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**INTERNATIONAL OR NATIONAL EXHAUSTION: THE
NEED FOR LEGISLATIVE INTERVENTION REGARDING
THE FIRST SALE DOCTRINE**

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I. INTRODUCTION

Imagine that you are a college student short of cash. You already pay tuition, rent, living expenses, cell phone expenses, insurance, and much more. To make matters worse, “college textbook prices are 812 percent higher than they were a little more than three decades ago.”¹ In fact, “college textbook prices have increased faster than tuition, health care costs, and housing prices” in that time.² Not surprisingly, you search for less expensive alternatives; and then you find one—an international edition of the textbook you need. “An international edition textbook is one that has been printed for distribution in markets outside of the United States, usually at a substantially lower cost.”³ The international edition will typically share many of the same characteristics of the original edition, but with a few differences.⁴ International editions are usually soft cover, do not include supplementary materials such as CD-ROMs, and have a different ISBN number.⁵

Now imagine that you are a professor who just spent the past two years researching and writing an academic textbook. As the copyright owner, you have a financial incentive to charge different prices for your work in different parts of the world because supply and demand for particular goods vary across the globe.⁶ Your ability to market and sell your product for different prices, however, “is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions.”⁷ A lack of copyright protection discourages authors, like you, from spending years researching, writing, and compiling textbooks.

While textbooks provide an illustrative example, any copyrighted work lawfully made outside of the United States creates a unique issue. Does the importation and sale of a copyrighted work lawfully made abroad violate a United States copyright owner’s exclusive

¹ Tyler Kingkade, *College Textbook Prices Increasing Faster than Tuition and Inflation*, THE HUFFINGTON POST (Jan. 4, 2013, 11:11 AM), http://www.huffingtonpost.com/2013/01/04/college-textbook-prices-increase_n_2409153.html.

² *Id.*

³ *International Edition: Biblio.com Glossary*, BIBLIO.COM, http://www.biblio.com/book_collecting_terminology/International-Edition-238.html (last visited Feb. 20, 2014).

⁴ *Id.*

⁵ *Buying International Edition Textbooks*, BIBLIO.COM, http://www.biblio.com/International_Edition_Textbooks (last visited Feb. 20, 2014).

⁶ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1374 (2013) (Ginsburg, J., dissenting).

⁷ *Id.*

rights? As discussed later, the answer to this question depends on whether the “first sale” doctrine applies to a copyrighted item lawfully made outside of the United States.

Recently, in *Kirtsaeng v. John Wiley & Sons, Inc.*, the Supreme Court of the United States held that the “first sale” doctrine applies to copyrighted works lawfully made abroad.⁸ This decision has important implications for companies that rely on copyright protection for materials produced outside the United States or that are in the business of reselling those materials, including technology companies, book, video game, and music publishers, fashion and cosmetics companies, and consumer goods retailers.⁹ Following *Kirtsaeng*, copyright owners cannot prevent the importation of their copyrighted items into the United States. This importation will drive down the prices of the copyrighted items and devalue copyright protection of goods in the United States, while also providing cheaper prices of copyrighted works for American consumers.

This note will argue that the *Kirtsaeng* court, by holding that the first sale doctrine applies to copyrighted works lawfully made abroad, incorrectly adopted an overbroad international exhaustion approach for United States copyrights. Part II will give a background of the Copyright Act and will discuss the facts, procedural history, and rationale of the lower court holdings in *Kirtsaeng*. It will also discuss two other Supreme Court cases and explain the difference between national and international exhaustion. Part III will analyze the *Kirtsaeng* decision, arguing that the Court made mostly the correct decision, but that legislative change to the Copyright Act is needed. Part IV will provide possible solutions to the *Kirtsaeng* decision so that an international exhaustion approach is adopted which keeps section 602 of the Copyright Act intact and meaningful.

II. BACKGROUND

A. The Copyright Act

In order to understand the holding of *Kirtsaeng*, a brief understanding of the Copyright Act is necessary. The relevant sections include (i) section 106(3), the Act’s rights-granting provision; (ii) section 109(a), the Act’s codification of the first-sale doctrine; and

⁸ *Id.* at 1355–56 (majority opinion).

⁹ Daniel Ilan et al., *Supreme Court Finds “First Sale” Copyright Doctrine Applies to Copies Lawfully Made and First Sold Abroad*, 25 INTELL. PROP. & TECH. L.J. 7, 7 (2013).

(iii) section 602(a), which is entitled ‘Infringing importation of copies or phonorecords.’¹⁰

1. Section 106(3)

The Copyright Act grants copyright owners, subject to sections 107 through 122, certain exclusive rights, including the right “to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership.”¹¹ The right of distribution “protects a copyright owner’s ability to control the terms on which her work enters the market by providing a remedy against persons who distribute copies of her work without her permission.”¹² In other words, the copyright owner has the exclusive right to control the work’s publication.¹³

2. Section 109(a)

The first sale doctrine, an affirmative defense to copyright infringement that allows owners of copies of copyrighted works to resell those copies, limits a copyright owner’s exclusive distribution right. Section 109(a) sets forth the “first sale” doctrine: “[n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”¹⁴ The first sale doctrine “allows the ‘owner of a particular copy’ of a copyrighted work to sell or dispose of his copy without the copyright owner’s authorization.”¹⁵ In copyright jargon, “the ‘first sale’ has ‘exhausted’ the copyright owner’s section 106(3) exclusive distribution right.”¹⁶

3. Section 602(a)

Section 602(a) addresses how much the copyright owner’s distribution right permits him to control the importation of copies of his work into the United States.¹⁷ It states, “importation into the

¹⁰ *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 409 (S.D.N.Y. 2009).

