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Kirtsaeng v. John Wiley & Sons, Inc.

133 S. Ct. 1351 (2013)

GUY E. NOYES*

BACKGROUND

Respondent John Wiley & Sons, Inc. (“Wiley”), a publisher of academic textbooks, often assigns the rights to publish and distribute its copyrighted works outside of the United States to its wholly-owned Asian subsidiary. The Asian versions of Wiley’s books include a notice stating that the books are not to be taken into the United States without permission.

At the time of the conduct at issue, Petitioner Supap Kirtsaeng was a student from Thailand studying in the United States through a Thai government scholarship program. While in the United States, Kirtsaeng asked friends and family in Thailand to buy foreign edition English-language textbooks, including certain books published by Wiley’s Asian subsidiary, which stores in Thailand sold at lower prices than stores in the United States. When Kirtsaeng received the textbooks, he resold them in the United States at profit and reimbursed his friends and family for the price of the Thai books.

Wiley filed suit, alleging that Kirtsaeng had unlawfully imported copyrighted works into the United States, violating § 602 of the Copyright Act.¹ Kirtsaeng responded, claiming he had not violated § 602 because his “lawfully made” copies had been purchased and the “first sale” doctrine, found in 17 U.S.C. § 109(a), prevented Wiley from exercising any rights over the importation or resale of the copies.

The district court found the first sale doctrine inapplicable because the doctrine does not apply to “foreign manufactured goods.”² The jury then found that Kirtsaeng had willfully infringed Wiley’s copyrights. The Court of Appeals for the Second Circuit agreed with the district court, basing its decision on the interpretation of § 109(a)’s “lawfully made under this title” language.³ The Second Circuit found the language to mean that the first sale doctrine applies to copies made in the United States but not to copies manufactured abroad.

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1. 17 U.S.C. §602 (2012) (“Importation into the United States, without authority of the [copyright owner], of copies or phonorecords of a work that has been acquired outside of the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106.”).

2. John Wiley & Sons, Inc. v. Kirtsaeng, No. 08 Civ. 7834(DCP), 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009).

3. John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210 (2d Cir. 2011).

ISSUE

There were two issues in this case. The first was whether the language “lawfully made under this title” contained in § 109(a) applies to copies made outside of the United States. The second was whether the first sale doctrine applies to copies of a copyrighted work made abroad.

DECISION

The Supreme Court granted certiorari and Justice Breyer wrote the opinion of the Court, in which Chief Justice Roberts, Justice Thomas, Justice Alito, Justice Sotomayor, and Justice Kagan joined. Justice Kagan wrote a separate concurring opinion, in which Justice Alito joined. Justice Ginsburg wrote the dissent, joined by Justice Kennedy and joined in part by Justice Scalia. The majority held in favor of Kirtsaeng, reasoning that the language of § 109(a) favors a non-geographic interpretation. Based on this finding, the Court held that the first sale doctrine applies to copies of copyrighted works lawfully made abroad, reversed the court of appeals’ decision, and remanded the case for further proceedings. The dissent, conversely, argued that the language of § 109(a) does not extend the first sale doctrine to international first sales.

REASONING

The Court began by discussing the most recent case applying the first sale doctrine to works purchased outside of the United States. In *Quality King Distribs. v. L’anza Research Int’l*,⁴ the Court found that the first sale doctrine applies to copies of copyrighted works made in the United States but sent and sold outside of the United States. Since the issue in *Wiley & Sons* was whether a copyrighted work made outside of the United States would be subject to the first sale doctrine, *Quality King*’s holding did not precisely apply.

To address the applicability of § 109(a), the Court looked to definitions of the words “lawfully made under this title.” The Court found that defining “under” as “in accordance with,” or “in compliance with,” the Copyright Act provided the most linguistically reasonable understanding. The Court decided this was the correct definition to use because it provided each word of the phrase with a distinct meaning. The Court then determined that the terms “lawfully made” excluded piratical and illegal copies and “under this title” provided the framework for understanding what constitutes an illegal copy. In adopting this interpretation, the Court rejected a proposed interpretation that would suggest that only works made in the United States are made “under this title.”

