “absurd” that “[a] teacher could play for her students a U.S.-made CD of the New York Philharmonic playing Mozart,” but not “the same exact recording from a CD stamped in Asia.” Br. 35.

Kirtsaeng assumes that the foreign copy he describes is “not lawfully made under this title.” The phrase “not lawfully,” which does not appear in Section 109(a), seems to mean “unlawfully,” in which case Section 110(1) would preclude the use of copies that are made *in violation of* the Copyright Act.

But even if that were not so, Kirtsaeng is again stating his preferred view about how the copyright laws *should* function under the pretense of a “non-discriminatory lens.” Br. 34. Section 110 embodies a legislative judgment that the “mak[ing]” of copies “under this title” entails certain limitations on the copyright owner’s ability to restrict educational performances or displays, yet Kirtsaeng never explains how the production of a copy in a foreign country, where the Copyright Act does not apply, should cre-

[Footnote continued from previous page]

tion to this rule is warranted for museums because the copyright owner could—as in any other context—“decide not to grant a license” or “demand a sizeable royalty payment,” Museum Br. 14, Congress is perfectly capable of adopting one.

ate the same limitations if the copy eventually happens to make its way into the United States. At a minimum, it is not an “absurd” (Br. 35) outcome to say that Section 110 is inapplicable to such copies (especially where, as in this case, they were never subject to an authorized sale in the United States, *see infra* at 50-51).

Section 1006. Section 1006 provides that statutorily required “royalty payments” be “distributed” to certain “copyright part[ies]” whose “musical work or sound recording” has been “embodied” in a “recording *lawfully made under this title.*” 17 U.S.C. § 1006(a)(1)(A) (emphasis added). The “royalty payments” are paid by vendors of both “digital audio recording devices” (*i.e.*, “machine[s] or device[s]” designed to make “digital audio copied recording[s] for private use,” *id.* § 1001(3)) and “digital audio recording medi[a]” (*i.e.*, “material object[s]” “used by consumers” to “mak[e] digital audio copied recordings by use of a digital audio recording device,” *id.* § 1001(4)(A)). *See id.* §§ 1003, 1004. On Wiley’s interpretation of the phrase “lawfully made under this title,” these provisions require that vendors of home audio recording equipment pay royalties to be distributed among parties who have made recordings of their works pursuant to the Copyright Act.

Kirtsaeng claims that it would be a “direct conflict” not to require “royalty payment[s] under § 1006” for “copies manufactured abroad” because Section 1004 “provides for payment of royalties on ‘each digital audio recording medium imported into and distributed into the United States.’” Br. 35 (emphasis omitted) (quoting 17 U.S.C. § 1004(b)). But this argument ignores the difference between the “digital audio recording medium” and the “em-

bodi[ment]” of the “music work or sound recording” itself. The obligation to pay royalties is triggered by importing the *recording device* or *recording medium*, and it is perfectly natural to distribute royalties only to those whose *recordings* have been made in the United States (where the recording device and medium could be used to duplicate them). Kirtsaeng simply misreads the statute. *See ibid.* (claiming that the statute “regulates . . . audio recordings” and requires “manufacturers, importers, or distributors of *such products* to pay royalties to copyright owners” (emphasis added)).

Section 109(e). Section 109(e) provides that “the owner of a particular copy of [an arcade video] game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment.” 17 U.S.C. § 109(e) (emphasis added). As Kirtsaeng notes, this provision overruled the Fourth Circuit’s decision in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). *See* H.R. Rep. No. 101-735, at 9 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6940. But he is mistaken as to the “holding” (Br. 36) that Section 109(e) overruled.

The copyright owner in *Red Baron* was a video game manufacturer, which alleged that an arcade company had infringed its exclusive right “to perform the copyrighted work publicly” (17 U.S.C. § 106(4)) by purchasing used circuit boards containing the video game and installing them for use by the public. 883 F.3d at 277. The arcade company claimed that its use of the circuit boards was protected by Section 109(a), but the Fourth Circuit disagreed. The court reasoned that “the statute codifying the first sale

doctrine, 17 U.S.C. § 109(a), is limited in its effect to the *distribution* of the copyrighted work.” 883 F.2d at 280 (citation omitted). Because Section 109 “has no application to the rights of the owner of a copyright guaranteed by § 106, except the right of distribution,” “the first sale doctrine does not apply to the performance right” invoked by the video game manufacturer. *Id.* at 280-81.

Section 109(e) overrules *Red Baron* by providing that the owner of an arcade video game may “publicly perform or display” the game “[n]otwithstanding the provisions of sections 106(4) and 106(5).” 17 U.S.C. § 109(e) (emphasis added). That is, Congress passed Section 109(e) “to rectify the anomaly in the Copyright Act that permits copyright owners of electronic audiovisual games designed for use in coin-operated equipment to sell printed circuit boards containing the games and then turn around and successfully sue to prevent use of the circuit boards for their intended purpose.” H.R. Rep. No. 101-735, at 9.

