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## John Wiley & Sons, Inc. v. Kirtsaeng

Terence Keegan  
*New York Law School*

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TERENCE KEEGAN

## John Wiley & Sons, Inc. v. Kirtsaeng

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ABOUT THE AUTHOR: Terence Keegan is a 2013 J.D. candidate at New York Law School.

For all kinds of manufactured products, the contemporary supply chain knows no geographic borders.<sup>1</sup> In efforts to maximize their markets while preserving profit margins, many American companies have outsourced the manufacturing of their products to foreign parties—even when the products are intended for sale in the United States.<sup>2</sup> Owners of U.S. copyrights, like book publishers,<sup>3</sup> are no exception to this general trend of employing foreign manufacturing facilities for products that they market domestically.<sup>4</sup>

While book publishers may have an economic incentive to outsource manufacturing in today's globalized marketplace, consumers also have an economic incentive to seek new sources for purchasing books. For example, as the prices of college textbooks in the United States have risen by 22% between 2007 and 2010,<sup>5</sup> students now purchase approximately 25% of all their textbooks from the secondary market of online sources, where deals on used textbooks abound.<sup>6</sup> As a result, the secondary market for college textbooks is flourishing: used copies account for 37% of all retail textbook sales and are worth more than \$4 billion annually.<sup>7</sup> While the secondary market enables some students to eventually recoup some of their educational expenses, it lowers the cost of

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1. See Hau L. Lee, *The Triple-A Supply Chain*, HARV. BUS. REV., Oct. 2004, at 102 (discussing the location of a company's manufacturing facilities as an integral factor, among others, in optimizing supply chains for global product marketing).
  2. See *id.* at 108 ("The best supply chains identify structural shifts, sometimes before they occur, by capturing the latest data, filtering out noise, and tracking key patterns. They then relocate facilities, change sources of supplies, and, if possible, outsource manufacturing.").
  3. In 2007, the United States imported approximately \$2.38 billion worth of "printed reading books" from foreign countries, according to the commodity trade statistics database of the United Nations. *United Nations Commodity Trade Statistics Database*, UN COMTRADE, <http://comtrade.un.org/db/dqBasicQueryResults.aspx?px=HS&ccc=490300,490199&r=842&p=0&rg=1&cy=2011,2010,2009,2008,2007&so=8> (last visited Sept. 3, 2012). Additionally, the United States imported approximately \$279.56 million worth of "children's picture, drawing or colouring books" that same year. *Id.* In 2011, these import totals were approximately \$1.76 billion and \$243.97 million, respectively. *Id.*
  4. To provide but one anecdotal example from the U.S. college textbook market, publisher John Wiley & Sons, Inc. currently sells on its e-commerce website print copies of an intellectual property law textbook, published by its Wiley-Blackwell subsidiary, that have been "printed in Malaysia." See *Preview Digital Media Law*, WILEY.COM, [http://www.wiley.com/WileyCDA/WileyTitle/productCd-1405181680,subjectCd-LA20,descCd-google\\_preview.html](http://www.wiley.com/WileyCDA/WileyTitle/productCd-1405181680,subjectCd-LA20,descCd-google_preview.html) (last visited Sept. 3, 2012) (providing an electronic preview of ASHLEY PACKARD, *DIGITAL MEDIA LAW* (2010)). A recent search for the title on Amazon.com returned twenty-seven third-party sale offers for new copies of the textbook, and thirty-four third-party sale offers for used copies. Research of the author (July 31, 2012) (search results on file with author).
  5. *High Prices Prevent College Students from Buying Assigned Textbooks*, STUDENT PIRGS (Aug. 11, 2011), <http://www.studentpirgs.org/news/ap/high-prices-prevent-college-students-buying-assigned-textbooks> (analyzing consumer price data from the U.S. Bureau of Labor Statistics). The study also found prices for new textbooks to have increased at more than four times the rate of inflation between 2007 and 2010. *Id.*
  6. See Press Release, eCampus.com, *College Students Provide an Economics Lesson in Textbook Purchases: Renting Pays* (Sept. 30, 2011), available at <http://www.ecampus.com/news-releases/09302011-renting-textbooks-pays.pdf>.
  7. See *id.* (estimating total retail textbook sales to be worth \$11 billion annually). According to eCampus.com, textbook rentals are another increasingly popular option among price-conscious students. *Id.*

education for others, and spells substantial economic opportunity for American businesses, such as online auction sites and used bookstores.

U.S. copyright law aims to balance the interests of both textbook publishers and textbook consumers. Under § 106(3) of the U.S. Copyright Act of 1976 (the “Copyright Act” or the “Act”), a copyright owner possesses the exclusive right “to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.”<sup>8</sup> In addition, the borders of the United States still serve a valuable function for copyright owners: under § 602(a) of the Copyright Act, copyright owners possess the right to file an infringement action against a party that imports, without the copyright holder’s authorization, copies of a work that have been acquired outside of the United States.<sup>9</sup> By granting a remedy against the unauthorized importation of foreign-market copies, § 602(a) enables a copyright owner, such as a book publisher, to protect itself against potential competition from “gray market”<sup>10</sup> versions of its own product and to set varying price points and quality levels for editions of a given work in the United States and abroad.

Meanwhile, individual textbook owners—including brick-and-mortar bookstores and commercial websites—have a legal right to sell used books without having to seek permission from publishers under the so-called “first sale doctrine” of the Copyright Act, codified in § 109(a).<sup>11</sup> This provision—covering copies of works that are “lawfully made under this title”<sup>12</sup>—acts as a “limitation on the scope” of a copyright owner’s exclusive distribution right under § 106(3).<sup>13</sup>

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8. 17 U.S.C. § 106(3) (2006).

9. 17 U.S.C. § 602(a)(1) (2006) (“Importation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106.”). The provision does not apply to importation “for the private use of the importer . . . and not for distribution, by any person with respect to no more than one copy . . . of any one work at any one time.” *Id.* § 602(a)(3)(B).

10. A “gray market” is generally defined as one that “employ[s] irregular but not illegal methods; especially: a market that legally circumvents authorized channels of distribution to sell goods at prices lower than those intended by the manufacturer.” *Gray Market*, MERRIAM-WEBSTER.COM, <http://www.merriam-webster.com/dictionary/gray%20market> (last visited Sept. 3, 2012). *But see* 2 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 8.11, at ¶ (E)(4) (2011) (noting the potential utility of § 602(a) for “a great number of manufactured goods [that] incorporate a label, a design, instruction sheets, or other material that is subject to copyright protection”).

