

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 OF *AMICI CURIAE* PUBLIC KNOWLEDGE,
ELECTRONIC FRONTIER FOUNDATION,
AMERICAN ASSOCIATION OF LAW LIBRARIES,
SPECIAL LIBRARIES ASSOCIATION, AND U.S.
PUBLIC INTEREST RESEARCH GROUP
IN SUPPORT OF PETITIONER**

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INTEREST OF THE *AMICI CURIAE*

Public Knowledge, the Electronic Frontier Foundation, U.S. PIRG, the American Association of Law Libraries, and the Special Libraries Association respectfully submit this brief to urge the Court to preserve the protections of the first sale doctrine and reject an interpretation of the Copyright Act that would significantly burden the public interest in the free flow of information.¹ Public Knowledge is a nonprofit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in copyright and other intellectual property cases that threaten consumers, trade, and innovation.

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization working to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than

¹ No counsel for a party authored this brief in whole or in part, nor made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae*, or their counsel, made a monetary contribution to its preparation or submission. All parties have granted consent to the filing of this brief.

19,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest.

The American Association of Law Libraries (“AALL”) is a nonprofit educational organization with over 5,000 members nationwide. Its members serve the information needs of the legal community and the public at more than 1,900 academic, firm, state, court and county law libraries nationwide. AALL’s mission is to promote and enhance the value of law libraries, to foster law librarianship, and to provide leadership and advocacy in the field of legal information and information policy.

The Special Libraries Association (“SLA”) is a non-profit global organization for innovative information and knowledge professionals and their strategic partners. SLA serves some 10,000 corporate, academic, government, and other information specialists in seventy-five countries. SLA promotes and strengthens its members through learning, advocacy, and networking initiatives.

U.S. PIRG, the federation of state Public Interest Research Groups, is a national, nonprofit, non-partisan consumer advocacy organization that stands up to powerful special interests on behalf of the American public. U.S. PIRG has long worked to promote the public interest on issues of consumer protection and affordable higher education, and believes an

expansive interpretation of the first sale doctrine is in the best interest of students and consumers.



SUMMARY OF ARGUMENT

To the extent that the Court faces a split between the interpretations offered by the Second and Ninth Circuits, it faces two relatively unappealing options. The Second Circuit's decision below could be interpreted to require the blessing of the copyright holder for every distribution of every foreign-manufactured copy of a copyrighted work. On the other hand, the Ninth Circuit's "authorized sale" exception, while allowing the free alienability of copies after an authorized sale in the United States, is not easy to square with either the plain text of the Copyright Act or its legislative history.

Both of these problematic outcomes can be avoided. Rather than embracing either interpretation, the Court can and should read the phrase "lawfully made under this title" as a comment on the lawfulness of a copy's creation, and not on the location of its manufacture. Such a reading will both adhere to the text of the Copyright Act and embrace the Act's purpose by allowing consumers to freely dispose of their personal property, regardless of where it was assembled.



ARGUMENT

I. The Second Circuit’s erroneous interpretation of section 109(a) will impair trade, innovation, the public interest, and the free market for copies of copyright-protected goods.

The Second Circuit’s interpretation of sections 109 and 602, if affirmed, creates enormous problems for secondary markets and for consumers. Contrary to the established principle that statutes should be interpreted to avoid absurd results, the Second Circuit’s decision effectively gives copyright owners the right to control future redistributions of copies of works that were manufactured abroad, for the remaining decades of the copyright term. This erroneous reading imposes a variety of harms on consumers and retailers alike.

A. Sections 109 and 602 should be interpreted to avoid manifestly absurd results.

Courts have long recognized the principle that a statute’s language should be interpreted to avoid absurd results. *See, e.g., United States v. Wilson*, 503 U.S. 329, 334 (1992). Courts appeal primarily to the words of a statute, while recognizing that “statutes always have some purpose or object to accomplish, whose sympathetic and imaginative discovery is the surest guide to their meaning.” *Pub. Citizen v. United States Dep’t of Justice*, 491 U.S. 440, 455 (1989)

(quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir.) (Hand, J.), *aff'd*, 326 U.S. 404 (1945)). As a matter of statutory interpretation, the practical ramifications of a particular reading may suggest to a court whether Congress was likely to have intended that interpretation when it enacted the law. *See Church of the Holy Trinity v. United States*, 143 U.S. 457, 459 (1892) (“[F]requently words of general meaning are used in a statute, words broad enough to include an act in question, and yet a consideration of the whole legislation, or of the circumstances surrounding its enactment, or of the absurd results which follow from giving such broad meaning to the words, makes it unreasonable to believe that the legislator intended to include the particular act.”).