Kirtsaeng notes that the arcade company in *Red Baron* had “purchased used circuit boards abroad and imported them without [the video game manufacturer’s] consent.” 883 F.2d at 277. But this fact had nothing to do with the Fourth Circuit’s decision. To the contrary, the video game manufacturer *conceded* that the arcade company had the “right to purchase, import and even to sell [the] circuit boards without [its] consent.” *Id.* at 278. The *only* issue before the Fourth Circuit—and thus the only point on which the decision was overturned—was whether the Section 109(a) “act[s] as a limitation on the public performance right.” H.R. Rep. No. 101-735, at 9. Congress’s response to *Red Baron* is not a “nullity”

(Br. 37) simply because it did not address an issue that was not presented in the case.

D. CONGRESS HAS ACQUIESCED IN NEARLY 30 YEARS OF JUDICIAL DECISIONS HOLDING THAT SECTION 109(A) DOES NOT APPLY TO FOREIGN-MADE COPIES.

For almost 30 years, the consensus view among the lower courts has been that the first-sale doctrine does not apply to copies manufactured abroad, at least where the copy at issue has not been subject to any domestic sale authorized by the copyright owner. But while Congress has amended Section 109 in several respects, it has never questioned, let alone overturned, this interpretation. Congress's longstanding acquiescence provides further support for Wiley's interpretation of Section 109(a).

1. In a seminal 1983 decision, the Eastern District of Pennsylvania held that Section 109(a) does not "gran[t] first sale protection" to "purchasers of imports." *CBS, Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd*, 738 F.2d 421, 424 (3d Cir. 1984) (table). Any contrary interpretation, the court emphasized, "would render § 602 virtually meaningless." *Ibid.* Following *Scorpio*, courts across the country agreed that Section 109(a) does not apply to foreign-made copies. *See, e.g.*, Opp. 14 n.3 (collecting citations).

In 1991, the Ninth Circuit joined the list of courts agreeing with *Scorpio* and held that "[t]he words 'lawfully made under this title' in § 109(a) grant first sale protection only to copies legally made and sold in the United States." *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991). "*Scorpio's* concern over the possibility of rendering meaningless § 602 is justified," the court concluded, "and, for that reason,

so is its result.” *Ibid.* The Ninth Circuit has twice reaffirmed this holding. *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994) (“sales abroad of foreign manufactured United States copyrighted materials do not terminate the United States copyright holder’s exclusive distribution rights” (emphasis omitted)); *Omega*, 541 F.3d at 987 (noting the court’s “general limitation of § 109(a) to copies that are lawfully made in the United States”).

2. This Court has “recognized that Congress’ failure to disturb a consistent judicial interpretation of a statute may provide some indication that ‘Congress at least acquiesces in, and apparently affirms, that [interpretation].’” *Monessen Sw. Ry. Co. v. Morgan*, 486 U.S. 330, 338 (1988) (quoting *Cannon v. Univ. of Chi.*, 441 U.S. 677, 703 (1979)) (alteration in original); *see also, e.g., Gulf Oil Corp. v. Copp Paving Co.*, 419 U.S. 186, 200-01 (1974) (same). And the conclusion that Congress has “adopted” the consistent view of the lower courts is further confirmed by the fact that Congress has amended Section 109 in *other* respects during the relevant time period. *Keene Corp. v. United States*, 508 U.S. 200, 212 (1993).

In 1994, for example, after the Ninth Circuit had endorsed *Scorpio*’s interpretation of Section 109(a), Congress amended the provision to add a second sentence, which modifies the first-sale doctrine in the case of certain restored works. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, sec. 514(b), 108 Stat. 4809, 4981 (1994). Yet even though Congress was adjusting the scope of the first-sale doctrine, it did not make any changes to the operative language (“lawfully made under this title”) that had

consistently been interpreted by the lower courts as excluding foreign-made copies. And Congress then amended Section 109(a) twice more—in 1997 and 2008—without altering the statutory text. *See* Title 17 Technical Amendments, Pub. L. No. 105-80, sec. 12(a)(5), 111 Stat. 1529, 1534 (1997); Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, sec. 209(a)(1), 122 Stat. 4256, 4264.

Congress has not hesitated to amend the Copyright Act in response to lower-court decisions; rather, it has responded with statutory amendments when it has disagreed with even a *single* court of appeals decision. *See supra* at 33-35 (discussing the Fourth Circuit’s decision in *Red Baron*); *see also, e.g.*, 1 William F. Patry, *Patry on Copyright* § 1:96 (2012) (amendment overturning *La Cienega Music Co. v. ZZ Top*, 53 F.3d 950 (9th Cir. 1995)); *id.* § 1:101 (amendment responding to *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993)). Congress’s failure to do so with respect to Section 109(a) is powerful confirmation that it has acquiesced in the lower courts’ conclusion that the statute is inapplicable to foreign-made copies.