11. 17 U.S.C. § 109(a) (2006). Under this provision, the owner of a particular copy of a work “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 . . . .” *Id.* “Although courts generally refer to this as the ‘first sale’ doctrine, the doctrine actually embraces any initial transfer of title.” 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 7.6.1, at 7:131 n. 4 (3d ed. Supp. 2011).

12. 17 U.S.C. § 109(a).

13. *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 409 (S.D.N.Y. 2009). One of the plaintiffs in *Pearson*, publisher John Wiley & Sons, Inc., is also the plaintiff in *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697), on which this case comment centers. Like *Wiley*, *Pearson* involved the issue of whether publishers of copyrighted textbooks could effectively block Internet sales of foreign editions of the textbooks within the United States. *See Pearson*, 656 F. Supp. 2d at 407–08. The *Pearson* court held,

The roots of the first sale doctrine date back more than one hundred years, when most books sold in the United States were printed in the United States as well.<sup>14</sup> However, in an age of globalized manufacturing, distribution, and consumption of copyrighted goods, it is unclear whether the first sale provision of § 109(a) limits the Copyright Act's importation provision, § 602(a). Specifically, "courts have divided over what it means [in § 109(a)] for a copy to be 'lawfully made under this title.'"<sup>15</sup> The statutory balance of interests between owners of copyrights and owners of "copies"<sup>16</sup> is a delicate one; yet despite market shifts and pressures, courts must maintain the balance of interests established by Congress "[t]o promote the Progress of Science and useful Arts."<sup>17</sup>

In *John Wiley & Sons, Inc. v. Kirtsaeng*, the U.S. Court of Appeals for the Second Circuit affirmed a lower court ruling that the first sale doctrine was unavailable as a defense to an individual who imported foreign editions of copyrighted textbooks in bulk for domestic resale.<sup>18</sup> In its interpretation of the "lawfully made under this title" language in § 109(a), the Second Circuit held that the first sale doctrine unqualifiedly "does not apply to works manufactured outside of the United States."<sup>19</sup> This case comment contends that the Second Circuit erroneously narrowed § 109(a) of the Copyright Act, failing to consider the import of holdings from the U.S. Court of

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"*dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad." *Id.* at 416. Pearson has wended its way through appeals more or less concurrently with *Wiley*. In November 2011, the Second Circuit in *Pearson*—citing its *Wiley* decision from three months prior—denied the motion of defendant Ganghua Liu for leave to appeal the district court's denial of her motion to dismiss plaintiffs' complaint. *Pearson Educ., Inc. v. Liu*, No. 10-894-mv (2d Cir. Nov. 18, 2011) (order denying leave to appeal). Liu, like the defendant in *Wiley*, subsequently filed a petition for a writ of certiorari with the U.S. Supreme Court. *Pearson*, 656 F. Supp. 2d 407, *petition for cert. filed*, No. 11-708 (U.S. Dec. 8, 2011). Whereas the Court has granted cert. in *Wiley*, 654 F.3d 210, *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697), Liu's petition for certiorari remained pending as of September 3, 2012. *See infra* notes 15, 39, 100, 102 and accompanying text.

14. *See* NIMMER, *supra* note 10, § 8.12 (2011) (tracing the establishment of the first sale doctrine back to the U.S. Supreme Court case *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908)).
15. *See* *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d at 412 (quoting 17 U.S.C. § 109(a), and comparing *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd without op.*, 738 F.2d 424 (3d Cir. 1984), with *Sebastian Int'l Inc. v. Consumer Contacts (Pty) Ltd.*, 847 F.2d 1093, 1098 (3d Cir. 1988)). The *Pearson* court observed that whereas *Scorpio* held that "a copy of a copyrighted work is not 'lawfully made under this title' unless it also is 'legally manufactured . . . within the United States,'" *Sebastian International* "implicitly suggest[ed] that 'lawfully made under this title' refers not to the *place* a copy is manufactured, but to the *lawfulness* of its manufacture as a function of U.S. copyright law." *Pearson*, 646 F. Supp. 2d at 412 (internal citations omitted).
16. Under the Copyright Act, "[c]opies are material objects . . . in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 101 (2006). While books are an express example of "literary works" under § 101, and copyright protection subsists in literary works under 17 U.S.C. § 102(1), books also can be "copies" under the statute. *Id.* § 101.
17. U.S. CONST. art. I, § 8, cl. 8.
18. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), *reh'g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697).
19. *Id.* at 224.

Appeals for the Ninth Circuit, while reading U.S. Supreme Court dicta too broadly. Although its holding protects a copyright owner's right to market different editions of a work in different countries,<sup>20</sup> the Second Circuit's construction of § 109(a) threatens the continuing viability of secondary markets for all types of copyrighted goods.

John Wiley & Sons, Inc. ("Wiley") is a U.S.-based publisher of textbooks, journals, encyclopedias, and other materials that markets titles in both the United States and abroad.<sup>21</sup> The company's Asia subsidiary ("Wiley Asia") manufactures and sells English-language editions of Wiley textbooks in "territories" including India, Myanmar, and Vietnam.<sup>22</sup> The Asia-edition textbooks, while purportedly comparable in quality to their domestic counterparts, feature thinner paper, fewer internal ink colors, and lower-quality images—and generally are marketed at lower prices than the versions in the United States.<sup>23</sup> On their back covers, the Asia-edition textbooks carry notices stating that "exportation from or importation of this book to another region without the Publisher's authorization is illegal."<sup>24</sup>

Supap Kirtsaeng had moved to the United States from Thailand "approximately in 1997" to pursue a Bachelor of Science degree; during the time of his trial, he was a doctoral candidate at the University of Southern California.<sup>25</sup> While residing in California, Kirtsaeng engaged friends and family to send him shipments of textbooks from abroad, including Wiley Asia titles, which he would then sell on eBay.com and other websites.<sup>26</sup> Kirtsaeng retained profits from the sales—after reimbursing his friends and family for their purchase and shipment expenses—to defray his tuition.<sup>27</sup>

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20. *See id.* at 221.

21. *See About Wiley*, WILEY.COM, <http://www.wiley.com/WileyCDA/Section/id-301454.html> (last visited Sept. 3, 2012). "In order to print and publish . . . textbooks, Wiley obtains, from the authors, assignment of the U.S. and foreign copyrights of reproduction and distribution." *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834 (DCP), 2009 U.S. Dist. LEXIS 96520, at \*2 (S.D.N.Y. Oct. 19, 2009).

22. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*5.

23. *Id.* at \*2–3.

24. *Id.* at \*3.