The first sale doctrine, codified at 17 U.S.C. § 109, embodies Congress’s intent to prevent copyright owners from exercising authority over physical copies after they have exhausted their ownership interest in those copies. *See* H.R. REP. NO. 60-2222, at 19 (1909) (“[I]t would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale”). This follows from the well-established principle that ownership of the physical object containing a copyright-protected work is distinct from ownership of the copyright itself. *See* 17 U.S.C. § 202 (2006); *Stevens v. Gladding*, 57 U.S. 447, 452-53 (1855). *See also* H.R. REP. NO. 98-987, at 2 (1984) (“the first sale doctrine has its

roots in the English common law rule against restraints on alienation of property”).

As this Court noted in *Quality King Distributors, Inc. v. Lanza Research International, Inc.*, “[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope.” 523 U.S. 135, 152 (1998). The House Report from Congress’s enactment of the current version of the first sale doctrine does not even mention place of manufacture. In fact, the Report states that “Section 109(a) restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy . . . of a work, the person to whom the copy . . . is transferred is entitled to dispose of it by sale, rental, or any other means.” H.R. REP. NO. 94-1476, at 79 (1976).

The decision below, in particular, interprets section 109 so narrowly that sections 106 and 602 would entirely preclude secondary markets for all works that have been manufactured abroad. This leads to a manifestly absurd result that would both interfere with individuals’ personal property rights and impose substantial transaction costs on consumers and businesses that operate in resale markets across many different commercial industries, contrary to the purposes of the Copyright Act and decades of legal interpretation.

B. The Second Circuit's decision permits copyright owners to indefinitely control the distribution of all foreign-manufactured copies.

Like the Ninth Circuit, the Second Circuit has concluded that the first sale doctrine does not allow buyers to distribute copies if the copies were originally manufactured abroad. Unlike the Ninth Circuit, however, the Second Circuit has declined to create an exception to sections 109 and 602 for foreign-manufactured goods that are sold within the United States with the permission of the copyright owner. As a result, absent the permission of the copyright holder, any distribution or redistribution of any foreign-manufactured copy could infringe copyright. This result undoes 150 years of common and statutory law establishing that the rightful owner of a physical copy of a work can dispose of that copy as he or she wishes. *See Sebastian Int'l, Inc. v. Consumer Contacts, Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988) ("The first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property.") (citing *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); Richard Colby, *The First Sale Doctrine – The Defense That Never Was?*, 32 J. COPYRIGHT SOC'Y U.S.A. 77, 89 (1984); H.R. REP. NO. 98-987, at 2 (1984); 2 M. NIMMER, *THE LAW OF COPYRIGHT* § 8.12 (1987)).

Additionally, nearly any goods can have copies of copyrighted works affixed to them or incorporated

into the goods' packaging, making the consequences of the Second Circuit's interpretation difficult to understate. See, e.g., *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (copyright lawsuit over labels affixed to hair care products). Thus, the Second Circuit's interpretation in this case would have a practical impact on, for example, a non-copyright-protected toy that is packaged in a box with copyright-protected visual art affixed to it, so long as the consumer desires to resell or give away the toy inside the original packaging.

1. New impediments to the resale of lawfully purchased goods harm U.S. consumers and businesses.

The Second Circuit's interpretation of sections 109 and 602 is likely to have dangerous consequences for both consumers and businesses that operate in resale markets. The court's reading of section 109 effectively removes a vast swath of copyright-protected goods from the well-established protections of the first sale doctrine. This precludes secondary markets for many goods entirely and creates substantial uncertainty for many other goods if the owner does not know where every copyrightable component of the product was manufactured. By extending liability for selling, lending, or otherwise disposing of lawfully purchased copies of copyright-protected works, the Second Circuit has exposed to legal risk a wide swath of activities, from holding a weekend garage sale, to selling a used car, to lending books to friends or

patrons, to providing online platforms for reselling goods.

The decision below has a particular impact on the market for used textbooks. Students in the United States have suffered from price discrimination by textbook publishers for years, and only recently have tools like more efficient shipping technology and the Internet enabled students to access lawfully purchased textbooks at more affordable prices. In 2005, the United States Government Accountability Office found that college textbook prices in the United States have risen 186% in the last two decades – more than twice the rate of inflation. U.S. GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS: ENHANCED OFFERINGS APPEAR TO DRIVE PRICE INCREASES (July 2005), *available at* <http://www.gao.gov/assets/250/247332.pdf>. In the 2003-2004 school year, the average estimated cost of textbooks for full-time students at four-year public institutions in the United States was \$898 per year. *Id.* at 2. Industry representatives and public interest groups have expressed concern that publishers unnecessarily raise textbook prices by revising textbooks frequently, publishing custom textbooks, issuing books in loose-leaf form, and making material available online through the use of a temporary password. *Id.* at 18-21. Publishers maintain these high prices, in part, by taking steps to isolate the United States market, where market conditions allow them to extract higher prices from students, while selling textbooks just above cost to students in other countries. *Id.* at 21-22. If the

Second Circuit's decision is reversed, publishers will still be free to engage in the same marketing practices they currently use, but may also face legitimate competition from the books they have sold at lower prices in other parts of the world.