¹¹ 17 U.S.C. § 106(3) (2012).

¹² *Pearson*, 656 F. Supp. 2d at 409.

¹³ *Id.*

¹⁴ 17 U.S.C. § 109(a) (2012).

¹⁵ *Vernor*, 621 F.3d at 1107.

¹⁶ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1355 (2013).

¹⁷ *Pearson*, 656 F. Supp. 2d at 410.

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 . . . under section 106.”¹⁸ There are three exceptions to the section 602(a) importation infringement: (1) for copies imported or exported under the authority of the United States Government; (2) for the private use of the importer or exporter and not for distribution; (3) and for scholarly, educational, or religious purposes that do not include private gain.¹⁹ While importing infringing copies is prohibited, copies that are lawfully made can be imported into the United States.²⁰

B. Recent Supreme Court Cases

In *Quality King Distributors, Inc. v. L’anza Research Int’l, Inc.* and in *Costco Wholesale Corp. v. Omega S.A.*, the Supreme Court discussed the first sale doctrine with copies lawfully made abroad, setting the stage for the *Kirtsaeng* decision. The first discussed the importance of the location of the first sale and the second failed to conclusively choose a national or international exhaustion approach.²¹

1. *Quality King Distributors, Inc. v. L’anza Research Int’l, Inc.*

L’anza Research International (“L’anza”), a California corporation who owned the copyrights of all its products, manufactured and sold shampoos, conditioners, and other hair care products.²² L’anza engaged in extensive advertising in the United States, and sold its products to domestic distributors who agreed to resell within limited geographic areas.²³ Since L’anza did not engage in extensive advertising or promotion in its foreign markets, it sold its products at a discount to foreign distributors.²⁴ At some point, Quality King Distributors (“Quality King”) purchased L’anza products internationally and then resold them at discounted prices to retailers in the United States.²⁵ L’anza then brought a copyright infringement suit

¹⁸ 17 U.S.C. § 602(a)(1) (2012).

¹⁹ 17 U.S.C. § 602(a)(3) (2012).

²⁰ 17 U.S.C. § 602(b) (2012).

²¹ *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010); *Quality King Distributors, Inc. v. L’anza Research Int’l, Inc.*, 523 U.S. 135 (1998).

²² *Quality King*, 523 U.S. at 138.

²³ *Id.*

²⁴ *Id.* at 139. L’anza would sell its products to foreign distributors at 35 to 40% lower than the prices charged to domestic distributors.

²⁵ *Id.*

against Quality King for illegally importing and distributing L'anza products, violating L'anza's exclusive rights under sections 106 and 602.²⁶ The District Court rejected Quality King's first sale defense and entered summary judgment for L'anza.²⁷ The Ninth Circuit affirmed, stating that section 602 would be meaningless if section 109 provided a defense for Quality King.²⁸ The Supreme Court reversed and entered judgment for Quality King, holding that the section 602(a)(1) importation right incorporates the section 106(3) exclusive distribution right and all its limitations, including the first sale doctrine of section 109.²⁹

As Justice Ginsburg stated in a concurring opinion, the *Quality King* court considered a case of a "round trip" journey where copies of a copyrighted work were manufactured in the United States, sold abroad, and then imported back into the United States.³⁰ If the copyrighted work was made in the United States, the first sale of that work anywhere in the world ended the copyright owner's right to control its distribution.³¹ Thus, the Court determined that the location of the first sale was irrelevant as long as the work was made in the United States. However, the *Quality King* decision did not resolve the issue of whether the first sale doctrine applied to copies lawfully manufactured abroad.³²

2. *Costco Wholesale Corp. v. Omega S.A.*

Omega manufactured its copyrighted watches in Switzerland and sold them globally through a network of authorized distributors and retailers.³³ After Omega initially sold the watches to authorized distributors overseas, Costco purchased some of the watches and then sold them to consumers in California.³⁴ Although Omega authorized the initial foreign sale of the watches, it did not authorize their

²⁶ *Id.*

²⁷ *L'Anza Research Int'l, Inc. v. Quality King Distributors, Inc.* CV-94-00841-JSL, 1995 WL 908331, at *4 (C.D. Cal. July 7, 1995), *aff'd*, 98 F.3d 1109 (9th Cir. 1996), *rev'd*, 523 U.S. 135 (1998), *vacated*, 143 F.3d 525 (9th Cir. 1998).

²⁸ *L'Anza Research Int'l, Inc. v. Quality King Distributors, Inc.*, 98 F.3d 1109, 1114 (9th Cir. 1996), *rev'd*, 523 U.S. 135 (1998), *vacated*, 143 F.3d 525 (9th Cir. 1998).

²⁹ *Quality King*, 523 U.S. at 149. *See also Kirtsaeng*, 133 S. Ct. at 1355.