25. Defendant's Memorandum of Law in Opposition to Motion for Preliminary Injunction and Order of Attachment, *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-CV-07834, at 3 (S.D.N.Y. May 6, 2009).

26. *See id.* at 4.

The Defendant . . . was hard-pressed to earn funds to meet his tuition requirements when some of his friends from Thailand informed him of how they were able to pay for their advanced educations by selling books online. They sold legitimate copyright-bearing text books [sic] originally acquired from overseas publishers. Unlike his friends, however, Kirtsaeng did not personally bring books from overseas into this country; they were shipped to California via UPS express and ocean freight as directed by friends and family.

*Id.*

27. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*6 (noting that Kirtsaeng "retained the profits from [the textbook] sales to, among other things, pay for his education").

With regards to Wiley Asia textbooks, Kirtsaeng proceeded with his resale business from 2007 to early September 2008, when Wiley sued.<sup>28</sup>

Wiley filed suit against Kirtsaeng in the U.S. District Court for the Southern District of New York, claiming that his importation and sale of “numerous copies” of eight Wiley Asia textbooks constituted infringement upon the publisher’s U.S. copyrights for the same titles.<sup>29</sup> Prior to trial, Kirtsaeng proposed jury instructions charging that the Copyright Act’s first sale doctrine, under § 109(a), served as a defense to infringement.<sup>30</sup> The court rejected Kirtsaeng’s proposed instructions and disallowed him from raising a first sale defense at trial, ruling that the doctrine did not apply to foreign-manufactured textbooks and that there was “no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act.”<sup>31</sup>

In the district court’s analysis, the issue was whether § 602(a)(1) of the Copyright Act—which gives a copyright owner a right of action over unauthorized importations of copies of works “acquired outside the United States”<sup>32</sup>—applies to copies of works that were manufactured and first sold outside of the United States.<sup>33</sup> The answer lay in the meaning of the “lawfully made under this title” clause in the Copyright Act’s first sale provision, § 109(a)<sup>34</sup>—a question that the U.S. Supreme Court noted in the dicta of its unanimous opinion in *Quality King Distributors, Inc. v. Lanza Research International, Inc.*<sup>35</sup> In that case, the Supreme Court looked to the legislative history of the Copyright Act to resolve a dispute between the producer of a professional hair care product and a distributor that was selling discontinued stock of the product—which was manufactured in the United States, but procured from a foreign

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28. *Wiley*, 654 F.3d at 213 (2d Cir. 2011). Kirtsaeng also allegedly sold both U.S. and foreign editions of textbooks published by other companies. *Id.* at 214. Wiley alleged that Kirtsaeng had earned more than \$37,000 from selling multiple copies of at least eight of its copyrighted works. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*7. At trial, Kirtsaeng had successfully blocked Wiley from introducing evidence that he earned \$1.2 million in revenues via eBay subsidiary PayPal. *Wiley*, 654 F.3d at 215. Kirtsaeng testified to having earned total revenues of \$900,000. *Id.*

29. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*7. Among the textbooks at issue were titles such as *Materials Science and Engineering: An Introduction*, *Information Technology for Management*, and *Organic Chemistry*. Verdict Form, John Wiley & Sons, Inc. v. Kirtsaeng, No. 08 Civ. 7834 (DCP), 2009 U.S. Dist. LEXIS 96520 (S.D.N.Y. Oct. 19, 2009) [hereinafter Verdict Form].

30. *Wiley*, 654 F.3d at 214.

31. *Id.* (citing *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*38).

32. 17 U.S.C. § 602(a)(1) (2006).

33. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*17.

34. 17 U.S.C. § 109(a) (2006).

35. 523 U.S. 135, 148 (1998); see *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*34–39 (referring to the relevant parts of the Supreme Court’s *Quality King* opinion as dicta). While *Quality King* discusses whether § 109(a) limits § 602(a), a key factual distinction from *Wiley* is that the copyrighted goods at issue in *Quality King* were manufactured in the United States, while the textbooks at issue in *Wiley* were manufactured outside of the United States. See *Quality King*, 523 U.S. at 138; John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 217 (2d Cir. 2011) *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697).

source—without the producer’s permission.<sup>36</sup> The Court offered a hypothetical to explain its understanding of the legislative history of the Copyright Act of 1976 with regards to “lawful” production of foreign editions of works, and importation of foreign-edition copies into the United States:

Even in the absence of a market allocation between, for example, 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. If the author of the work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, 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). The first sale doctrine would not provide the publisher of a British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).<sup>37</sup>

The hypothetical served to illustrate how a foreign distributor of a copyrighted work could be liable for copyright infringement if it acted beyond the authority granted to it by the copyright owner.

Persuaded by the Supreme Court’s line of reasoning in the dicta of its *Quality King* decision, the district court decided not to “extend” the first sale doctrine to cover foreign-manufactured goods in *Wiley*.<sup>38</sup> However, the court expressed its concern with creating a “bright-line rule.”<sup>39</sup> “Should ‘lawfully made under this title’ apply only to domestically-manufactured goods,” the court stated, “this results in the phenomenon that, once imported, the goods manufactured abroad could provide the

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36. 523 U.S. at 135. The copyrighted work at issue was the product label. *Id.* at 140.

37. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*35–36 (quoting *Quality King*, 523 U.S. at 148). The Supreme Court credited as the source of its hypothetical a 1964 congressional deliberation on the revision of the federal copyright legislation. *Quality King*, 523 U.S. at 148 (citing *Copyright Law Revision Part 4: Further Discussion and Comments on Preliminary Draft for Revised U.S. Copyright Law*, 88th Cong., 2d Sess. 119 (1964) (statement of Mrs. Pilpel)). For relevant language of 17 U.S.C. § 106(3), see *supra* note 8 and accompanying text.

38. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*37 (“[T]he Supreme Court’s unambiguous language, though *dicta*, is sufficient to resolve the uncertainties in interpreting the Act.”).

39. *Id.* at \*19, \*37. The district court also noted how the issue presented “a relatively close jurisprudential question,” citing, among other authorities, two of its own recent decisions that disagreed on the application of the first sale doctrine to similar fact patterns as in the *Wiley* case. *Id.* at \*17–18 (citing *Pearson Educ., Inc. v. Jun Liao*, No 07-Civ-243 (SHS), 2008 U.S. Dist. LEXIS 39222, at \*11 (S.D.N.Y. May 13, 2008) (concluding that “the resale in the United States of copies manufactured outside the United States is not protected” under the terms of the Copyright Act); *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 415–16 (S.D.N.Y. 2009) (finding, provisionally, “that nothing in § 109(a) or the history, purposes, and policies of the first sale doctrine, limits the doctrine to copies of a work manufactured in the United States,” but “hold[ing], *dubitante*, that the first-sale doctrine does not apply to copies of a copyrighted work manufactured abroad”). *John Wiley & Sons, Inc.*, was a plaintiff in both the *Jun Liao* and *Liu* cases. See *Jun Liao*, 2008 U.S. Dist. LEXIS 39222; *Liu*, 656 F. Supp. 2d 407.