3. As Kirtsaeng notes, the lower courts have disagreed on some aspects of Section 109(a) that are not implicated here. Although the Ninth Circuit agreed that the statute should be read as “refer[ring] ‘only to copies legally made . . . in the United States,’” it has left open the “continuing viability” of an exception to this “general” rule under which “parties can raise § 109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred.” *Omega*, 541 F.3d at 989-90 (quoting *BMG Music*, 952 F.2d at 319). Other courts, including the

Second Circuit below, have rejected this “compromise position” (Br. 26) as inconsistent with the text of Section 109(a). *See* Pet. App. 26a.

Because the textbooks at issue here were not subject to an authorized sale in the United States, this Court need not decide whether Section 109(a) could be invoked following such a sale. *See infra* Part III.C. And it therefore has no need to decide whether Congress could be said to have acquiesced in either of the competing answers to that question. Instead, the Court can resolve this case by holding that—at a minimum—Congress has accepted the consistent view of the lower courts that Section 109(a) is inapplicable to foreign-made copies at least where they have not been subject to an authorized sale in the United States.

II. THE HISTORY AND PURPOSE OF THE COPYRIGHT ACT OF 1976 CONFIRM THAT SECTION 109(A) DOES NOT APPLY TO FOREIGN-MANUFACTURED COPIES.

Kirtsaeng’s interpretation of Sections 109(a) and 602(a)(1) requires this Court to assume that, in enacting the Copyright Act of 1976, Congress intended to “giv[e] copyright holders a copyright remedy against rogue distributors,” Br. 44, while leaving them completely powerless to prevent “arbitrage” by individuals who purchase copyrighted goods in foreign countries and import them for resale in the United States, *id.* at 15. As discussed above, the statutory text cannot bear this interpretation. But even if the text were viewed as ambiguous, the history and purpose of the Copyright Act of 1976 forecloses Kirtsaeng’s reading of the statute.

A. The Copyright Act of 1909 prohibited the importation of “piratical copies of any work copyrighted

in the United States.” Act of Mar. 4, 1909, ch. 320, § 30, 35 Stat. 1075, 1082. This “earlier prohibition is retained” in Section 602(b) of the Copyright Act of 1976, *Quality King*, 523 U.S. at 146, which prohibits importation of copies “the making of [which] . . . would have constituted an infringement of copyright if this title had been applicable,” 17 U.S.C. § 602(b). Under pre-1976 law, however, a copyright holder could not prevent the importation of copies that had been made in a foreign country by, or with the authorization of, the copyright holder. *See, e.g.*, House Comm. on the Judiciary, 88th Cong., 1st Sess., *Copyright Law Revision Pt. 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 193 (Comm. Print 1963) (“*Copyright Law Revision Pt. 2*”).⁵

This regulatory gap prompted considerable discussion as the Register of Copyright was considering proposed revisions to the copyright laws. The publishing industry and others commentators “suggested that the import ban . . . should be extended to bar the importation of [a] foreign edition in contravention” of an “agree[ment] to divide the international markets.” House Comm. on the Judiciary, 87th Cong., 1st Sess., *Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 125-26 (Comm. Print. 1961) (“*Copyright Law Revision Pt. 1*”). But the Register initially declined to suggest any changes to the importation

⁵ Kirtsaeng claims that, in making this point in opposition to certiorari, Wiley “concede[d]” that “the first-sale defense applied with equal force” to foreign-made copies. Br. 51. But the point is not that the *first-sale doctrine* permitted the importation, but that the *importation provision* itself was inapplicable to non-piratical copies.

provision, reasoning that agreements to divide geographic markets were “primarily a matter of private contract.” *Copyright Law Revision Pt. 2*, at 194 (statement of Barbara A. Ringer, Copyright Office); *see also Copyright Law Revision Pt. 1*, at 126.

Commentators responded to this initial proposal by emphasizing that holders of exclusive U.S. copyrights “[v]ery frequently” face “clea[r] infringement” when “copies of the same work . . . produced in a foreign country” are “shipped over here without violating any contract of the U.S. copyright proprietor,” because “the [foreign] publisher sold it to an individual who in turn shipped it over here.” *Copyright Law Revision Pt. 2*, at 213 (statement of Sidney A. Diamond, London Records); *see also, e.g., id.* at 212 (statement of Horace S. Manges, Am. Book Publishers Council) (breach-of-contract lawsuits are “expensive, burdensome, and, for the most part, ineffective”). As these commentators emphasized, contractual remedies were insufficient to protect territorial limitations on distribution because privity did not always exist between the U.S. copyright holder and the infringing importer. *Id.* at 213 (statement of Mr. Diamond) (“no possibility of any contract remedy under those circumstances”); *see also, e.g., id.* at 213 (statement of Edward A. Sargoy, Am. Bar Ass’n) (“no contractual relationship”). They proposed, therefore, “an express recognition in the proposed bill of the principle of territoriality of copyright,” which would “exten[d] the import ban on piratical copies to genuine foreign printed books which are sought to be imported” absent the “consent of the U.S. copyright proprietor.” *Id.* at 275 (letter from Walter J. Derenberg); *see also id.* at 232 (comment from Am. Book Publishers Council, Inc. and Am. Textbook Publishers Inst.) (proposing ban on “copies imported into the

United States in violation of a territorial agreement,” “even though legally produced”).