³⁰ *Quality King*, 523 U.S. at 154 (Ginsburg, J., concurring).

³¹ Ralph Oman, *The Supreme Court to Congress: "Help!"*, 5 LANDSLIDE 34, 34 (2013).

³² *Quality King*, 523 U.S. at 154 (Ginsburg, J., concurring).

³³ *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983–84 (9th Cir. 2008), *abrogated by* 133 S. Ct. 1351 (2013).

³⁴ *Id.* at 984.

importation into the United States.³⁵ Omega then filed suit alleging that Costco infringed its exclusive distribution and importation rights.³⁶ Costco claimed that Omega's first sale of its watches exhausted its exclusive distribution right to control them.³⁷ The District Court entered summary judgment for Costco.³⁸ The Ninth Circuit reversed, holding that the first sale doctrine applies to copies manufactured outside the United States only if an authorized first sale occurs within the United States, which did not happen here.³⁹ Finally, the Supreme Court had an opportunity to definitively say whether the first sale doctrine applied to copies lawfully made outside of the United States. Instead, an equally divided Supreme Court affirmed the judgment with a per curiam decision.⁴⁰ The resulting uncertainty in the lower courts paved the way to the *Kirtsaeng* case.

C. *Kirtsaeng v. John Wiley & Sons, Inc.*

1. *Initial Suit*

John Wiley & Sons, Inc. ("Wiley") published academic textbooks.⁴¹ Wiley obtained copyright ownership from the authors of its academic textbooks and assigned to its wholly owned foreign subsidiary the rights to publish, print, and sell Wiley's English language textbooks abroad.⁴² Copies of Wiley foreign edition textbooks clearly state that, without Wiley's authorization, the copies are available for sale only in a particular country or area outside of the United States.⁴³ As a result, there were two equivalent versions of a

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Omega S.A. v. Costco Wholesale Corp.*, CV 04-05443 TJH (RCx), 2007 WL 7029734 (C.D. Cal. Feb. 6, 2007), *rev'd*, 541 F.3d 982 (9th Cir. 2008), *abrogated by Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

³⁹ *Omega S.A.*, 541 F.3d at 986. *See also Kirtsaeng*, 133 S. Ct. at 1357.

⁴⁰ *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565, 565 (2010) (providing that, although the Supreme Court granted certiorari, Justice Kagan took no part in the decision because she was involved in the case while serving as the United States Solicitor General. The remaining eight Justices issued a per curiam decision with a four-to-four split). *See also Benjamin Hamborg, John Wiley & Sons, Inc. v. Kirtsaeng: The Uncertain Future of the First-Sale Doctrine*, 13 MINN. J.L. SCI. & TECH. 899, 910 (2012).

⁴¹ *Kirtsaeng*, 133 S. Ct. at 1356.

⁴² *Id.*

⁴³ *Id.* A copy of Wiley's Asian edition of *Fundamentals of Physics* says, "this book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may not be exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a

continued . . .

Wiley textbook: (1) an American version printed and sold in the United States and (2) a foreign version in English made and sold abroad.⁴⁴

Supap Kirtsaeng, a citizen of Thailand, moved to the United States to study mathematics at Cornell University.⁴⁵ After graduation, he completed a Ph.D. program in mathematics at the University of Southern California.⁴⁶ While he was a student in the United States, Kirtsaeng saw an opportunity to finance his education when he discovered that Thai textbook editions were sold at a substantially lower price than the American editions. He asked family and friends in Thailand to buy copies of foreign edition English-language textbooks at Thai bookstores and mail them to him in the United States.⁴⁷ Kirtsaeng then sold the books, reimbursed his family and friends, and kept the profit.⁴⁸ Over a few years, Kirtsaeng made close to \$37,000.⁴⁹

In 2008, Wiley brought a copyright infringement suit against Kirtsaeng alleging that he violated Wiley's section 106(3) exclusive right to distribute its textbooks as well as section 602's prohibition against the unauthorized importation of its textbooks.⁵⁰ Kirtsaeng replied that the books he had sold were "lawfully made" and that he acquired them legitimately.⁵¹ He argued that the first sale doctrine permitted him to resell the textbooks without Wiley's permission.⁵²

2. *The District Court and Second Circuit Opinions*

The District Court held that Kirtsaeng could not assert a section 109(a) defense because the first sale doctrine did not apply to goods manufactured in a foreign country.⁵³ The District Court determined that the statutory language, statutory context, legislative history, and public policy of the Copyright Act were inconclusive, and used dicta

violation of the Publisher's rights."

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834(DCP), 2009 WL 3364037, at *2 (S.D.N.Y. Oct. 19, 2009), *aff'd*, 654 F.3d 210 (2d Cir. 2011), *rev'd and remanded*, 133 S. Ct. 1351 (U.S. 2013); *see also* Ralph Oman, *The Supreme Court to Congress: "Help!"*, 5 LANDSLIDE 34 (2013).