U.S. copyright holder with never-ending § 106(3) ‘exclusive distribution’ protection against any subsequent sale, no matter how legitimate.”<sup>40</sup>

Following trial, the jury found Kirtsaeng liable for willful infringement of the eight Wiley works and liable for damages of \$600,000 (\$75,000 per infringed work).<sup>41</sup>

Kirtsaeng appealed to the Second Circuit, claiming that the district court should have instructed the jury on the first sale doctrine as a defense to willful infringement.<sup>42</sup> Kirtsaeng’s appeal posed an issue of first impression for the Second Circuit;<sup>43</sup> as the construction of the first sale doctrine presented “only a legal issue of statutory interpretation,” the court of appeals reviewed the issue *de novo*.<sup>44</sup> The court affirmed the judgment of the district court in a 2-1 decision; but whereas the lower court expressed concerns about creating a “bright-line rule” regarding the scope of the first sale doctrine, the majority on appeal held that the doctrine unqualifiedly “does not apply to works manufactured outside of the United States.”<sup>45</sup> The majority rested its decision upon three grounds: (1) its textual interpretation of § 109(a), (2) its structural analysis of the Copyright Act, and (3) its consideration of the Supreme Court’s opinion in *Quality King*.<sup>46</sup>

First, the majority considered the meaning of the clause “lawfully made under this title” in the text of § 109(a)<sup>47</sup> to be “utterly ambiguous.”<sup>48</sup> Although Congress did not define “made” as a term of art in the Copyright Act, the majority adopted a

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40. *Wiley*, 2009 U.S. Dist. LEXIS 96520, at \*37 (citing 17 U.S.C. § 106(3) (2006)); *see supra* notes 8 and 13 and accompanying text.

41. Verdict Form, *supra* note 29. The district court instructed the jury:

[I]f it found that Wiley had proved by a preponderance of the evidence that the infringement was willful, under the statutory scheme [of the Copyright Act] the jury had the option of awarding up to \$150,000 in damages per infringed work. [However], if the jury found that Kirtsaeng had proved by a preponderance of the evidence ‘that he was not aware and had no reason to believe that his acts constituted an infringement of copyright,’ the jury could choose to impose an award of statutory damages as low as \$200 per infringed work.

John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 215 (2d Cir. 2011) *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697). For each title, the *Wiley* jury found that the plaintiff had proved Kirtsaeng’s infringement was willful, and that Kirtsaeng had failed to prove that he was not aware of the infringement. Verdict Form, *supra* note 29. The district court later directed Kirtsaeng to provide Wiley with title to his golf clubs—along with, upon achievement of his Ph.D., his computer and fax/printer/scanner—in partial satisfaction of the judgment. Order, John Wiley & Sons, Inc. v. Kirtsaeng, No. 08 Civ. 7834 (DCP), 2009 U.S. Dist. LEXIS 96520 (S.D.N.Y. Oct. 19, 2009).

42. *Wiley*, 654 F.3d at 215.

43. *Id.* at 212.

44. *Id.* at 216 (citation omitted).

45. *Id.* at 224.

46. *Id.* at 218; *see also* John Wiley & Sons, Inc. v. Kirtsaeng, No. 08 Civ. 7834 (DCP), 2009 U.S. Dist. LEXIS 96520, at \*19, \*37 (S.D.N.Y. Oct. 19, 2009).

47. 17 U.S.C. § 109(a) (2006).

48. *Wiley*, 654 F.3d at 220.

“simple and authoritative” definition of the word from a dictionary contemporaneous with Congress’s enactment of § 109(a): “made,” according to this definition, means “artificially produced by a manufacturing process.”<sup>49</sup> The statute’s use of the word “under,” however, presented a greater interpretive challenge for the majority: the court quoted a U.S. Supreme Court observation that “[t]he word ‘under’ is [a] ‘chameleon’ and courts ‘must draw its meaning from its context.’”<sup>50</sup> However, the statutory context of § 109(a)—that is, the scope of the phrase “under this title” and the import of the phrase as it is used in other provisions of the Copyright Act—also failed to yield a clear meaning for the majority.<sup>51</sup> Although the circuit court concluded that Wiley’s argued interpretation of “made under this title” as “made in the United States” was plausible, it noted that the U.S. Copyright Office considers foreign-manufactured musical recordings as “lawfully made under [the] title” of the Copyright Act for purposes of distributing certain royalty payments to copyright owners.<sup>52</sup>

Second, the majority concluded that the Copyright Act provision barring unauthorized imports pursuant to § 602(a)(1) “ha[s] a broader scope” than the first sale doctrine,<sup>53</sup> for “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) of our Copyright Act.”<sup>54</sup> Hence the importation provision, according to the majority, “would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every work manufactured abroad that was either made subject to protection under Title 17, or consistent with the requirements of Title 17 had Title 17 been applicable.”<sup>55</sup> In other words, copyright owners would lose the “flexibility” that § 602(a)(1) allows them “to divide or treat differently the international and domestic markets for the particular copyrighted work.”<sup>56</sup>

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49. *Id.* at 219 (citing WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1356 (1976)).

50. *Id.* (citing *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010) (some internal quotation marks omitted)). In *Kucana v. Holder*, the Supreme Court deemed contextual analysis necessary to determine whether the word “under” as used in a provision of a federal immigration statute should be construed to mean “pursuant to” or “subordinate to,” or, alternatively, to mean “in” or “by.” 130 S. Ct. at 835–36.

51. *Wiley*, 654 F.3d at 220.

52. *See id.* at 219–20 (citing the U.S. Copyright Office’s stated view of a provision of the Audio Home Recording Act 17 U.S.C. § 1006(a)(1)(A) (2006)). Under the Audio Home Recording Act § 1006(a)(1)(A), “any interested copyright party whose musical work or sound recording has been embodied in a digital musical recording or an analog musical recording *lawfully made under this title* that has been distributed” is entitled to claim a share of royalty payments from manufacturers of digital audio recording devices and media. 17 U.S.C. § 1006(a)(1)(A) (emphasis added). Section 1005 directs the Copyright Office’s Register of Copyrights to “receive all royalty payments deposited under this chapter.” *Id.* § 1005.

