MVS Filewrapper® Blog: Supreme Court Decides Foreign First Sale Doctrine

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The Supreme Court recently **decided a much anticipated case**, finally answering a long awaited question: Does the first sale doctrine apply to copyrighted works manufactured in other countries? According to the Supreme Court in ***Kirtsaeng v. John Wiley & Sons, Inc.***, the answer to this question is yes.

John Wiley & Sons sued Supap Kirtsaeng for selling textbooks on eBay that he imported from foreign countries. The books were printed by a wholly-owned subsidiary of Wiley, Wiley Asia, and were marked with a legend designating them for sale only in Europe, Asia, Africa, and the Middle East. Wiley alleged that selling the foreign textbooks in the United States infringed its U.S. copyrights on its American editions. Kirtsaeng attempted to assert that the first sale doctrine precluded liability, but was denied the ability to raise the defense by the district court judge. The jury found that Kirtsaeng was liable for willful copyright infringement for eight works and awarded $75,000 in damages for each work.

Kirtsaeng appealed the jury's verdict to the Second Circuit Court of Appeals. The Second Circuit concluded that the district court was correct to preclude Kirtsaeng from raising the first sale doctrine because the books at issue were manufactured outside the United States. The appellate court based its decision on the language of the 1976 Copyright Act and the Supreme Court's decision in *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998). In *Quality King*, the Supreme Court held that § 602(a)(1), by referencing the exclusive distribution right of § 106(3), incorporates the later subsections' limitations including, in particular, the "first sale" doctrine of § 109. However, the Supreme Court in *Quality King* expressly decided not to answer the question of whether or not a copyright work manufactured abroad was eligible for the first sale doctrine exemption of § 109.

In reviewing the Second Circuit's decision, the Supreme Court took *Quality King* one step further, holding that the first sale doctrine applies to copyrighted works both manufactured in the U.S. and abroad, notwithstanding the 1976 Act's provision against importation of copyrighted works in §§ 602 and 603. **As some have noted**, this unique situation occurred because, as written, the 1976 Act—as it relates to the importation of foreign works and the first sale doctrine—has two equally plausible statutory constructions, as evidenced by the fact that the circuit courts are divided on the issue.

The Supreme Court's decision in *Kirtsaeng* focused mainly on the correct statutory interpretation of § 109(a) of the 1976 Act. Specifically, the Court answered "whether the words 'lawfully made under this title' restrict the scope of §109(a)'s 'first sale' doctrine geographically." Wiley's interpretation of § 109(a) follows the Second and Ninth Circuit which apply "a form of *geographical limitation*" on the imposition of the first sale doctrine, stating that the doctrine only covers works manufactured and created in America. Kirtsaeng, on the other hand, suggests the words "lawfully made under this title" impose a "*non*-geographical limitation" on the first sale doctrine. The Supreme Court agreed, stating:

> In our view, §109(a)'s language, its context, and the common-law history of the "first sale" doctrine, taken together, favor a *non*-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographic interpretation would threaten ordinary scholarly, artistic, commercial and consumer activities. We consequently conclude that Kirtsaeng's nongeographical reading is the better reading of the [1976] Act.

In making its decision, the Court relied on what it considered to be a proper reading of "'lawfully made under this title" in § 109(a) of the 1976 Act. The Court found "linguistic difficulty" with previous circuit's interpretations of § 109(a). The Ninth Circuit's interpretation was particularly difficult to reconcile in the Court's opinion, as the interpretation contained a "half-geographical/half-nongeographical interpretation" of the phrase "lawfully made under this title." The Ninth Circuit, for example in *Denbicare U.S.A. Inc. v. Toys "R" Us, Inc.*, has interpreted the first sale doctrine to cover both (1)

copies manufactured aboard but first sold in the United States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner's permission. According to the Court, "it would seem that those five words either do cover copies lawfully made abroad or they do not" and declined an attempt to read a half-geographic limitation in § 109(a) of the Act.

The Court also looked to the common law to solidify what it held to be the proper statutory interpretation of § 109(a). "The 'first sale' doctrine is a common-law doctrine with an impeccable historic pedigree . . . [and] makes no geographical distinctions [in the application of the 'first sale' doctrine." The Court drew on the conclusion reached in *Bobbs-Merrill v. Straus*, the first case to discuss and interpret the 'first sale' doctrine. In *Bobbs-Merril* the Court stated "that the copyright laws were not 'intended to create a right which would permit the holder of the copyright to fasten, by notice in a book . . . a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it."

The Court's decision in *Kirtsaeng* provides a clarification of the 'first sale' doctrine as it applies to copyrighted works manufactured in other countries. It remains to be seen how this long-awaited decision will affect both book publishers and the public at large.