To be clear, however, the potential impact of the decision reaches well beyond the redistribution of textbooks, or even classic copyright-protected works like sound recordings, audiovisual works, compositions, paintings, drawings, and sculptures. Today, a wide range of other commercial products also contain copyright-protected computer programs, such as automobiles, microwaves, calculators, mobile phones, tablets, and personal computers. Moreover, the packaging for a product often contains copies of copyright-protected visual art. *See, e.g., Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1145 (9th Cir. 1996) (plaintiff's lawsuit based in part on copyright infringement of the packaging for its non-copyrighted product).

Further, since the Second Circuit's interpretation hinges upon the place of manufacture and not upon the occurrence of a first sale completed with the permission of the copyright owner, individuals or entities may be liable for infringement even if they purchased the product in the United States, and even if the product has already been sold and re-sold several times. Service providers that provide online platforms for resale marketplaces, such as eBay or Amazon.com, could be threatened with secondary liability for hosting offers for infringing sales on their

websites. Such websites would have a strong incentive to stop hosting the sale of many used books and other products entirely. Similarly, physical second-hand shops, like the Salvation Army, would be effectively prohibited from selling used goods that contain copies of copyright-protected works.

Notably, given that the distribution right of section 106(3) covers far more than sales, the ramifications of the decision below are not limited to commercial transactions. Thus, an interpretation of section 109(a) that allows the distribution right to be resurrected at any point in the chain of ownership would also inhibit actors from lending or giving away copies of copyright-protected works that were manufactured abroad. Libraries, which rely heavily upon the first sale doctrine to lend copies of books to the public, are especially vulnerable. Without the protection of section 109(a) for foreign-printed books, libraries could be forced to affirmatively research the place of manufacture for every book they acquire, even if that acquisition is completed within the United States, and either refuse to stock foreign manufactured copies of books or seek countless licenses from copyright owners to offer those books to the public. Similarly, individuals would be unable to loan a book, magazine, or newspaper to a friend if the copy was created abroad. This would have a particularly harsh effect on individuals who speak and read foreign languages, because foreign-language products are more likely to come from foreign publishers.

By inhibiting the public's ability to transfer ownership, even gratuitously, of foreign-manufactured copies, the Second Circuit's interpretation could even impair charitable giving. For example, the very popular and successful Marine Toys for Tots Foundation collects presents for economically disadvantaged children in the weeks surrounding Christmas. For sixty-three years, Toys for Tots has collected donated toys from the public and distributed more than 400 million toys to more than 188 million children. *Origin and Evolution of Toys for Tots*, MARINE TOYS FOR TOTS FOUNDATION (last visited July 4, 2012), http://www.toysfortots.org/about_toys_for_tots/toys_for_tots_program/origin_and_evolution.asp. Under the Second Circuit's interpretation of section 109(a), both Toys for Tots and the individuals donating toys to Toys for Tots are liable for copyright infringement for all copyrightable toys or toy packages that were manufactured outside of the United States.²

The Second Circuit's decision has enormous impact upon a wide variety of product industries, and imposes tangible harms on consumers who would

² Toys may be subject to copyright protection in a number of ways, so long as they are not uncopyrightable as useful articles. *See, e.g., Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (holding that transforming robotic action figure qualifies for copyright protection). An action figure may receive copyright protection as a sculptural work, a coloring book may contain copyright-protected graphic or pictorial works, or a doll may sing a copyright-protected song via a copyright-protected sound recording.

otherwise participate in the resale market for lawfully purchased goods.

2. Copyright owners may attempt to seize indefinite control over distribution by moving their manufacturing activities abroad.

The decision below could also encourage copyright owners to deliberately foreclose secondary markets by moving their manufacturing operations abroad. As discussed above, copyright owners would gain substantial new control over the distribution of copies of their works if they could exercise exclusive authority over a copy every time it changes hands. This power is potentially very lucrative for manufacturers that wish to prevent consumers from buying used copies or borrowing copies from friends. If a consumer has no access to a used or borrowed copy of a work, she must purchase a new copy at a substantially higher cost than she would have otherwise faced, or go without the good. This liability attaches regardless of how many times that particular copy has been sold, re-sold, and given away before it reached the consumer. The Second Circuit's decision thus gives copyright owners a perverse incentive to move manufacturing or other production activities out of the United States to retain indefinite control over copies of their works.

Put another way, the decision below encourages at least two perverse outcomes: American consumers

lose access to affordable used copies of products, and companies move American manufacturing and related jobs overseas. It is difficult to imagine that Congress intended these results.