53. *Wiley*, 654 F.3d at 221.

54. *Id.* (citing *Quality King Distribs., Inc. v. Lanza Research Int’l, Inc.*, 523 U.S. 135, 148 (1998)).

55. *Id.* (internal quotations omitted).

56. *See id.*

The majority also dismissed the Ninth Circuit’s construction of § 109(a), which, while limiting the application of the first sale doctrine to copies of works manufactured in the United States, maintains an exception for “foreign-produced works sold in the United States with the permission of the copyright holder.”<sup>57</sup> The Second Circuit majority stated that this exception—most recently recognized by the Ninth Circuit in *Omega S.A. v. Costco Wholesale Corp.*<sup>58</sup>—“relie[s] on Ninth Circuit precedents not adopted by other courts of appeals.”<sup>59</sup>

Lastly, the Second Circuit majority found its analysis of the relationship between § 602(a)(1) and § 109(a) to comport with the dicta of the Supreme Court’s unanimous opinion in *Quality King*.<sup>60</sup> Although the Supreme Court in *Quality King* held that “§ 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a),” the Second Circuit majority noted what it called “a key factual difference” between *Quality King* and Kirtsaeng’s case: the copyrighted products at issue in *Quality King* had been manufactured in the United States, while the products at issue in *Wiley* were manufactured abroad.<sup>61</sup> According to the majority, *Quality King* defined the § 602(a) importation provision as having a broader scope than the first sale doctrine under § 109(a) when the products in question “are neither piratical nor ‘lawfully made under this title.’”<sup>62</sup> “[I]n the Court’s view,” the majority in *Wiley* concluded, “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) of our Copyright Act.”<sup>63</sup> The *Quality King* Court’s hypothetical discussion of the relationship between British and American editions of the same copyrighted work served to illustrate this principle, according to the majority.<sup>64</sup>

The third member of the Second Circuit panel dissented, finding that the language of the Copyright Act as a whole supported an alternative reading of § 109(a): “regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law.”<sup>65</sup> The dissent argued that while Congress was capable of specifying that § 109(a) extended only to works “manufactured in the

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57. *Id.*; see also *id.* at 218 (discussing *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008)).

58. *Omega S.A.*, 541 F.3d 982, *aff’d by an equally divided court*, 131 S. Ct. 565 (2010).

59. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2010), *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697).

60. *Id.* at 218, 220–22.

61. *Id.* at 217. The majority also quoted Justice Ginsburg’s concurring opinion in *Quality King*, in which she noted, “[W]e do not today resolve cases in which the allegedly infringing imports were manufactured abroad.” *Id.* (citing *Quality King Distrib., Inc. v. Lanza Research Int’l, Inc.*, 523 U.S. 135, 154 (2011) (Ginsburg, J., concurring)).

62. *Id.* at 221 (citing *Quality King*, 523 U.S. at 147).

63. *Id.* (citing *Quality King*, 523 U.S. at 148).

64. *Id.* at 217–18 (citing *Quality King*, 523 U.S. at 148); see *supra* note 37 and accompanying text.

65. *Id.* at 226 (Murtha, J., dissenting).

United States”—as demonstrated by the language of a repealed “manufacturing requirement,” § 601(a)<sup>66</sup>—it had evidently declined to do so.<sup>67</sup>

The dissent also echoed the concerns of the district court:<sup>68</sup>

Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market. An owner first would have to determine the origin of the copy—either domestic or foreign—before she could sell it. If it were foreign made and the first sale doctrine does not apply to such copies, she would need to receive permission from the copyright holder.<sup>69</sup>

While the dissent disagreed with the majority on the meaning of the Supreme Court’s dicta in *Quality King*, it joined the majority in criticizing the Ninth Circuit’s interpretation of §§ 109(a) and 602(a)(1).<sup>70</sup> The Ninth Circuit’s first sale exception for foreign-manufactured goods imported with the authorization of the copyright holder, the dissent stated, “finds no support in the statutory text and is in direct conflict with the portion of the Supreme Court’s *Quality King* decision which noted that where a sale occurs is irrelevant for first sale purposes.”<sup>71</sup>

This case comment contends that the Second Circuit erred in narrowing the first sale doctrine to pertain only to copies of works manufactured in the United States. First, by imposing a place-of-manufacture criterion on § 109(a), the majority instituted a rule that not only prohibits resellers of goods (like Kirtsaeng) from foreign markets from claiming first sale protection, but also potentially renders the doctrine unavailable to resellers of goods that are specifically (and legitimately) created for the U.S. domestic market. Second, in rejecting the Ninth Circuit’s extension of § 109(a) over authorized imports of copyrighted goods,<sup>72</sup> the majority failed to consider a more narrowly tailored alternative interpretation: namely, that the first sale doctrine should apply to goods sold by copyright owners in the United

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66. Prior to July 1, 1986, the Copyright Act’s “manufacturing requirement” for literary works had prohibited “the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title,” unless “the portions consisting of such material have been manufactured in the United States or Canada.” 17 U.S.C. § 601(a) (repealed 2010); *see also Wiley*, 654 F.3d at 226.

67. *Wiley*, 654 F.3d at 226 (Murtha, J., dissenting).

68. *See supra* note 39 and accompanying text.

69. 654 F.3d at 227.

70. *Id.* at 228.

71. *Id.* (citing *Quality King Distrib., Inc. v. Lanza Research Int’l, Inc.*, 523 U.S. 135, 145 (2011)). Kirtsaeng, advocating the dissent’s construction of § 109(a), petitioned the Second Circuit for a rehearing en banc. Petition for Rehearing En Banc, *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. Aug. 15, 2011) (No. 09-4896-cv). Following the Second Circuit’s denial of Kirtsaeng’s petition, the U.S. Supreme Court granted Kirtsaeng’s petition for writ of certiorari to the Second Circuit. *John Wiley & Sons, Inc. v. Kirtsaeng*, *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697). The Court is scheduled to hear oral arguments in the case on October 29, 2012.

72. *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 985 (9th Cir. 2008).

States, regardless of where those goods were manufactured. Lastly, the majority's overly broad reading of the Supreme Court's *Quality King* dicta risks upsetting the balance of interests that Congress sought to maintain with the several provisions of the Copyright Act.