In response to these concerns, the Copyright Office endorsed, and Congress ultimately enacted, legislation to create an additional limitation on importation—now embodied in Section 602(a)(1)—of “foreign copies that were made under proper authority.” House Comm. on the Judiciary, 88th Cong., 2d Sess., *Copyright Law Revision Pt. 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law* 203 (Comm. Print 1964). In particular, the proposal was designed to prohibit importation where “the copyright owner had authorized the making of copies in a foreign country for distribution only in that country.” House Comm. on the Judiciary, 89th Cong., 1st Sess., *Copyright Law Revision Pt. 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* 150 (Comm. Print 1965).

B. The history and purpose of the Copyright Act of 1976 confirms that Congress intended to permit U.S. copyright holders to segment domestic and international markets. And, just as significantly, it shows that Congress did so because the alternative remedy—a breach-of-contract lawsuit against the foreign distributor—was unavailable where the importer had purchased the copy abroad.

Based on this history, Kirtsaeng cannot reasonably claim that Congress was concerned exclusively—or even primarily—with “rogue distributors.” Br. 44. The Register believed that issue could be handled by “private contract,” *Copyright Law Revision Pt. 2*, at 194 (statement of Ms. Ringer), and the realization that privity would not exist between the copyright holder and subsequent purchasers thus prompted

the addition of Section 602(a)(1): “Congress deliberately wished to enforce, through the copyright laws, territorial restrictions rather than have copyright owners rely on contracts, and for the obvious reason that importations that violate such restrictions frequently involve third parties not in privity with the copyright owner.” 4 *Patry on Copyright, supra*, § 13:44. That is precisely why the debates on the bill emphasized the possibility that the “the [foreign] publisher” might have “sold [the copy] to an individual who in turn shipped it over here.” *Copyright Law Revision Pt. 2*, at 213 (statement of Mr. Diamond); *see also* Pet. App. 68a (“No privity of contract exists between the manufacturer and the subsequent buyer of the goods.”).

Even more significantly, there would have been no reason for Congress to single out “rogue distributors” and leave unchecked the ability of others to purchase foreign copies and import them into the United States. The copyright owner’s ability to segregate international markets is useful only to the extent that it can prevent copies from one market from competing with, and undermining demand for, copies in the other markets. “Given the . . . *increased* protection afforded U.S. copyright holders who decide to print abroad,” therefore, “it would not seem consistent with Congressional intent to retrench U.S. copyright holder[s]’ rights in this manner.” Pet. App. 68a-69a.

III. CONGRESS’S DECISION TO LIMIT THE FIRST-SALE DOCTRINE TO COPIES PRODUCED PURSUANT TO THE COPYRIGHT ACT IS SUPPORTED BY SOUND PUBLIC POLICY.

Kirtsaeng and his *amici* devote considerable attention to policy arguments that, they maintain,

warrant application of Section 109(a) to foreign-made copies. But they largely ignore that their approach—under which the purchaser of a foreign-made copy could import that copy and sell it in competition with domestic copies—would undermine a central policy judgment made by Congress in 1976. This Court, however, gives “consistent deference” to Congress in the area of copyright. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984). If there are indeed “hard policy choices” raised by either interpretation, then the “matter must be left to Congress.” 4 *Patry on Copyright, supra*, § 13:44. In any event, Kirtsaeng and his *amici* understate the policy interests in favor of Wiley’s interpretation and overstate their own supposed policy interests.

A. APPLYING SECTION 109(A) TO FOREIGN-MADE COPIES WOULD BE INCONSISTENT WITH THE REASONING UNDERLYING THE FIRST-SALE DOCTRINE.

The Constitution expressly authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. art. I, § 8, cl. 8. This provision, as well as the copyright laws that Congress has enacted under it, reflects a “difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.” *Sony*, 464 U.S. at 429.

“The limited monopoly granted to the artist” under copyright law is “intended to provide the necessary bargaining capital to garner a fair price for the value of the works passing into public use.” *Stewart*

v. *Abend*, 495 U.S. 207, 229 (1990). In this respect, the Copyright Act “motivate[s] creative activity of authors . . . by the provision of a special reward,” while “allow[ing] the public access to the products of their genius after the limited period of exclusive control has expired.” *Sony*, 464 U.S. at 429.