3. The lower court’s interpretation of “lawfully made under this title” could preclude consumers from displaying their lawfully acquired copies.

The Second Circuit’s interpretation of the phrase “lawfully made under this title” for the purposes of section 109(a) could also have far-reaching consequences for other provisions of the Copyright Act that use the same phrase. If future court decisions follow the Second Circuit’s interpretation of this phrase, the application of all of these provisions could be limited to copies manufactured in the United States.

For example, section 109(c) of the Copyright Act also uses the phrase “lawfully made under this title” to grant the owner of a copy the right to publicly display that copy. 17 U.S.C. § 109(c). Courts have repeatedly interpreted this phrase to preclude applying section 109(c) to copies “created in violation of the artist’s rights,” not merely copies made outside of the United States. *See Mass. Museum of Contemporary Art Found., Inc. v. Buchel*, 593 F.3d 38, 63-64 (1st Cir. 2010); *Cariou v. Prince*, 784 F. Supp. 2d 337, 356 (S.D.N.Y. 2011) (paintings may not be publicly displayed under section 109(c) because the paintings infringed plaintiff’s copyrights); *Hoepker v. Kruger*,

200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (defendant may publicly display a lawfully owned copy of a photograph under section 109(c) despite the fact that the photograph was made in Germany). If “lawfully made under this title” in section 109(c) is interpreted identically to the Second Circuit’s reading of “lawfully made under this title” in section 109(a), every owner of a copy of a copyright-protected work, particularly visual artworks, would need to obtain a license to display that copy if the work was created outside of the United States. Museums, particularly those with substantial collections of foreign paintings, photographs, drawings, and sculptures, would need to obtain a new license for every piece of foreign-made art in their collections, or hide those collections from the public indefinitely. Businesses, libraries, and any other entity with a physical space open to the public would need to remove all foreign artworks from their lobbies, hallways, and other public spaces. Again, Congress could not have intended a result that so manifestly contravenes sound public policy and common sense.

C. The decision below would authorize copyright owners to enjoin parallel imports, contrary to Congress’s intent and consumers’ interest.

Parallel imports benefit both consumers who rely upon affordable access to goods and businesses that routinely bring lawfully purchased goods into the United States for resale. Contrary to Congress’s

broader intent, the decision below could allow copyright owners to unilaterally block *nearly all* parallel imports for goods they had already sold and parted with.

The increase in parallel importation in recent years is a result of cost reductions from new and improved technologies. This means that, when importers market their products at inflated prices in some geographical markets but not others, they face competition from their own products sold at lower prices elsewhere. This is not a new phenomenon: historically, new technology has consistently broken down barriers to market entry and encouraged healthy competition between providers. In 2000, “the U.S. market for gray goods [was] somewhere between \$10 and \$20 billion a year.” Olga Kharif, *The Global Economy’s Gray-Market Boom*, BUSINESSWEEK ONLINE (Nov. 30, 2000), *available at* http://www.businessweek.com/bwdaily/dnflash/nov2000/nf20001130_555.htm. The parallel market in information technology alone was estimated to have grown to more than \$40 billion per year by 2009. Romana Autrey & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Working Paper No. 09-098, at 1 (Feb. 25, 2009), *available at* <http://www.hbs.edu/research/pdf/09-098.pdf>.

Restrictions on parallel importation of legally purchased products impose serious economic consequences. Such restrictions create an “export subsidy” that United States consumers must pay, encourage

rent-seeking behavior by producers, and use government resources to protect producers against arbitrage. See Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 CARDOZO L. REV. 55, 143-44 (2001). Restricting parallel importation encourages copyright owners to make socially wasteful investments to maintain extra profits they receive from price discrimination. *Id.* at 101 (specifying lobbying, litigation, entry deterring practices, measuring different markets' valuations, enforcing contracts to prevent arbitrage, and designing special distribution systems as examples of the costs of rent-seeking). The Second Circuit's decision here creates an explicit and extensive parallel importation restriction, but these serious consequences were not intended or even contemplated by Congress, either in enacting federal copyright law generally or in creating section 602 of the Copyright Act.

Federal copyright law was created with the purpose of "stimulat[ing] artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability to literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor."). See also *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) ("The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the

public from the labors of authors.”). Copyright law was not created for the purpose of restricting parallel imports or making United States consumers subsidize price discrimination in foreign markets. Copyright owners cannot look to copyright law to insulate their business models from international trade or allow them to implement discriminatory pricing on a global scale.