"The copyright statutes ought to be reasonably construed with a view to effecting the purposes intended by Congress," the Supreme Court stated in the landmark 1908 case *Bobbs-Merrill v. Straus*.<sup>73</sup> "They ought not to be unduly extended by judicial construction to include privileges not intended to be conferred, nor so narrowly construed as to deprive those entitled to their benefit of the rights Congress intended to grant."<sup>74</sup> *Bobbs-Merrill* established what would become known as the first sale doctrine, with the Court holding that the copyright owner of a novel could not dictate the retail price of copies after it had exercised its statutory "right to vend" in sales agreements with wholesalers and other parties.<sup>75</sup> "In our view," the Court said, "the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice . . . a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract."<sup>76</sup>

One year after the Supreme Court decided *Bobbs-Merrill*, Congress included a first sale provision in the Copyright Act of 1909, which expressly 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."<sup>77</sup> Notably, most copyrighted books that were on sale in the United States in 1909 had been manufactured domestically as well, as Congress had prohibited copyright-owning publishers from importing or distributing copies of a work that had been printed outside the United States.<sup>78</sup> This "manufacturing clause" for publishers persisted in some form through much of the twentieth century;<sup>79</sup> the last iteration of this prohibition—§ 601(a) in the Copyright Act of 1976—expired on July 1, 1986.<sup>80</sup> The

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73. 210 U.S. 339, 346 (1908).

74. *Id.*; see also *id.* at 348 (citing U.S. Rev. Stat. § 4952).

75. *Id.* at 350–51.

76. *Id.* at 350.

77. Copyright Act of 1909, Pub. L. No. 60-349, § 41 (amended 1976, current version at 17 U.S.C. § 101 (2006)).

78. *Id.* at § 16. The failure of a publisher to observe this requirement resulted in the loss of copyright protection for the work. See NIMMER, *supra* note 10, § 7.23, at ¶ (B).

79. NIMMER, *supra* note 10, § 7.22.

80. 17 U.S.C. § 601(a) (repealed 2010). The Act prohibited "the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title," unless "the portions consisting of such material have been manufactured in the United States or Canada." Manufacture in Canada was "regarded as the equivalent of domestic manufacture. In this connection, the House Report concluded: 'Since wage standards in Canada are substantially comparable to those in the United States, the arguments for equal treatment under the manufacturing clause are persuasive.'" NIMMER, *supra* note 10, § 7.22, at ¶ (B)(1) (citing H.R. REP. NO. 94-1476, at 167 (1976)).

purpose of this prohibition was neither to protect authors nor “[t]o promote the Progress of Science and useful Arts,”<sup>81</sup> according to copyright commentators David Nimmer and Melville B. Nimmer; instead, Congress sought to “assure protection for American typographers and bookbinders against foreign competition.”<sup>82</sup>

Subsequent to the expiration of the Copyright Act’s manufacturing clause, publishers faced no penalty for outsourcing the manufacture of books, even for works destined to be sold in the United States.<sup>83</sup> Today, with an increasingly global consumer goods supply chain, American book publishers have joined distributors of other copyrighted media, such as DVDs, in sending their manufacturing work to lower-cost facilities abroad.<sup>84</sup> As accepted as it may be for an American publisher to print books in Malaysia for importation and distribution in the United States,<sup>85</sup> it is also now commonplace for shrink-wrap or stickers on some CD and DVD packages to read, “DISC MADE IN MEXICO.”<sup>86</sup> As a literal consequence of the Second

81. U.S. CONST. art. I, § 8, cl. 8.

82. Nimmer, *supra* note 10, § 7.22, at ¶ (D) (“[T]he manufacturing clause exemplifies short-sighted and parochial tendencies that have proven destructive of the best interests of both copyright creators and users.”). *See also* 7 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 23:72 (2008):

The clause was scheduled to expire on July 1, 1982. The Register of Copyrights recommended in 1981 that the schedule be adhered to, and President Reagan vetoed a bill to extend the requirement. Congress, however, overrode the veto, extending the clause until July 1, 1986. Following the 1982 extension, opposition to the manufacturing clause shifted to other forums.

. . . . The European Economic Community instituted proceedings under the General Agreement on Tariffs and Trade (GATT) claiming, inter alia, that the clause was a non-tariff trade barrier. In February 1984, a three-member GATT panel found the United States to be in violation of GATT and recommended its findings to the full GATT membership, which adopted them in May of the same year. The threat of EC retaliation against certain products imported from the United States, such as tobacco, finally did the trick, and the clause died an ignominious death as scheduled on July 1, 1986.

*Id.* (citations omitted).

83. As Judge John Garvan Murtha noted in his *Wiley* dissent, the repeal of § 601(a) also demonstrates that Congress could have easily written § 109(a) to pertain only to works “made in the United States” if it had intended such a construction. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 226–27 (2d Cir. 2011), *reh’g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697). (Murtha, J., dissenting).

84. *See supra* note 4; *see also* *Camarillo DVD-Making Jobs Lost as Technicolor Moves to Mexico*, THE SAN DIEGO UNION-TRIB., Jan. 18, 2007, <http://legacy.signonsandiego.com/news/state/20070118-1016-ca-brf-social-technicolorlayoffs.html> (reporting on the closure of a Technicolor DVD manufacturing plant in Camarillo, California, and on the company’s plans to increase manufacturing and distribution of DVDs from a facility in Guadalajara, Mexico). “Our customers, like Disney and Universal, want lower prices from us . . . . The only way we can do that is to reduce our costs, reduce head count and centralize our operations in our low-cost manufacturing facility in Mexico,” a Technicolor spokesman commented. *Id.* (internal quotations omitted).

85. *See* sources cited *supra* note 4.

86. For example, browsing the music and movie selection at a Best Buy retail outlet in New York City, made-in-Mexico notices appeared on copies of the CD album *COLDPLAY, MYLO XYLOTO* (Capitol/EMI Records Ltd. 2011) (“under exclusive license to Capitol Records”); a Blu-ray and DVD set of the motion picture

Circuit's interpretation of § 109(a), it is uncertain whether purchasers of such foreign-made copies (including distributors, retailers, and consumers) could face a copyright infringement claim for selling them or otherwise transferring ownership.<sup>87</sup>

Resellers of copyrighted goods have already perceived a climate of uncertainty from the district court's *Wiley* ruling. For example, according to the Entertainment Merchants Association and National Association of Recording Merchandisers—two trade associations whose members “comprise the full range of entertainment retailers including global mass merchants, multi-store domestic and international entertainment retailers, and single-store specialty shops”<sup>88</sup>—American entertainment retailers regularly purchase both new and used copies of CDs, DVDs, and video games from a variety of sources, including “independent distributors, competitors, or even their own customers.”<sup>89</sup> These retailers “often do not know, nor could they reasonably determine, where these copies were made.”<sup>90</sup> The *Wiley* decision places these companies “at substantial risk of suits for copyright infringement, and results in diminution of their rights as owners [of those copies].”<sup>91</sup>

The Second Circuit in *Wiley* also rejected the Ninth Circuit's extension of § 109(a) over authorized imports of copyrighted goods, stating that the sister circuit court's rule “relied on Ninth Circuit precedents not adopted by other federal courts of

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CAPTAIN AMERICA: THE FIRST AVENGER (Marvel Studios and Paramount Home Entertainment 2011) (“licensed for sale only in the U.S.”); and a Blu-ray and DVD set of the animated film *CARS 2* (Buena Vista Home Entertainment, Inc. and Walt Disney Studios Home Entertainment 2011) (“authorized for sale in U.S.A. and Canada only”); among other titles. Research of the author (Nov. 5, 2011).