The Court also examined the legislative history of § 109(a) by comparing it with its predecessor. The predecessor applied the first sale

4. 523 U.S. 135 (1998).

doctrine to those who had lawfully obtained a copy of a copyrighted work. Section 109(a) changed this by requiring that the protection only be afforded to the owner of a lawfully made copy. This change prevented those who had licensed a copy from claiming that the first sale doctrine defense applied. Since the prior version had no geographic element, and the change in the statute was for a reason other than inserting a geographic limitation on the first sale doctrine, the Court found this favored a finding that § 109(a) applies to international first sales.

The Court found further evidence that the Legislature did not intend to limit § 109(a)'s application to the United States due to the removal of a provision that prevented importation of copies of a work manufactured outside of the United States and Canada. This move towards equal treatment of foreign authors would be difficult to reconcile with a geographic limitation on the first sale doctrine.

The Court also determined that the words "lawfully made under this title," as used in other parts of the statute, suggest a non-geographic understanding of the term. The Court noted that § 109(c) gives an owner of such a work the ability to display it without violating copyright laws, which would be unreasonable if it was geographically limited. For example, § 109(e) provides that the owner of a copy of a video arcade game "lawfully made under this title" may publicly display said game in a coin-operated fashion. Any other interpretation would impose significant limitation if it did not apply to arcade games made in Japan. Similarly, § 110(1) allows teachers "in the course of face-to-face teaching activities" to display a copyrighted work without the copyright owner's authorization, and § 106's introduction gives basic exclusive rights to an "owner of a copyright under this title."

The Court also found that support for the first sale doctrine flowed from basic property principles against placing restrictions on the alienation of property after it has been sold. By following these principles, courts are free from the task of enforcing rights when, because of the transferability of goods, it would be difficult to do so. Additionally, the Court also noted that the first Supreme Court case to discuss the doctrine, *Bobbs-Merrill Co. v. Straus*,⁵ did not indicate any geographical restrictions. Thus, the Court found that common law supports a non-geographic interpretation of the first sale doctrine.

The Court also paraded several "horribles" that would occur if a contrary geographical interpretation of the first sale doctrine were to be adopted.⁶ First, libraries would face significant difficulties obtaining authorization for approximately 200 million foreign-created works in their catalogs. Used booksellers would also suffer significant damage from being unable to sell foreign printed books. Many technological commodities that are imported into the United States contain copyrightable software, which,

5. 210 U.S. 339 (1908).

6. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1366 (2013).

if first sale were to be applied geographically, would render resale in the United States extremely difficult. Even the packaging of imported goods may be copyrightable, which, under a geographic reading of § 109(a), would make resell illegal in the United States.

CONCURRENCE

Justice Kagan concurred, writing separately to address the constrictions that the decision placed on § 602(a)(1), which restricts the importation of copyrighted works into the United States. In her view, these restrictions flow primarily from the Court's decision in *Quality King* because it was in *Quality King* that the Court first held that § 109(a) limits § 602(a)(1).

DISSENT

Justice Ginsburg, writing for the dissent, argued that the Court misconstrued the term "lawfully made under this title." In the dissent's view, "under" should be defined as "subject to." Since United States copyright law does not apply extraterritorially, the dissent argued that copies made outside of the United States are not lawfully made "under" this title such that § 109(a) should not apply.

The dissent argued that the majority's interpretation essentially renders § 602(a)(1) superfluous since it will now only apply to pirated copies made abroad. The dissent found this interpretation to be contrary to the legislative intent behind § 602(a)(1).

The dissent also contended that the United States has traditionally argued for a national, rather than international, exhaustion theory of intellectual property rights. Under national exhaustion theories, only actions taken in a country where the copyright is owned can deprive the owner of further rights. The dissent pointed out that the majority's opinion represents an international exhaustion standard and argued that the United States' position on this matter suggests that the legislative intent was that § 109's limitations on copyright owners' rights would not apply to copies of works made abroad.