Moreover, subsequently enacted federal statutes demonstrate a continued understanding and intent that parallel imports remain legal and continue to benefit consumers. *See, e.g.*, Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, § (b)(3)(B), 120 Stat. 285, 287 (codified as amended at 18 U.S.C. § 2320(e)(b) (2006)) (explicitly exempting authorized uses of marks from the act’s prohibitions on the import of “counterfeit marks”); 151 Cong. Rec. S12714-01 (2005) (statement of Rep. Lofgren) (“Parallel markets are those in which third parties lawfully obtain goods and make them available in discount stores. Not only has this practice been upheld by the Supreme Court, but it also saves consumers billions of dollars each year. . . . We now have a bill that protects manufacturers, targets illegitimate actors, protects consumers, and leaves the legitimate parallel market unscathed.”).

II. The Ninth Circuit’s interpretation of section 109(a) does not mitigate the ill effects of interpreting section 602 to trump section 109.

In *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff’d by an equally divided Court*, 131 S. Ct. 565 (2010) the Ninth Circuit held “that § 109(a) refers ‘only to copies legally made . . . in the United States,’” but carved out an exception for copies sold in the United States with the copyright owner’s authorization. 541 F.3d 982, 985-86, 990 (9th Cir. 2008). This carve-out, unfortunately, provides little comfort for consumers, between its uncertain provenance and the potential harms resulting from a geographic interpretation of “under this title.”

A. The Ninth Circuit’s “authorized sale” exception is not firmly rooted in the text or legislative history of the Copyright Act.

Section 109(a) provides that “the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled . . . to sell or otherwise dispose of that copy or phonorecord.” The statute only requires that the copy be “lawfully made.” Nowhere in section 109(a) is the location of a copy’s initial sale ever specified as a prerequisite to the application of the first sale doctrine.

Accordingly, in *Quality King Distributors Inc. v. L’anza Research International Inc.*, this Court held that the place of first sale is irrelevant to whether or

not section 109(a) applies. 523 U.S. 135. Even if, *arguendo*, geographic location is relevant in a section 109 determination, only the location of manufacture, not the location of any sale, should be relevant. A copy is “lawfully made” when and where it is manufactured, not whenever or wherever it might first be sold, leased, rented, or borrowed. Selling or otherwise distributing a copy does not “make” that copy, nor does an authorization for a copy’s sale in a location mean it was “lawfully made” there.

The Ninth Circuit’s exemption is equally difficult to square with the legislative history of the Copyright Act. The Historical and Revision Notes of the House Report states that section 109(a) only “restates and confirms” the first sale doctrine that was codified in the section 41 of the 1909 Copyright Act, which stated that “nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.” H.R. REP. NO. 94-1476, at 79 (1976); S. REP. NO. 94-473, at 71 (1975); Copyright Act of 1909, Pub. L. No. 60-349, § 41, 35 Stat. 1075 (1909). Section 41 did not refer to the location of the copy’s first sale; rather, it only requires that possession of the copy be “lawfully obtained.”

Indeed, it does not appear that the first sale doctrine was intended to require *any* geographic distinction. When the language of section 109(a) was first introduced in 1964, Barbara Ringer, member of the Copyright Office’s General Revision Steering

Committee, explained that the purpose of including the words “lawfully made” was to apply the doctrine not only to copies that were “made under the authority of the copyright owner,” but also to those “lawfully made by virtue of a compulsory license.” Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments 66-67. In other words, the phrase “lawfully made” was intended to explain that copies both authorized and unauthorized were subject to the doctrine so long as they were not infringing, not to draw a legal distinction between copies based upon their point of origin.

The House Report affirms that the addition of the phrase “lawfully made under this title” had nothing to do with where the copy was first sold. In defining the scope of the phrase, the Report repeats Ringer’s earlier explanation that the phrase ensures that section 109(a) can apply to certain copies made without the copyright owner’s authorization. For example, copies “legally made under the compulsory licensing provisions of section 115” are also subject to the section 109(a) limitation. H.R. REP. NO. 94-1476, at 79 (1976). Therefore, the “lawfully made under this title” language does nothing to indicate a geographic restriction either for the general application of section 109(a), nor for the application of any exception to section 109(a).

B. The Ninth Circuit recognized that its own reading of section 602 could produce an “untenable” policy result.

In *BMG Music v. Perez*, the Ninth Circuit required that a copy be both made and sold within the United States for section 109(a) to apply. 952 F.2d 318 (9th Cir. 1991). This interpretation was highly criticized because, like the Second Circuit’s current reasoning, it would prevent all foreign-made copies of copyrighted works from being distributed or even publicly displayed without the copyright holder’s permission, not only in its initial domestic distribution, but in every transaction after that until the end of the work’s copyright term. *See, e.g.*, 2-8 NIMMER ON COPYRIGHT § 8-12[B][6] (“Scorpio’s logic is subject to the defect that, even in a case involving authorized importation (unlike Scorpio, which implicated unauthorized importation), the copies still have not been ‘lawfully made under this title,’ and hence fall outside the first-sale defense. That conclusion, which would deny subsequent transfer of copies that had deliberately been imported by the copyright owner, contravenes the plain intent of the Copyright Act. In this respect, the logic of Scorpio would seem plainly deficient.”); 1 Goldstein on Copyright § 5.6.1.2.a, at 604 (1989); Stephen W. Feingold, *Parallel Importing Under the Copyright Act of 1976*, 17 N.Y.U. J. INT’L L. & POL. 113, 130 (1984) (“In promulgating section 109(a), Congress did not intend to change the first sale doctrine as codified in section 27 and interpreted in the case law. Thus, any claim based on this statutory

language of section 109, must also be supportable under section 27. Section 27 stated that ‘nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.’ There is no phrase in section 27 that supports CBS’s claim that ‘under this title’ means ‘in the United States.’”).