87. Appealing his case before the Second Circuit, Kirtsaeng argued that the district court's construction of § 109(a) could incentivize publishers in the United States to outsource book production to foreign locations, so that they might gain control over the resale of copyrighted works. *Wiley*, 654 F.3d at 222. The majority opinion noted Kirtsaeng's argument, but responded to it only with regard to whether such an incentive might in turn lead to a contraction in the American book printing industry. “We acknowledge the force of this concern,” the majority wrote, “but it does not affect or alter our interpretation of the Copyright Act.” *Id.* The majority's response mischaracterized the issue, which was not whether American manufacturing jobs might be lost, but whether copyright owners would enjoy an enlargement of their rights against congressional intent. *See also* Abigail Phillips, *Poking More Holes in the First Sale Doctrine*, ELECTRONIC FRONTIER FOUNDATION (Aug. 19, 2011), <http://www.eff.org/deeplinks/2011/08/poking-more-holes-first-sale-doctrine> (exploring the theoretical ramifications of the Second Circuit's *Wiley* holding for consumers); Melissa Goldberg, Note, *A Textbook Dilemma: Should the First Sale Doctrine Provide a Valid Defense for Foreign-Made Goods?*, 80 *FORDHAM L. REV.* 101, 133 (2012) (concluding that the Second Circuit's *Wiley* decision has created for authors a “nearly unlimited distribution right for goods that are manufactured abroad.”). This case comment agrees with the conclusion that copyright owners may perceive in the Second Circuit's *Wiley* holding a legal incentive to outsource manufacturing. However, many copyright owners already have a strong economic incentive to manufacture goods intended for the U.S. market outside the United States. *See supra* notes 1–3 and accompanying text.
88. Brief for Entertainment Merchants Ass'n and National Ass'n of Recording Merchandisers as Amici Curiae in Support of Reversal at 2, *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011) *reh'g en banc denied*, No. 09-4896-cv (Oct. 13, 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697). [hereinafter *Brief of Amici Curiae EMA and NARM*].
89. *Id.*
90. *Id.*
91. *Id.*

appeals.”<sup>92</sup> But the Second Circuit’s majority failed to appreciate the importance of the Ninth Circuit’s so-called “exception”:<sup>93</sup> an origin-of-manufacture limitation on § 109(a) “would withhold the first sale defense from any goods lawfully manufactured abroad even if they were imported with the authority of the United States copyright owner—a result that contradicts the policy behind section 109(a) and the terms of section 602(a).”<sup>94</sup>

According to the Ninth 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.”<sup>95</sup> In the recent *Omega S.A. v. Costco Wholesale Corp.* case, the Ninth Circuit held that a first sale defense was unavailable to a retailer that purchased luxury wristwatches from foreign third parties and imported them for sale in the United States without the authorization of the watch brand.<sup>96</sup> Like the Second Circuit, the Ninth Circuit determined that the Supreme Court’s *Quality King* opinion supported the general rule that § 109(a) extended only to copies of works that are made in the United States.<sup>97</sup> Since the *Quality King* case did not directly consider the effect of copyright law on foreign-manufactured works—the type of works at issue in *Costco*—the Ninth Circuit held that the Supreme Court’s opinion was “not clearly irreconcilable” with its judicially-created “exception.”<sup>98</sup> Because the exception was in any event inapposite to the facts of *Omega*, the Ninth Circuit ultimately left the continued viability of the exception for another day.<sup>99</sup>

The Ninth Circuit’s “exception” has indeed faced criticism. The U.S. District Court for the Southern District of New York recently noted, for example, that the Ninth Circuit “has never explained how § 109(a)’s text supports a distinction based on where a first sale occurred.”<sup>100</sup> The Second Circuit was not bound to follow the Ninth Circuit’s exception.<sup>101</sup> But in considering the Ninth Circuit’s holding, the majority failed to appreciate it as a potential solution to the “unusual consequences that follow from limiting the first sale doctrine to copies manufactured in the United States”—namely, that the law would not apply to first sales within the United States

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92. *Wiley*, 654 F.3d at 221.

93. *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 985 (9th Cir. 2008).

94. GOLDSTEIN, *supra* note 11, at 7:142.

95. *Denbicare U.S.A., Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996).

96. 541 F.3d 982, 983–84. The wristwatches were engraved with a copyrighted design. *Id.* at 983. Notably, on remand, a California district court found that because “a purpose of the copyrighted Omega Globe Design was to control the importation and sale of its watches containing the design . . . . Omega misused its copyright.” *Omega S.A. v. Costco Wholesale Corp.*, No. CV 04-05443, 2011 U.S. Dist. LEXIS 155893, at \*4 (E.D. Cal. Nov. 9, 2011).

97. *Omega*, 541 F.3d at 985 (citing *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991)).

98. *Id.* at 990 (internal quotations omitted). In 2010, an equally divided Supreme Court affirmed the Ninth Circuit’s *Omega* decision. *Omega S.A. v. Costco Wholesale Corp.*, 131 S. Ct. 565 (2010).

99. 541 F.3d at 985, 990.

100. *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 414 (S.D.N.Y. 2009).