⁵⁰ *Kirtsaeng*, 133 S. Ct. at 1357.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *John Wiley & Sons, Inc.*, 2009 WL 3364037, at *5.

from *Quality King* to reach its conclusion.⁵⁴ The jury then found that Kirtsaeng willfully infringed Wiley's copyrights by importing and selling Wiley's copyrighted textbooks.⁵⁵

The Second Circuit affirmed the District Court's opinion, holding that the phrase "lawfully made under this title" in section 109(a) refers only to copies that are made in territories in which the Copyright Act is law, and not to works manufactured abroad.⁵⁶ Given the split⁵⁷ amongst the circuit courts, the Supreme Court granted Kirtsaeng's petition for certiorari to finally decide whether the first sale doctrine applied to non-piratical works made outside the United States.⁵⁸ However, before analyzing the *Kirtsaeng* decision, it is necessary to understand the two main frameworks of intellectual property rights: national and international exhaustion.

⁵⁴ *Id.* at *9. The District Court specifically focused on the following:

Even in the absence of a market allocation agreement 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 the 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).

⁵⁵ *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F. 3d 210, 215 (2d Cir. 2011) *rev'd and remanded*, 133 S. Ct. 1351 (U.S. 2013). The jury found Kirtsaeng liable for willful copyright infringement of the eight works that Kirtsaeng imported and sold. The jury imposed \$75,000 in damages for each work, for a total of \$600,000.

⁵⁶ *Id.* at 222.

⁵⁷ Compare *Pearson Educ., Inc. v. Liu* 656 F. Supp. 2d 407 (S.D.N.Y. 2009) (holding that the first sale doctrine does not apply to textbooks manufactured and sold in foreign countries and then imported to the United States); *Id.* (finding that the first sale doctrine does not apply to works made outside the United States), with *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 986 (9th Cir. 2008), *abrogated by Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013) (holding that the first sale doctrine applies to copies manufactured outside the United States only if an authorized first sale occurs within the United States), and *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F. 2d 1093, 1098, n.1 (C.A.3 1988) (stating that the "lawfully made under this title" language restricting the scope of the first sale doctrine "does not fit comfortably within the scheme of the Copyright Act").

⁵⁸ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1357 (2013).

D. National or International Exhaustion

Since intellectual property law is territorial in nature, intellectual property creators may own parallel intellectual property rights in a variety of jurisdictions.⁵⁹ For example, Wiley has parallel intellectual property rights to publish, print, and distribute its textbooks in both Thailand and the United States.⁶⁰ The relationship between these parallel intellectual property rights is really the core of the first sale question posed to the *Kirtsaeng* court. According to the Court, “[t]here is no international consensus on whether the sale in one country of a good incorporating protected intellectual property exhausts the intellectual property owner’s right to control the distribution of that good elsewhere.”⁶¹ Without such an agreement, individual countries have chosen their own exhaustion approaches.⁶² In *Kirtsaeng*, the Supreme Court discussed two different exhaustion options.⁶³ First, a national exhaustion regime holds that a copyright owner’s right to control distribution of a particular copy is exhausted only within the country in which the copy is sold.⁶⁴ In a national exhaustion regime, each parallel intellectual property right is treated as a separate national right and is fully enforceable in its jurisdiction.⁶⁵ The copyright owner may block the importation of even authorized products first sold in another jurisdiction, thereby allowing copyright owners of parallel intellectual property rights to divide global markets to account for differences in supply and demand.⁶⁶ So the sale of a foreign edition textbook in Thailand would exhaust Wiley’s right to control that edition only in Thailand. Wiley would not have made a first sale in the United States, and thus would still have the exclusive distribution right of the foreign edition textbook within American borders.

Another option is an international exhaustion approach, under which the authorized distribution of a particular copy anywhere in the

⁵⁹ *Id.* at 1383 (Ginsburg, J., dissenting).

⁶⁰ *See generally id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.* The European Union has adopted another exhaustion approach called regional exhaustion, where a sale anywhere in the European Union exhausts the copyright owner’s distribution right anywhere in that region. However, the United States is not a member of an economic or political union like that found in Europe, so this regional exhaustion approach is inapplicable.

⁶⁴ *Id.*

⁶⁵ Vincent Chiappetta, *The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things*, 21 MICH. J. INT’L L. 333, 341 (2000).

⁶⁶ *Id.*

world exhausts the copyright owner's distribution right everywhere with respect to that copy.⁶⁷ In an international exhaustion regime, the first sale of a work in any jurisdiction automatically exhausts the copyright owner's parallel intellectual property rights in all other jurisdictions.⁶⁸ Products may move freely through international markets following any first sale.⁶⁹ In contrast with copyright owners in a national exhaustion regime, copyright owners in an international exhaustion approach cannot divide global markets to account for differences in supply and demand. Therefore, Wiley's first sale of a textbook in Thailand would exhaust its ability to control that textbook's distribution anywhere else in the world, including the United States. The *Kirtsaeng* court had to choose which exhaustion regime it would implement.

III. ANALYSIS

A. Why the *Kirtsaeng* Majority Got it Mostly Right

1. *The Good*

The Supreme Court in *Kirtsaeng* looked at the language, statutory context, and common law history of the first sale doctrine to determine whether the words "lawfully made under this title" restrict the scope of the first sale doctrine geographically.⁷⁰ The majority answered negatively, adopting a non-geographical interpretation.⁷¹ The Court also focused on the practical problems that a geographic interpretation would pose.⁷² This non-geographic interpretation of the first sale doctrine might implement an international exhaustion regime in the United States.⁷³

a. *Statutory language of section 109(a)*

The majority found that "lawfully made under this title" means made "in accordance with" or "in compliance with" the Copyright Act, and is consistent with a non-geographical reading of the statute.⁷⁴

⁶⁷ *Kirtsaeng*, 133 S. Ct. at 1383 (Ginsburg, J., dissenting).