In light of this criticism, the Ninth Circuit later limited its holding in *BMG Music* to the facts of that case. In *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, the court, noting that its previous interpretation of “lawfully made under this title” would render countless legitimate transactions illegal, distanced itself from the broad rule it articulated in *BMG Music*:

In *BMG Music*, we stated: “The words ‘lawfully made under this title’ in Sec. 109(a) grant first sale protection only to copies legally made and sold in the United States. Amici and some courts have pointed out that this broad language, if taken literally, would render the first sale doctrine wholly inapplicable to foreign manufactured goods, even after the goods have been lawfully imported into the United States with the authorization of the U.S. copyright holder. This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States.

We agree that such a result would be untenable, and that nothing in the legislative history or text of Sec. 602 supports such an interpretation.

Our reliance on *BMG Music* today should not be read as an endorsement of any such broad extension of that case beyond its facts. Those facts did not include any attempt to preclude the sale of copies of foreign manufactured goods that had been lawfully obtained in the U.S. from the U.S. copyright holder.

Drug Emporium, 38 F.3d at 482 n.8 (internal citations omitted). Thus, unable to overturn *BMG Music*'s interpretation of section 109(a) without an *en banc* hearing, the Ninth Circuit instead attempted to restrict the scope of its application.

The Ninth Circuit continued to distance itself from *BMG Music* in *Denbicare U.S.A. Inc. v. Toys "R" Us Inc.* There, the Ninth Circuit fully embraced the exception first discussed in *Drug Emporium*'s dicta, holding that section 109(a) would apply to sales of foreign manufactured copies if there had been an authorized sale within the United States.

[*Drug Emporium*] acknowledged widespread criticism of this language. . . . Agreeing that such a result would be untenable, and that nothing in the legislative history or text of the 1976 Copyright Act supports such an interpretation, we held that the language in *BMG Music* was limited to the facts of that case and that sales abroad of foreign manufactured United States copyrighted materials

do not terminate the United States copyright holder's exclusive distribution rights in the United States under §§ 106 and 602(a). Thus, under the law of the circuit, § 109 applies to copies made abroad only if the copies have been sold in the United States by the copyright owner or with its authority.

Denbicare, 84 F.3d at 1149-50 (internal citations and quotations omitted).

The above quotation, however, represents the entirety of the Ninth Circuit's rationale for giving force to its "authorized sale" exception. That opinion provides no other authority for this exception's existence, other than the problem created by its interpretation of section 109(a).

In *Costco*, the Ninth Circuit affirmed its conclusion that an exception exists that allows the first sale doctrine to be applied to copies made abroad. Relying on the exception created solely by its own opinions, the Ninth Circuit held that:

Drug Emporium and *Denbicare*, however, resolved this problem by clarifying that parties can raise § 109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred. (citations omitted). Insofar as *Costco* contends that § 109(a) should apply to foreign-made copies even in the absence of a lawful domestic sale, the surviving rule from *BMG Music* requires otherwise.

541 F.3d at 989-90.

The Ninth Circuit's desire to mitigate the untenable results of its holding is understandable. However, as explained below, the Court has a better alternative.

III. The Second Circuit's untenable results and the Ninth Circuit's need for a novel exception can both be avoided through proper interpretation of section 109.

The Second Circuit proposes a regime that would place severe restrictions on lawfully owned copies of copyrighted works, undermining the foundational rights of persons over their personal property. The Ninth Circuit has crafted a somewhat more palatable approach (at least from a policy perspective) but one that appears not to be well grounded in the Copyright Act.

However, there are options for the interpretation of the statute that are both textually sound and non-absurd. By interpreting "under this title" as a comment on the lawfulness of a copy's creation, and not on the location of its manufacture, the Court can both adhere to the text of the Copyright Act and allow consumers to freely dispose of their personal property, regardless of where it was assembled.

A. Neither section 602 nor presumptions against extraterritoriality require “under this title” to be read as a geographic restriction.