The first-sale doctrine embodies the sensible conclusion that, once the copyright owner has “exercised [its] right to vend” a copyrighted work “in quantities and at a price satisfactory to it,” *Bobbs-Merrill*, 210 U.S. at 351, then it has received the “fair return for [its] labors” provided by copyright law, *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985). To permit the copyright owner to “control all future retail sales” in such circumstances “would give a right not included in the terms of the statute, and . . . extend its operation, by construction, beyond its meaning.” *Bobbs-Merrill*, 210 U.S. at 351. Thus, “once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.” *Quality King*, 523 U.S. at 152.

This doctrine presumes that the copyright owner has actually “exercised” (*Bobbs-Merrill*, 210 U.S. at 351) its rights *under U.S. law*. Otherwise, there would be no guarantee that the copyright owner had the opportunity to receive the “fair return for [the] ‘author’s’ creative labor” that Congress provided in the Copyright Act. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). It is therefore critical to recognize, as the leading copyright treatise explained at the time of *Bobbs-Merrill*, that “[w]hen protection is secured for the same work in different countries, there is a separate and independent copyright for each country.” Eaton S. Drone, *A Treatise*

on the Law of Property in Intellectual Productions in Great Britain and the United States 336 (1879). That is, “[t]he copyright granted by one government is *wholly distinct* from that conferred by another.” *Ibid.* (emphasis added).

When the copyright owner holds “wholly distinct” rights (Drone, *supra*, at 336) under *both* U.S. and foreign law, there is no reason to assume that the sale of a copy made abroad entails *any* consideration for (or should exhaust) the U.S. rights. And that is particularly true where (as here) the foreign-made copies are sold subject to a clear and acknowledged restriction that they are “authorized for sale” only in specified foreign countries and “may not be exported.” Pet. App. 6a; *see also* J.A. 81-83 (Kirtsaeng acknowledging that he understood this limitation). In such circumstances, “[t]o allow the first sale defense” would “violat[e]” the basic principle that “a copyright owner should, on first sale, be entitled to realize the *full value* of each copy.” 2 Paul Goldstein, *Goldstein on Copyright* § 7.6.1.2.a, at 7:141 (Supp. 2011) (emphasis added).

Consistent with this reasoning, the “most widely used regime for exhaustion” in the world is “national exhaustion,” under which “the intellectual property right to distribute exhausts only within the country that it is sold,” and “the owner’s distribution right still exists in every other country.” Ryan L. Vinelli, *Bringing Down the Walls: How Technology Is Being Used To Thwart Parallel Importers Amid the International Confusion Concerning Exhaustion of Rights*, 17 *Cardozo J. Int’l & Comp. L.* 135, 148 (2009); *see also, e.g.*, Theo Papadopoulos, *The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products*,

2 Ent. L. 40, 50-52 (2003) (distinguishing national from international exhaustion). In stark contrast, Kirtsaeng’s theory—that “a copyright owner’s rights are exhausted upon the first sale, and it does not matter where that first sale occurs,” Br. 48—would require “judicial imposition of world-wide exhaustion, a step not a single country in the world has adopted,” 4 *Patry on Copyright, supra*, § 13:46. The suggestion that Wiley’s interpretation of Section 109(a) would unmoor the first-sale doctrine from its roots, supposedly in violation of the presumptions invoked by Kirtsaeng, Br. 49-55, is nonsense.⁶

B. COPYRIGHT OWNERS SHOULD BE PERMITTED TO PRICE THEIR WORKS TO REFLECT MARKET CONDITIONS IN DIFFERENT COUNTRIES.

Kirtsaeng repeatedly suggests that Wiley has engaged in misbehavior by charging higher prices for textbooks in the United States than for lower-quality editions sold in Thailand. He even implies (falsely) that Wiley has “goug[ed] the wealthier New York population with higher prices.” Br. 15. But there is a reason why Congress chose in 1976 to permit segmentation of international markets: It is both common practice and economically efficient for companies to sell their products in different countries at

⁶ Indeed, international exhaustion is sufficiently “controversial” (4 *Patry on Copyright, supra*, § 13:37 (internal quotation marks omitted)) that it was “expressly rejected by countries adhering to the Berne Convention,” including the United States, “in the debates over the 1996 WIPO treaties.” *Id.* § 13:46. Instead, the WIPO treaty provides that the scope of exhaustion is to be determined individually by each country. See WIPO Copyright Treaty art. 6(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, 2186 U.N.T.S. 121.

different prices, and in different forms, based on differing conditions in the relevant marketplaces. *See, e.g.*, IPO Br. 16. The market for college textbooks provides an excellent example.