⁶⁸ *See supra* note 66, at 341.

⁶⁹ *Id.*

⁷⁰ *Kirtsaeng*, 133 S. Ct. at 1357–58 (majority opinion).

⁷¹ *Id.* at 1358.

⁷² *Id.* at 1358–59.

⁷³ *See id.* at 1384 (Ginsburg, J., dissenting) (arguing that the Court's decision in this case commits the United States to the international-exhaustion framework).

⁷⁴ *Id.* at 1358.

In contrast, a geographical interpretation inserts geography into a statute that says nothing explicitly about geography.⁷⁵ The geographic interpretation reads “lawfully made under this title” to mean “in conformance with the Copyright Act where the Copyright Act is applicable.”⁷⁶ Thus, both the non-geographic and geographic interpretations agree that “lawfully made under this title” means “in conformance with the Copyright Act,” but the geographic interpretation requires an extra step to determine where the Copyright Act is applicable.⁷⁷ Since the geographic reading requires this extra step, the majority made the correct, simpler reading of “lawfully made under this title,” to be nongeographic. Furthermore, section 104(b)(2) states, “the works . . . when published, are subject to protection under this title if – the work is first published . . . in a foreign nation that, on the date of first publication, is a treaty party.”⁷⁸ Thus, the Copyright Act explicitly covers works published in foreign countries, and is not restricted solely to the United States.

b. Statutory context and common law history of section 109(a)

Since the statutory predecessor of section 109(a) says nothing about geography, the Court asked whether Congress implicitly introduced a geographical limitation when it wrote the present version of section 109(a).⁷⁹ The former version covered mere possessors who lawfully obtained a copy, while the present version covers owners of a lawfully made copy.⁸⁰ The change in this language was meant to exclude persons, like lessees and bailees who lawfully obtained a copy without actually owning it, from asserting a first sale defense.⁸¹ Thus, the present version of section 109(a) does not explicitly or implicitly mention a geographic limitation.

The Court presumed that the words “lawfully made under this title” carry the same meaning in separate but related sections of the Copyright Act.⁸² However, applying a geographical interpretation to these words in other sections of the Copyright Act results in an

⁷⁵ *Id.* at 1359.

⁷⁶ *Id.* (emphasis removed).

⁷⁷ *See id.* (arguing that proponents of the geographic interpretation must “take a second step” and argue where the Copyright Act is applicable).

⁷⁸ 17 U.S.C. § 104(b)(2) (2012).

⁷⁹ *Kirtsaeng*, 133 S. Ct. at 1360.

⁸⁰ *Id.* at 1361.

⁸¹ *Id.* A lessee of a copy cannot assert a first sale defense, while an actual owner of a copy can.

⁸² *Id.* at 1362.

untenable application. First, section 109(c) states that the owner of a particular copy “lawfully made under this title” may publicly display it without further authorization.⁸³ Using a geographic interpretation would mean that someone who buys a copyrighted poster or bumper sticker in Canada or Europe could not display it in America without the copyright owner’s authorization.⁸⁴ Second, section 110(1) says that a teacher, without the copyright owner’s authorization, is allowed to display a copyrighted work in teaching activities unless the teacher knows that the copy was not “lawfully made under this title.”⁸⁵ A geographic interpretation means that a teacher could not show a copy of a video during class if the copy was lawfully made in Mexico, Africa, or Asia.⁸⁶ In sum, a geographic interpretation of “lawfully made under this title” creates practical problems for owners of copyrighted items, and gives copyright holders too much control over the distribution or display of copies already sold.

The common law history of section 109(a) also favors a non-geographical interpretation.⁸⁷ The Supreme Court first applied the first sale doctrine in *Bobbs-Merrill Co. v. Straus*, where there is no mention of a geographical restriction.⁸⁸ When a statute covers an issue previously governed by the common law, the Court presumes that Congress intended to retain the substance of the common law unless explicitly stated otherwise.⁸⁹

c. Practical problems of geographic reading of section 109(a)

A geographical interpretation also threatens normal scholarly, artistic, commercial, and consumer activities,⁹⁰ and fails to further the basic constitutional copyright objective of “promoting the Progress of

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.* The Court also mentioned two other sections of the Copyright Act where a geographic interpretation of “lawfully made under this title” does not make sense. Section 109(e) says that the owner of a particular copy of a copyrighted video arcade game “lawfully made under this title” may “publicly perform or display that game” without the authorization of the copyright owner. A geographic interpretation means that the arcade owner could not use arcade games lawfully made in Japan without the copyright owner’s authorization. Finally, section 106 grants the Act’s exclusive rights to an “owner of a copyright under this title.” It is hard to decipher how an “owner” may be limited geographically by “under this title.”

⁸⁷ *Id.* at 1363.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.* at 1358.