The Second and Ninth Circuits felt the need to interpret “lawfully made under this title” to mean “made within the United States” largely because of two separate considerations. First, as noted briefly in *Costco*, the Ninth Circuit hesitates to apply the Copyright Act “extraterritorially.” *Costco*, 541 F.3d at 987-88 (dismissing this Court’s rejection of a geographic test for point of sale). Second, the courts have been reluctant to fully subject section 602(a) to the limitations of section 109, lest they frustrate Congress’s apparent intent to prevent parallel imports of copies of copyrighted works. However, accepting an alternate interpretation of this language neither renders section 602(a) useless nor requires extraterritorial application of the Copyright Act. Persisting in reading “lawfully made under this title” as a geographic restriction, however, will necessarily produce completely untenable results, unless courts are prepared to create new doctrines absent from the text of the statute, or new interpretations of terms in section 109 that are so far undisputed.³

³ It could be argued, for instance, that “made” refers not to a copy’s manufacture, but to its coming into being as a legally significant object. *Amici* do not hazard an opinion on such a theory here.

As the Second Circuit notes, acknowledging facts that took place outside of the United States does not in itself constitute extraterritorial application of United States law. In fact, by virtue of section 104(b)(2), United States courts are *required* to acknowledge the copyright status of works that have been published in foreign countries that have signed the Berne Convention. 17 U.S.C. § 104(b)(2). This Court’s precedents in *Quality King* further support the uncontroversial idea that the location of any sale is irrelevant to the application of section 109. *Quality King*, 523 U.S. at 145 n.14

The assertion that “lawfully made under this title” will render section 602(a) superfluous also is overstated. Section 602-based justifications for interpreting “under this title” as a geographic restriction tend to take one of three forms: First, that section 602’s importation prohibitions would be rendered useless by the application of section 109; second, that section 602(a) would be redundant with 602(b) (or, more recently, that section 602(a)(1) would be redundant with 602(a)(2));⁴ and third, that had Congress

⁴ With the passage of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (“PRO-IP Act”), section 602(a) was altered to create two separate types of prohibition. The newly-created section 602(a)(1) one used the language of the original section 602(a), while the new section 602(a)(2) prohibited imports and exports of copies, “the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable.” This new language came into

(Continued on following page)

intended for “lawfully under this title” to mean “lawfully, had this title been applicable,” it could have said so. None of these arguments carries sufficient weight to force the more absurd interpretation of section 109.

As this Court held in *Quality King*, even if many non-piratical copies produced in other countries could be lawfully imported into the United States, section 602(a) would still prevent a number of different parallel importations. *Quality King*, 523 U.S. at 146-47 (“[B]ecause the protection afforded by § 109(a) is available only to the “owner” of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a consignee, or one whose possession of the copy was unlawful.”). Section 602(a) therefore continues to prohibit classes of non-piratical importations.

Nor must section 602(a) be read as being redundant with section 602(b), under this interpretation of section 109. The set of prohibited copies covered by section 602(b) can be read not as covering an entirely separate class of copies, but as a clarifying narrowing of those covered in section 602(a). In other words, section 602(a) could prohibit the importation of piratical copies and copies imported by non-owners. Section 602(b) would then create enhanced enforcement for

force after the relevant distributions by Petitioner. PRO-IP Act, Pub. L. No. 110-403, § 105 (2008).

importation of piratical copies. The initial language of 602(b) supports such a reading; by beginning “In a case where,” the subsection indicates that it is addressing a more specific instance of events generally covered by 602(a).⁵

It could be argued that, had Congress intended for “lawfully made under this title” to mean “not infringing copyright had title 17 been applicable,” it could have said so. *Cf. John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 220 (2d Cir. 2011). However, Congress is equally capable of using the formulation “lawfully made within the United States.” Indeed, this is a formulation so simple that it seems far less likely to have been overlooked in favor of language that is both less plain and less clear. By contrast, it seems more likely that Congress would have attempted in section 109 to find a more mellifluous way to express the concept expressed in section 602(b) as “the making of which would have constituted an infringement if this title had been applicable.”

However, as shown below, the language of section 602(b) is not the only possible non-geographic interpretation of “lawfully made under this title” available. The Second Circuit provides at least one

⁵ The amendments made to section 602 by the PRO-IP Act are also consonant with the idea that the various subsections are not meant to delineate non-intersecting sets, but that subsequent subsections spell out specific situations that may arise under the general case of 602(a). Congress evidently intended to bolster remedies against piratical imports, supplementing customs enforcement with criminal penalties. PRO-IP Act § 105.

plausible alternative: “any work made that is subject to protection under this title.” *Kirtsaeng*, 654 F.3d at 219-20. To this, we may add interpretations such as “made without infringing this title” and “lawfully, had this title been applicable.”

B. Non-geographic interpretations of “under this title” prevent absurd results, while still giving force to section 602.

The plain language of section 109 does not immediately suggest a geographic restriction. Even to the extent that it is possible for a reasonable mind to read “under this title” as a geographic restriction, it is at least equally plausible to read the plain text as a legal restriction.