As the Government Accountability Office has explained, “[t]he demand for textbooks can vary across countries” because of “differences in income levels or in the classroom role of textbooks.” U.S. Gov’t Accountability Office, *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*, GAO-05-806, at 21 (2005), available at <http://www.gao.gov/new.items/d05806.pdf>. “In assigning prices,” therefore, publishers must “consider local market conditions and the willingness and ability of students to purchase the textbook.” *Id.* at 22.⁷

In many developing countries, “incomes are generally too low for students to buy textbooks at U.S. prices.” *College Textbooks, supra*, at 22. If publishers were to price these textbooks at the same level as the U.S. editions, then the result would either be less widespread access to quality educational materials, or at least “fewer *legitimate* copies” of the textbooks as consumers unable to afford them turn instead to piracy. *See ibid.* (emphasis added) (noting that “governments have been more responsive in dealing with piracy cases when textbooks are priced at a level that local students can afford”).

⁷ Although Wiley does not endorse all of the findings made in the GAO’s report, *see College Textbooks, supra*, at 26-28 (noting concerns expressed by the Association of American Publishers), it nonetheless believes that the report’s summary of the many factors that bear on pricing in different countries provides useful context for the Court.

The price of textbooks is also heavily influenced by “differences in instructional styles and systems of higher education.” *College Textbooks, supra*, at 22. The GAO noted, for example, that “textbooks tend to sell for lower prices” in the United Kingdom, where professors are “more likely to recommend several textbooks for students to consider,” and “there is less demand for electronic and print supplements” (such as the ones included in Wiley’s U.S. textbooks) “to support teaching and learning.” *Ibid.*

That “[c]ollege textbook prices in the United States may exceed prices in other countries” is not just the reality of “market conditions” around the world, it also reflects the need for publishers to recover the “substantial development costs” necessary to produce and update textbooks. *College Textbooks, supra*, at 21. As in many other areas of intellectual-property law, “[p]ublishers typically incur substantial costs in order to develop textbooks, but once these development costs have been undertaken, the additional cost of producing more copies is quite low.” *Ibid.* Publishers therefore “sell textbooks in other countries at prices that are closer to printing and distribution costs while charging prices in the United States that *better reflect the high costs of development.*” *Id.* at 23 (emphasis added).

Publishers must be able to charge a price in the United States that accounts for the “significant investment of time and resources” involved in “developing a textbook.” *College Textbooks, supra*, at 5. But the importation of lower-priced foreign versions into the United States, where they would compete with the U.S. versions, undermines this need; as the district court found, “U.S. copyright holders would have less incentive to license the printing of lower-priced

editions in foreign countries” if “they would, in effect, lose U.S. copyright protection for, and profits on, their higher-priced U.S. works.” Pet. App. 69a.

Kirtsaeng claims his approach would be costless, resulting only in an “alternative market” for “lower-priced textbooks.” Br. 7. But this ignores basic economic reality. Publishers are able to “offer inexpensive versions of books and computer programs in developing countries,” but this practice would be self-defeating if “such inexpensive copies [were] imported into the United States where they unfairly compete with copies made in the United States.” 4 *Patry on Copyright, supra*, § 13:44. And thus the likely result of Kirtsaeng’s proposal would be reduced access to educational materials around the world, with little corresponding benefit for American students.

* * *

As this Court has emphasized, “copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.” *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) (internal quotation marks omitted); see also, e.g., *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (“economic philosophy” behind copyright law is “encouragement of individual effort by personal gain”). Yet Kirtsaeng would ignore not only this fundamental principle, but also the need for creators to recover the often substantial costs of their creative efforts.

**C. KIRTSAENG’S PARADE OF HORRIBLES IS
SPECULATIVE AND UNPERSUASIVE.**

Kirtsaeng has no answer to the policy concerns that *actually* motivated the 1976 amendments to the

importation provision and the first-sale doctrine. Instead, he imagines a host of “unfathomable” consequences that supposedly would result from adopting the Second Circuit’s “political-suicide” interpretation of Section 109(a). Br. 25, 57.

Kirtsaeng’s arguments depend on his assumption that the copyright owner could impose restrictions on downstream purchasers even after having authorized the sale of a particular copy in the United States. Kirtsaeng’s speculation (Br. 57) that “big movie producers” could “demolish movie rental services” by “manufacturing DVDs in Mexico,” for instance, depends critically on his belief that the studios would still be able to “enjoy a permanent veto over any further rental” after an authorized sale of those DVDs in the United States.