Science and useful Arts.”⁹¹ For example, a geographical interpretation will require libraries to obtain permission from the copyright owner before circulating or distributing books that were printed abroad.⁹² Likewise, an American tourist in France who buys copies of a foreign book to give to her American friends would commit copyright infringement.⁹³ Many items, including cars, microwaves, calculators, cell phones, tablets, and computers contain copyrightable software programs that are made abroad and then sold and imported, with the copyright owner’s permission, into the United States.⁹⁴ A geographical interpretation would not allow someone to resell his car without the permission of the holder of each copyright on copyrightable software in the car.⁹⁵ American retailers may not be able to buy foreign goods without the threat of copyright infringement suits.⁹⁶ Finally, a geographic interpretation would require museums to obtain permission from copyright owners before they could display any artistic work.⁹⁷

Although the dissent argues that these problems are theoretical in nature, the majority correctly disagreed. These untenable issues give copyright owners almost perpetual control over copies they have already sold, create much uncertainty and confusion in American copyright law, and threaten liability for innocent American consumers who purchase cheap products that happen to have been made abroad. The statutory language, statutory context, common law history, and practical problems with a geographic interpretation of section 109(a) all support the majority’s nongeographic interpretation of the first sale doctrine. Thus, the majority correctly held that the first sale doctrine applies to copies lawfully made abroad.

⁹¹ *Id.* at 1364; U.S. CONST., ART. I, § 8, cl. 8.

⁹² *Kirtsaeng*, 133 S. Ct. at 1364. According to the amicus curiae brief of the American Library Association, American libraries contain at least 200 million books published abroad.

⁹³ *Id.* at 1365.

⁹⁴ *Id.*

⁹⁵ *Id.* It is difficult to believe that a person selling his foreign used car actually obtains permission from all the copyright owners.

⁹⁶ *Id.* Over \$2.3 trillion worth of foreign goods were imported in 2011, and American retailers buy many of these goods after a first sale abroad. American retail sales of foreign books, music, movies, and magazines likely exceed over \$220 billion.

⁹⁷ *Id.*

2. *The Bad*

Following *Quality King*, a copyright owner's section 602(a)(1) importation right is limited by the section 109(a) first sale doctrine.⁹⁸ If the first sale doctrine applies, then a copyright owner cannot prohibit a legitimate owner of a copy from importing it into the United States. As a result, the *Kirtsaeng* holding creates two problems regarding section 602.

a. Insignificance of section 602(a)(1) and section 602(a)(3)

First, the majority's holding reduces section 602(a)(1) and its exceptions to insignificance. Now section 602(a)(1)'s only effect is to prohibit the unauthorized importations by persons, like licensees, who merely have possession of imported copies, but do not own them.⁹⁹ However, the specific person who imports the copy is inconsequential because section 602(a)(1) does not distinguish between owners and licensees.¹⁰⁰ The plain meaning of section 602(a)(1) prohibits the unauthorized importation of copies acquired abroad.¹⁰¹ If Congress wanted to provide a copyright infringement remedy only against non-owners, it would have written section 602(a)(1) with much more specific language for that narrow purpose.¹⁰² Instead, Congress drafted section 602(a)(1) very broadly to stop all importation.¹⁰³ The majority's holding allows owners of copies to import those copies into the United States without the copyright owner's authorization, which clearly goes against congressional intent to stop the unauthorized importation of copies.

The majority's holding also reduces the section 602(a)(3) exceptions to insignificance. Even without the copyright owner's authorization, a legal owner may import copies (1) under the authority

⁹⁸ *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 145 (1998).

⁹⁹ *Kirtsaeng*, 133 S. Ct. at 1378 (Ginsburg, J., dissenting).

¹⁰⁰ See 17 U.S.C. § 602(a)(1) (2012) ("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 . . . under section 106.").

¹⁰¹ *Id.*

¹⁰² *Kirtsaeng*, 133 S. Ct. at 1378 (Ginsburg, J., dissenting). For example, section 602(a)(1) could read, "[i]mportation by bailees, licensees, lessees, and other non-owners, into the United States, without the authority of the owner . . . is an infringement of the exclusive right to distribute."

¹⁰³ *Kirtsaeng*, 133 S. Ct. at 1378 (Ginsburg, J., dissenting).

of the United States Government, (2) for the private use of the importer or exporter and not for distribution, and (3) for scholarly, educational, or religious purposes that do not include private gain.¹⁰⁴ Why would Congress provide these specific exceptions to a copyright owner's importation right if the first sale doctrine already completely extinguished section 602(a)(1)? The answer is that there is no reason, and the section 602(a)(3) exceptions are superfluous, except to prevent non-owners from importing copies into the United States. For example, section 602(a)(3)(B) allows an individual to import one work of a copyrighted item at a time, as long as the work is for the private use of the individual and not for distribution.¹⁰⁵ There is no purpose for this exception, and the other two exceptions, if the first sale doctrine already allows the individual to import the copyrighted work.

b. Disregard of public policy behind section 602

The second problem with the majority's holding is that it contravenes the policy behind section 602. Section 602(a)(1) was enacted as part of the Copyright Act of 1976, and went through multiple drafts and revisions.¹⁰⁶ The Copyright Office prepared a preliminary draft that was very similar to the current version of section 602(a)(1), but that did not reference section 106.¹⁰⁷ Congress's revised draft referenced the section 106 exclusive distribution right, and the majority concluded that Congress wanted the first sale doctrine to limit the importation right.¹⁰⁸ While the legislative history of section 602 is inconclusive, there is evidence that its purpose was to allow copyright owners to bring infringement actions against unauthorized importers in cases "where the copyright owner had

¹⁰⁴ 17 U.S.C. § 602(a)(3)(A)–(C) (2012).