In other words, there are two categories of interpretation of section 109, geographic and non-geographic, that are textually sound. Each, however, raises certain questions. The Second Circuit’s interpretation leads to results that not only are unsupported by Congressional intent, but that lead to manifestly absurd and unworkable results. A non-geographic interpretation results in a more limited – but still textually sound – reading of section 602 than that section’s legislative history might suggest. However, that more limited reading does not render section 602 useless, totally frustrate Congress’s intent in drafting it, or lead it into inevitable conflict with section 109.

The Second Circuit addresses and then bypasses non-geographic interpretations by drawing upon its understanding of the legislative intent of section 602. *Kirtsaeng*, 543 F.3d at 221. However, before seeking to interpret statutes through the lens of legislative history, courts must first begin with the statutory language. “[C]ourts must presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then this first canon is also the last: judicial inquiry is complete.” *Conn. Nat’l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). In this case, the Second Circuit cannot bypass a non-absurd interpretation of the law that is both consonant with the plain language of sections 106, 109, and 602 and also consistent among the three sections to reach an interpretation that only seems to achieve a Congressional objective *more fully*.

Amici suggest three potential non-geographic readings of “lawfully made under this title.” The first, resembling the language of section 602(b), would be “lawfully made under this title had this title been applicable.” While this language tracks that of section 602, as we have discussed, it does not render 602 useless, because copies would still be prohibited from importation by non-owners. Several different nuances in applying this interpretation can either allow or disallow copies that are imported in violation of geographically-limited licensing agreements. For example, if a copyright holder granted one printer an

exclusive license to print and sell books in England, but nowhere else, importations of that book by that printer could arguably be found to be outside the scope of section 109, since, by violating the conditions of its licensing agreement, the printer would have been in violation of title 17, had title 17 been applicable (since violating the conditions of a license that grants a party an exclusive right is an infringement of copyright under title 17). However, a third party who bought the books for later importation, such as the Petitioner in this case, would be arguably in a different situation, since his actions had no effect on the lawful printing of the book by the printer: the book had already been “lawfully made” according to the terms of title 17, had it been applicable.

Another interpretation would be “any work made that is subject to protection under this title.” This would continue to prohibit non-owner importations of copies, in addition to ensuring that the narrower category of section 602(b) (and the newer section 602(a)(2)) remains distinct from the category to which section 602(a) initially applies. This interpretation would also create necessary distinctions between certain copies that may be protected under foreign law but not under title 17. For example, foreign-made, creative, original works fixed in a tangible medium are certainly subject to protection under title 17. However, many foreign jurisdictions include protections for uncopyrightable works, such as databases. *See, e.g.*, Council Directive 96/9 on the Legal Protection of Databases, 1996 O.J. (L77). Other protections

might also be available for unfixed works, which in certain instances are protected by United States law, but not under title 17. *See, e.g.*, 18 U.S.C. § 2319A (prohibiting unauthorized fixation of certain live performances, which may or may not themselves be protected by copyright). In other words, under this interpretation, the disputed phrase would be limiting the scope of section 109's exception to the bounds of copyright law, leaving for other doctrines of law to permit or prohibit importations of works not protected by title 17.

Yet another possible interpretation would be "made in a way that does not infringe copyright under this title." This formulation would indicate an affirmative intent not to suggest that United States law applies extraterritorially, while still including within the scope of section 109's limitation those copies (during or after importation) made outside the country. This interpretation would recognize that actions occurring outside of United States jurisdiction neither comply with nor violate United States law. Section 602(a) would thus prevent importations by non-owners, while section 602(b) would prohibit importations of copies that would have been infringing had title 17 applied, such as copies of works that were in the public domain in their country of origin, but still protected in the United States.

These non-geographic interpretations of "lawfully made under this title" do not exhaust the possibilities of either the initial interpretation nor of the ways in

which they can be applied to specific circumstances. However, all of them allow for the separate and meaningful operation of sections 106, 109, and 602(a) and (b), without requiring consequences that would expose nearly every American to potential infringement liability.

“Lawfully made under this title” therefore need not create the dilemmas imagined by the Second and Ninth Circuits, so long as it takes any of several non-geographic interpretations. Such interpretations may grant section 602(a) a smaller scope than its isolated text would initially indicate, but this is a minor consideration when weighed against the textual errors and enormous policy consequences of either of the interpretations advanced by the Second and Ninth Circuits.



CONCLUSION

The Second Circuit’s decision below erroneously reads a geographic limitation into the language of section 109(a) and, if affirmed, would render illegal many legitimate, every-day distributions of goods that contain copyrighted works. The Court should now avoid this absurd result by interpreting section

109(a)'s applicability to be unrelated to a copy's place of manufacture or distribution.

Respectfully submitted,

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