Kirtsaeng seeks to focus on these hypotheticals, rather than his own conduct, because his sales of Wiley’s textbooks were *concededly* unauthorized.⁸

⁸ Kirtsaeng acknowledges his own conduct only briefly, accusing Wiley of “torment[ing] a graduate student” for “making a measly profit of a few thousand dollars” and “crush[ing] him with a \$600,000 judgment and an order to turn over his computer and golf-clubs.” Br. 58. Kirtsaeng testified that he sold 632 copies of Wiley’s textbooks for total revenue of about \$37,000. C.A. J.A. 260. And he also acknowledged that this was part of a broader effort to develop a marketplace for illegally imported textbooks: He made “about \$900,000” in revenue, and “about a hundred thousand dollars in profit,” from selling foreign-made textbooks from Wiley and other publishers. *Id.* at 296, 299. He also attempted to avoid detection, including by opening eBay accounts under other names, *see id.* at 277-83, and by changing his eBay username after this lawsuit was filed, *see id.* at 286-87. And while Wiley was ultimately forced to seek recovery from Kirtsaeng’s personal property, he conveniently ignores that he had by then transferred large sums of money
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Because this case does not involve a downstream domestic purchaser of *authorized* imports, however, this Court need not decide whether the copyright owner would be able to restrict further distribution in such circumstances. In any event, Kirtsaeng’s hypotheticals are misguided.

1. Wiley’s interpretation of Section 109(a) is supported by the consensus view of the lower courts for almost 30 years; these cases have repeatedly recognized that the first-sale doctrine in Section 109(a) does not apply to copies manufactured abroad, at least where the copy has not been subject to an authorized domestic sale. *See supra* at 35-36. And this consensus view is shared by the leading commentators on copyright law. As one prominent treatise explains, the Copyright Act should be “interpreted to bar the importation of gray market goods that have been manufactured abroad.” 2 *Nimmer on Copyright, supra*, § 8.12[B][6][c] (footnote omitted). Another commentator similarly notes that the Copyright Act prohibits the importation of copies that “were not ‘lawfully made under this title,’ *i.e.*, were not made in the United States.” 4 *Patry on Copyright, supra*, § 13:44; *see also, e.g., id.* § 13:46 (“Section 109 is not available for copies made overseas since section 109 is by its terms limited to copies ‘lawfully made under this title,’ *i.e.*, in the United States.”).

If Kirtsaeng were correct that Wiley’s interpretation of Section 109(a) would cause such dire consequences, those consequences should *already* have oc-

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 out of the country. *See id.* at 295 (discussing transfer of “\$170,000 in cash to my father”).

curred in response to 30 years of judicial decisions and commentary. Yet Kirtsaeng cannot identify even a *single* example of a copyright holder locating its manufacturing operations overseas in an attempt to impose restrictions on resale in the domestic market, or indeed any of the other perverse incentives supposedly created by the decision below. For this reason, even Kirtsaeng has acknowledged the “natural response” to his “parade of horrors” would be to “roll one’s eyes.” Pet. 15.

There is a perfectly good reason why the “implausible” (Br. 58) scenarios described by Kirtsaeng remain figments of his imagination. Congress has not hesitated to amend the copyright laws “as new developments have occurred in this country.” *Sony*, 464 U.S. at 430-31. If a manufacturer were ever tempted to move its facilities abroad in an attempt to stifle secondary markets for *authorized* U.S. purchases, it would be forced to confront not only the inevitable backlash from American consumers, but also the real possibility that Congress would respond by providing that an authorized sale by the copyright owner in the United States is sufficient to trigger the first-sale doctrine, even for foreign-made copies. Given the substantial costs of building manufacturing facilities, it seems unlikely that any manufacturer would be willing to take this risk—and, to Wiley’s knowledge, none ever has.⁹

⁹ Other hypotheticals invoked by Kirtsaeng are not only unrealistic, but foreclosed by *other* provisions of law, regardless of how the first-sale doctrine is interpreted. Kirtsaeng expresses concern that manufacturers might affix a “copyrightable component” onto products that would not ordinarily qualify for copyright protection, Br. 4, but the copyright-misuse doctrine provides an independent check on this behavior, *see Lasercomb*

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2. Yet if Kirtsaeng’s hypotheticals had even superficial plausibility, that could be explained in large measure by the fact that the operative text of Section 109, and the Copyright Act generally, are more than 36 years old. Many of the scenarios that he imagines would have been impossible, or at least more difficult, in 1976, and there is accordingly no reason to believe they even *occurred* to Congress.

Kirtsaeng describes “[m]illions of cars” being “imported into the U.S.” with “copyrighted software.” Br. 57. But Congress declined in 1976 to define a copyright owner’s rights in computer programs, *see Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 259-61 (5th Cir. 1988); it did not address the issue until 1980, *see* Computer Software Copyright Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015, and even then it seems unlikely that Congress would have anticipated the ubiquity of computer software in modern consumer products. Kirtsaeng engages in similar anachronism in imagining “big movie producers” shutting down “movie rental services (like Netflix),” Br. 57; the major video-rental chains—such as Blockbuster Video—were created in the 1980s, and Netflix was not founded until 1997. *See* Joshua M.