101. *See Brief of Amici Curiae EMA and NARM*, *supra* note 88, at 12–13.

of copies imported by the copyright owner, simply because the copies were manufactured abroad.<sup>102</sup>

Lastly, the Second Circuit erroneously extended the import of the dicta from the Supreme Court's *Quality King* decision.<sup>103</sup> In *Quality King*, the Supreme Court offered the example of a British publisher lawfully distributing copies of a work in the United Kingdom under assignment from a U.S. copyright owner to illustrate how the importation protection in § 602(a) "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country."<sup>104</sup> A first sale defense against § 602(a) infringement, according to the Court in *Quality King*, would be unavailable to the British publisher if the company imported into the United States (without authorization from the copyright owner) the copies that it had lawfully produced for distribution in its own country.<sup>105</sup> "If the author of the work gave the exclusive U.S. distribution rights—enforceable under the [Copyright] Act—to the publisher of the U.S. edition and the exclusive British distribution rights to the publisher of the British edition," wrote the Court, "presumably only those made by the publisher of the U.S. edition would be 'lawfully made under this title' within the meaning of § 109(a)."<sup>106</sup>

A more reasonable interpretation of the *Quality King* dicta than the Second Circuit adopted is that the availability of the first sale doctrine turns not on where copies of a work are manufactured, but on which party has manufactured them and whether that party has sufficient authorization from the copyright holder.<sup>107</sup> Such an interpretation would avoid the shortcoming of the Ninth Circuit's exception; according to the Court in *Quality King*, an inquiry into whether the first sale of the copyrighted good occurred within the United States is unrelated to whether the goods are "lawfully made under this title."<sup>108</sup> Read in this light, the dicta helps resolve the Second Circuit's perceived ambiguity with the "lawfully made under this title" language of § 109(a). As amici for Kirtsaeng noted before the Second Circuit, "Copies authorized by the U.S. copyright holder . . . are made under U.S. law—

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102. *Pearson*, 656 F. Supp. 2d. at 413–14.

103. *See supra* notes 37 and 60 and accompanying text.

104. *Quality King Distrib., Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135, 147 (1998); *see supra* note 37 and accompanying text.

105. 523 U.S. at 148; *see also* *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 218 (2d Cir. 2011).

106. *Quality King*, 523 U.S. at 148.

107. *See Brief of Amici Curiae EMA and NARM, supra* note 88, at 16.

108. 523 U.S. at 146 ("After the first sale of a copyrighted item 'lawfully made under this title,' any subsequent purchaser, whether from a domestic or a foreign reseller, is obviously an 'owner' of that item."), *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 414 (S.D.N.Y. 2009) ("[T]he distinction [that the Ninth Circuit] has drawn conflicts directly with *Quality King's* holding that place of sale is irrelevant for first-sale purposes.").

‘lawfully made under this title’—because the U.S. Copyright Act gives the U.S. author the exclusive right to *authorize* their reproduction.”<sup>109</sup>

A focus on the nature and extent of a copyright owner’s authorization rights finds support in the legislative history of § 109(a). The amici noted Congress’s commentary on the statutory operation of the first sale doctrine:

[T]he copyright owner’s exclusive right of public distribution would have no effect upon anyone who owns “a particular copy or phonorecord lawfully made under this title” and who wishes to transfer it to someone else or to destroy it. *Thus, for example, the outright sale of an authorized copy of a book frees it from any copyright control over its resale price or other conditions of its future disposition.*<sup>110</sup>

The majority in *Wiley*, in arriving at its place-of-manufacture interpretation of both the *Quality King* dicta (itself drawing upon a Congressional deliberation<sup>111</sup>) and the language of the Copyright Act, failed to reconcile the consequences of its interpretation with this explicit piece of legislative history.<sup>112</sup>

Had the Second Circuit in *Wiley* premised its interpretation of § 109(a) not on where a copyrighted good is manufactured, but on whether the good was manufactured under the authority of the copyright owner, it would have preserved the balance of interests between copyright owners and the public sought by the Copyright Act. Instead, the holding essentially equates secondary sales of copyrighted goods that have been manufactured abroad, but imported into the United States by the copyright owner, with unauthorized “gray market” imports of copyrighted goods actionable under § 602(a).

As a consequence of the Second Circuit’s *Wiley* holding, the place of a copyrighted work’s manufacture is potentially determinative of whether an individual brick-and-mortar retailer or an online auction site can lawfully sell used copies of textbooks in the United States. Not only does the holding run contrary to the legislative history of eliminating place-of-manufacture criteria from the Copyright Act; it also runs contrary to the nature of the contemporary globalized marketplace.<sup>113</sup>

In so narrowing the scope of the first sale doctrine, the Second Circuit’s *Wiley* decision protects economic incentives for copyright owners at the expense of the public’s interest in access to copyrighted works.<sup>114</sup> The decision casts doubt on the legitimacy, if not the lawfulness, of the secondary textbook market, weakening a

109. *Brief of Amici Curiae EMA and NARM*, *supra* note 88, at 18; *see also* 17 U.S.C. § 106(3) (2006) (“Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize . . . distribut[ion of] copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership . . .”); *see also Wiley*, 654 F.3d at 228 (Murtha, J., dissenting).

110. *Brief of Amici Curiae EMA and NARM*, *supra* note 88, at 11 (citing H.R. REP. NO. 94-1476, at 23 (1976)).

111. *See supra* note 37.

112. The majority did not cite to legislative history documents in discussing the relationship between § 109(a) and § 602(a)(1). *See Wiley*, 654 F.3d at 220–22.

113. *See sources cited supra* notes 3–4 and accompanying text.

114. *See Brief of Amici Curiae EMA and NARM*, *supra* note 88, at 14.

counterweight to the rising cost of education.<sup>115</sup> Beyond resale markets, the decision also could undermine circulation of a countless number of books by libraries nationwide.<sup>116</sup>

Books are but one type of copyrighted product whose distribution the *Wiley* decision impacts. The *Wiley* decision could place restrictions on what American consumers can legally do with everything from CDs and DVDs<sup>117</sup> to most any product that carries a copyrighted logo or design.<sup>118</sup>

For producers of all kinds of copyrighted goods, geographic barriers to new global markets are falling—presenting opportunities as well as challenges. Courts should not establish a geographic barrier in copyright owners’ favor, and against the consuming public, by narrowing the scope of the first sale doctrine in the U.S. Copyright Act.

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115. See sources cited *supra* notes 5–7 and accompanying text.

116. See Brief for the American Library Association, the Association of College and Research Libraries, and the Association of Research Libraries as Amici Curiae Supporting Petitioner at 11–15, *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), *cert. granted*, 132 S. Ct. 1905 (2012) (No. 11-697) (arguing that “[m]any [of] [t]he [m]aterials [ci]rculated [by] [l]ibraries [a]re [i]n [co]pyright [a]nd [we]re [m]anufactured [a]broad”).

117. See sources cited *supra* note 86 and accompanying text.

118. See *What’s At Stake?*, CITIZENS FOR OWNERSHIP RIGHTS, <http://ownershiprights.org/whats-at-stake#.UBeYOo6jLww> (last visited Sept. 3, 2012) (public advocacy coalition arguing that *Wiley*, in perhaps the most extreme scenario, could lead to “[donations] of clothes to charitable organizations [being] considered unauthorized distributions”).