

SIIA's Summary of the Supreme Court Decision in *Kirtsaeng v John Wiley & Sons*

Today, the U.S. Supreme Court issued its decision in *Kirtsaeng v. John Wiley*. The case involves the legality of purchasing copyrighted works that are made and sold overseas with the authority of the publisher and then resold into the United States without the publisher's authority. At issue in the case was whether the first sale doctrine -- a legal principle that is codified in Section 109 of the Copyright Act that allows a person who buys (rather than licenses) a copy of a copyrighted work to resell or distribute the copy without the publisher's permission -- applies to copyrighted products that were made abroad. In a 6-3 decision, the Court overturned the Second Circuit decision and held that the first sale doctrine applies to copies of copyrighted works that are legally manufactured abroad.

Justice Breyer wrote the majority opinion for the Court, joined by the Chief Justice and Justices Thomas, Alito, Sotomayor, and Kagan. The majority opinion focused on "whether the words 'lawfully made under this title' restrict the scope of ... the 'first sale doctrine' geographically." The Court found that the statutory "language, its context, and the common-law history of the 'first sale' doctrine, taken together favored a *non*-geographical interpretation." The Court agreed with Kirtsaeng's interpretation of this five-word phrase, saying that it meant nothing more than "in compliance with" or "in accordance with" and "says nothing about geography."

The Court rejected the Ninth Circuit's compromise approach to the issue. The Ninth Circuit has held that the first sale doctrine applies to "both (1) copies manufactured in the United States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner's permission," but does not apply to copies manufactured and sold abroad with the American copyright owner's permission. The Court said that "[w]e see no way ... to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, 'lawfully made under this title.' As a matter of English, it would seem that those five words either do cover copies lawfully made abroad or they do not."

The Court was sympathetic to the parade of horrors complained of by "libraries, book sellers, technology companies, consumer-goods retailers and museums." The fact that the complaints of these groups is largely theoretical had no bearing on the ultimate decision as the Court stated that:

[T]he fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

The Court “concedes” that its decision will “make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets.” The court went on to say that a “publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.”

While the decision is very bad for SIIA members and copyright owners, there is some language in the opinion that can be potentially helpful in other areas. For example, somewhat shockingly the Court states that the Copyright Act applies extraterritorially (see page 10 of the decision saying “one can say that the American Copyright Act is *applicable* to *all* pirated copies, including those printed overseas.” and on page 11 “ordinary English permits us to say that the [Copyright] Act ‘applies’ to an Irish manuscript lying in its author’s Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery.”) Similarly, the discussion on pages 13 and 14 of the opinion make it clear that the first sale doctrine only applies to those who are *owners* of a copy and does not apply to lessees, renters and others who merely possessors. Although the opinion does not specifically reference “licensees,” there is some good language in the opinion that can be used to bolster SIIA’s position that the first sale doctrine does not apply to software or digital content that is licensed (for example, as set forth in the Ninth circuit case of *Vernor v Autodesk*).

A concurring opinion was written by Justice Kagan and joined by Justice Alito. The concurring opinion points out that the combination of the *Kirtsaeng* decision and the Court’s 1998 decision in *Quality King v. L’anza* destroys the copyright owner’s ability to engage in market segmentation and price differentiation. Justice Kagan points out that that result is due to an incorrect decision in *L’Anza*, not the decision in *Kirtsaeng*. She then calls on Congress to fix the problem if it deems appropriate.

The dissenting opinion was written by Justice Ginsburg and joined by Justices Kennedy and Scalia. Justice Ginsburg called the Court’s decision “absurd” and its interpretation of the phrase “lawfully made under this title” an “unnatural construction.” She pointed out that “the Court overlooks that, according to the very dictionaries it cites, ... the word ‘under’ commonly signals a relationship of subjection, where one thing is governed or regulated by another.”

The dissent also concludes that:

1. “the legislative history of the Copyright Act of 1976 ... confirms what the plain text of the Act conveys: Congress intended §602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner’s authorization.” and
2. “Unlike the Court’s holding, [the dissenting] position is consistent with the stance the United States has taken in international trade negotiations.”

As to the parade of horrors, Justice Ginsburg said:

no court, it appears, has been called upon to answer any of the Court's "horribles" in an actual case. Three decades have passed since a federal court first published an opinion reading §109(a) as applicable exclusively to copies made in the United States.[] Yet Kirtsaeng and his supporting amici cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity. The absence of such lawsuits is unsurprising.

[I]f, as the Court suggests, there are a multitude of copyright owners champing at the bit to bring lawsuits against libraries, art museums, and consumers in an effort to exercise perpetual control over the downstream distribution and public display of foreign-made copies, might one not expect that at least a handful of such lawsuits would have been filed over the past 30 years? The absence of such suits indicates that the "practical problems" hypothesized by the Court are greatly exaggerated.

Justice Ginsburg also reiterated an argument found in SIIA's amicus brief – that "principles of fair use and implied license (to the extent that express licenses do not exist) would likely" apply to many of the "horribles" to prevent the user from incurring liability under the copyright law .

A copy of the case can found here -- http://www.supremecourt.gov/opinions/12pdf/11-697_d1o2.pdf