¹⁰⁵ 17 U.S.C. § 602(a)(3)(B) (2012).

¹⁰⁶ *Kirtsaeng*, 133 S. Ct. at 1380 (Ginsburg, J., dissenting).

¹⁰⁷ *Id.* at 1381. Section 44(a) was the relevant section of the Copyright Office's preliminary draft, and it said:

[i]mportation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35.

Abe Goldman, the Copyright Office's General Counsel, said that this preliminary draft "would allow copyright owners to bring infringement actions against importers of 'foreign copies that were made under proper authority.'" *Id.*

¹⁰⁸ *Id.* at 1369–70 (majority opinion). The majority then focused on the legislative history of section 109(a).

authorized the making of copies in a foreign country for distribution only in that country.”¹⁰⁹ Thus, Congress passed section 602 so that copyright owners could divide global markets to take into account differences in supply and demand, which increases the monetary incentive to create copyrightable works.¹¹⁰

Without section 602 protection, a professor who has finished a United States textbook edition does not have much incentive to spend further effort to make an international version. The international version will make its way back into the United States, lowering the price of the American edition and undermining domestic sales. This devaluation of American copyrights discourages American inventors from developing new products. The lack of section 602 protection will also result in a lack of educational, cultural, and technological materials in developing parts of the world. If textbooks sold abroad will re-enter the United States and lower the copyright owner’s profits, then the copyright owner will simply stop making the foreign edition textbook.

B. Why the *Kirtsaeng* Dissent Got it Mostly Wrong

The dissent argued that a national exhaustion approach should be implemented to strengthen American copyrights and leave section 602 intact.¹¹¹ However, a national exhaustion approach presents a few problems. First, it would contradict congressional intent by allowing copyright owners to have almost continuous distribution control over foreign-made copies. The first sale doctrine was implemented to prevent a copyright owner’s perpetual control by allowing him to profit only from the initial sale of his copy.¹¹² Second, a national exhaustion framework is at odds with the *Quality King* decision. National exhaustion says that a copyright owner’s right to control distribution of a particular copy is exhausted only within the country in which the copy is sold, but *Quality King* determined that the location of the sale was irrelevant as long as the copy was legally

¹⁰⁹ Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 89th Cong., 1st Sess. (H.R. Judiciary Comm. Print 1965). See also *Kirtsaeng*, 133 S. Ct. at 1382 (Ginsburg, J., dissenting).

¹¹⁰ *Kirtsaeng*, 133 S. Ct. at 1378 (Ginsburg, J., dissenting). Justice Ginsburg said that section 602(a)(1) ties the United States to a national exhaustion framework.

¹¹¹ *Id.* at 1391. Under a national exhaustion approach, the first sale doctrine would only apply to copies lawfully manufactured in the United States.

¹¹² See *supra* Part II.A.2.

made in the United States.¹¹³ Under the dissent's national exhaustion approach, a publisher could not control the distribution in the United States of a textbook made in the United States and sold in Thailand. The location of the sale is what matters under national exhaustion, and the publisher could control only the textbook's distribution in Thailand. However, *Quality King* tells us that the first sale doctrine applies when a textbook is made in the United States and sold in Thailand. The location of the sale is irrelevant, and all that matters is that the textbook was legally made in the United States. Thus, *Quality King* conflicts with national exhaustion, and the copyright owner could control the textbook's distribution within American borders.

Finally, a geographic limitation on the first sale doctrine would incentivize copyright owners to manufacture their products abroad, shifting jobs and economic stimulation outside of the United States. Under a national exhaustion regime, the first sale doctrine does not apply to Wiley's Thailand made books, so it can control the distribution of those books in the United States. Why would Wiley make a book in the United States that is limited by the first sale doctrine when Wiley can make a book in Thailand that is not limited by it? The United States should promote policy that causes American copyright owners to want to produce their products domestically, not internationally.

Although the dissent correctly realized that section 602 was superfluous in light of the *Quality King* and *Kirtsaeng* decisions, it incorrectly argued to fix a problem (insignificance of section 602) with another problem (limiting the first sale doctrine geographically). Is there a way to harmonize a non-geographic section 109(a) first sale doctrine with a significant section 602 importation right?

C. What Is Next?

In her concurrence in *Kirtsaeng*, Justice Kagan provides a way to harmonize a non-geographic section 109(a) first sale doctrine with a significant section 602 importation right: reversing *Quality King*.¹¹⁴ Following *Quality King* and *Kirtsaeng*, a copyright owner cannot stop the importation of his copyrighted items from outside the United States when the first sale doctrine applies. However, if the first sale doctrine did not limit the importation right, then a copyright owner could restrict the importation of copies irrespective of the first sale

¹¹³ See *supra* Part II.D (defining national exhaustion); see *supra* Part II.B.1 (explaining *Quality King*).