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Am., Inc. v. Reynolds, 911 F.2d 970, 973-77 (4th Cir. 1990); on remand in *Costco*, for example, the district court granted summary judgment to Costco on this basis, *see* D.E. 415, at 3, No. 2:04-cv-05443 (C.D. Cal. Nov. 9, 2011). And while Kirtsaeng claims that libraries would be unable to lend foreign-made books, Section 602(a)(3)(C) permits libraries to import “no more than five copies or phonorecords of any [non-audiovisual] work for its library lending or archival purposes.” 17 U.S.C. § 602(a)(3)(C). There is no reason to believe that “a court might erroneously conclude that Section 602(a)(3)(C) does not explicitly permit the lending of the imported copies.” Library Br. 20.

Greenberg, *From Betamax to Blockbuster: Video Stores and the Invention of Movies on Video* (2010). And while Kirtsaeng expresses concern for “internet-based secondary markets,” Br. 57, the Internet was an obscure government-funded project in the 1970s, see Katie Hafner & Matthew Lyon, *Where Wizards Stay Up Late: The Origins of the Internet* (1998).

To be sure, others of Kirtsaeng’s hypotheticals are based on businesses or technology—used-book stores, for example—that did exist in 1976, although it is unclear how prevalent the resale of foreign-made copies would have been at the time. But the point is that many of the examples Kirtsaeng now believes make Wiley’s interpretation of Section 109(a) “unfathomable” (Br. 57) were *themselves* unfathomable when the Copyright Act of 1976 was enacted.

As this Court recognized in *Sony*, “the law of copyright has developed in response to significant changes in technology.” 464 U.S. at 430. But “it has been *the Congress* that has fashioned the new rules that new technology made necessary.” *Id.* at 431 (emphasis added). To the extent that changes in technology might warrant revisions to Section 109(a), this Court should exercise its “consistent deference to Congress when major technological innovations alter the market for copyrighted materials.” *Ibid.*; cf. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 459 (2007) (patent-law amendments to reflect technological changes “should be made after focused legislative consideration, and not by the Judiciary forecasting Congress’s likely disposition”).

Congress has repeatedly amended Section 109 in response to technological changes. See, e.g., Record Rental Amendment of 1984, Pub. L. No. 98-450, sec. 2, 98 Stat. 1727, 1727; Computer Software Rent-

al Amendments Act of 1990, Pub. L. No. 101-650, tit. 8, 104 Stat. 5134, 5134-37. But it has not made any adjustment to Section 109(a) to reach foreign-made copies. *See supra* Part I.D. “Congress may, of course, alter this result (by amending section 109 to cover copies lawfully made or distributed with authority of the copyright owner ‘under this title’), but legislation is the only way to change the current situation.” 4 *Patry on Copyright, supra*, § 13:46.

3. To be sure, the Ninth Circuit, in response to hypotheticals similar to those raised by Kirtsaeng, concluded that even foreign-made copies can be subject to Section 109(a) if the copyright holder has authorized their sale in the United States. *See supra* at 37-38. It is unclear why the court needed to adopt this exception to Section 109(a): If the copyright owner authorizes a U.S. sale of a foreign-made copy, principles of implied license or estoppel would preclude it from asserting control over subsequent sales. *Cf. Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp.*, 97 F.3d 377, 382 (9th Cir. 1996) (“sales without restriction on export into the United States” create implied license to import). But in any event, this Court can leave open whether (as one of Kirtsaeng’s own *amici* argues) “lawfully made under this title” could be read to include foreign-made copies that are subject to an authorized sale in the United States. *See* Library Br. 35-37 & nn.28-29.

The critical word is “made.” The right to “reproduce” a “cop[y]” is one of the exclusive rights granted to copyright owners under Section 106 of the Copyright Act. 17 U.S.C. § 106(1). If Congress had intended “made” in Section 109(a) to mean “produced,” it could simply have said so; the words “produce” and “reproduce” appear throughout the Copyright Act.

See, e.g., id. §§ 101, 108(a), 112(a)(1)(A). One reading of Section 109, therefore, is that to make a copy means not only to exercise the right to “produce” that copy, but also to exercise the right “to distribute copies . . . to the public,” *id.* § 106(3). “Lawfully made under this title’ would then mean either lawfully manufactured (caused to exist) *or* placed in commerce (caused to occur or appear) in the United States.” Library Br. 36. On that reading, a copy is “made under [Title 17]” when *either* the U.S. “produc[tion]” right is exercised—by making the copy in the United States—or the U.S. “distribut[ion]” right is exercised—by distributing the copy in the United States.

Because Wiley exercised neither its production right nor its distribution right in this case, there is no basis for concluding that Section 109(a) applies even under this “compromise” (Br. 25) position. Thus, while Wiley believes that the better interpretation of the statutory language is that foreign-made copies are not “lawfully made under this title,” this Court need not resolve that issue to affirm the judgment below.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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