¹¹⁴ *Kirtsaeng*, 133 S. Ct. at 1372 (Kagan, J., concurring). *Quality King* held that section 602(a)(1) is limited by section 109(a). See *supra* Part II.B.1.

doctrine.¹¹⁵ Section 109(a) should not limit section 602(a)(1) because the first sale doctrine allows owners of copies to “sell” or “dispose” of their copies, but does not authorize them to “import” them.¹¹⁶ Thus, under this new standard, when Kirtsaeng purchases a Wiley textbook in Thailand, the first sale would exhaust Wiley’s exclusive distribution right over that textbook. Wiley would have no control over whether Kirtsaeng sells, burns, or gives the textbook away. However, the first sale doctrine does not authorize Kirtsaeng to import that textbook into the United States, and Wiley could assert its section 602 importation right to stop this unauthorized importation, even though Wiley has already exhausted its exclusive distribution right.

This solution provides monetary incentive to American copyright creators who can segment international markets,¹¹⁷ and would not impose downstream liability on those who purchase and resell in the United States copies that happen to have been made abroad.¹¹⁸ A copyright owner could bring an infringement suit against the unauthorized importer only, and not against libraries, used-book dealers, technology companies, retailers like eBay and Amazon, and museums.¹¹⁹ By holding that the first sale doctrine applies to copies lawfully made abroad, the Supreme Court appears to implement an international exhaustion framework. However, by reversing *Quality King*, the first sale doctrine would not limit the importation right. The result is a mixture of national and international exhaustion, where the sale of a copy anywhere in the world exhausts the copyright owner’s distribution right everywhere with respect to that copy, except for the United States, where the copyright owner can ban the unauthorized importation of the copy. Copyright owners would not have perpetual control over foreign made copies, and could segment global markets while imposing liability on the actual guilty party, the unauthorized importer, instead of innocent third parties who happen to buy and resell the copy. Also, the mixed exhaustion approach, unlike the dissent’s national exhaustion, would not incentivize copyright owners to outsource their production overseas, keeping jobs in America.

In sum, this mixed exhaustion approach provides numerous advantages: (1) copyright owners do not retain extensive control on the downstream distribution of a copy once it is sold; (2) copyright

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 1391 n.1. The first sale doctrine and the importation right thus regulate separate, non-overlapping spheres of conduct.

¹¹⁷ *Id.* at 1372.

¹¹⁸ *Id.*

¹¹⁹ *Id.*

owners can segment global markets to benefit from different supply and demand; (3) copyright owners can only bring infringement suits against the actual guilty party, the unauthorized importer, rather than innocent third parties like retailers and museums that happen to buy products lawfully made abroad; (4) copyright owners are not incentivized to outsource their manufacturing overseas; and (5) strong section 602(a)(1) protection will result in increased educational, cultural, and technological materials in developing parts of the world.

If *Kirtsaeng* were decided using this mixed exhaustion approach, Wiley would have won at trial. *Kirtsaeng* would be guilty of importing Wiley's textbooks into the United States without Wiley's authorization. It is irrelevant that Wiley made a first sale in Thailand because the first sale doctrine would not authorize *Kirtsaeng* to import the textbook into the United States.

D. Possible Solutions

There are a few possible solutions that should be implemented to adopt this mixed exhaustion approach. First, the Supreme Court should reverse the *Quality King* holding. Next, section 109(a) should be amended as follows:

(a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord 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 or phonorecord. ***This limitation on a copyright owner's exclusive rights does not limit a copyright owner's right to prohibit importation under section 602(a)(1).***

Section 602(a)(1) should also be amended as follows:

Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. ***This importation right is not limited by section 109(a).***

This legislative intervention clarifies that the section 109(a) first sale doctrine does not limit the section 602(a)(1) importation right.

Alternatively, the United States may implement an international exhaustion system with a more limited importation right by creating a

treaty with other countries. In this way, if Britain and the United States were signatories of the treaty and a product were sold in Britain and then imported into the United States, the copyright owner would have no right to control the importation. On the other hand, if a product were sold in a non-signatory country, such as Thailand, and then imported into the United States, the copyright owner could bar the importation of the product.

IV. CONCLUSION

Although the Supreme Court ultimately made the correct decision that the section 109(a) first sale doctrine is not limited by geography, thus applying to copies lawfully manufactured outside the United States, its holdings in *Kirtsaeng* and *Quality King* mistakenly made the section 602(a)(1) importation right ineffective. *Quality King* should be reversed and amendments to the Copyright Act made so that the importation right is clearly not limited by the first sale doctrine. In this way, the first sale of a copy anywhere in the world exhausts the copyright owner's exclusive distribution right everywhere with respect to that copy. However, the copyright owner may block the owner of the particular copy from importing it into the United States because the first sale doctrine only authorizes the owner of the copy to sell or dispose of the copy, but not import it into the United States.

Even though *Kirtsaeng* and other American college students will complain of high textbook prices, Congress intended a non-geographic first sale doctrine and a strong importation right, allowing textbook authors to divide international markets. The mixed exhaustion approach achieved through the proposed statutory amendments incentivizes works of authorship and strengthens domestic copyright protection.