



High Court Ruling May Curb Int'l Sales Of Copyrighted Work

By Scott Flaherty

Law360, New York (March 19, 2013, 8:55 PM ET) -- The U.S. Supreme Court's ruling Tuesday that the Copyright Act's first-sale doctrine extends to products made outside the U.S. shores up protections for consumers and businesses that resell copyrighted goods, but may restrict sales of copyrighted works in other countries, attorneys say.

In publisher John Wiley & Sons Inc.'s infringement case against a man who resold foreign editions of its books, the 6-3 majority reversed a ruling that the federal copyright law's first-sale doctrine applied only to U.S.-made goods. Under that doctrine, a copy of a work is out of the copyright owner's control once it is sold the first time.

The majority's ruling, which determined that the first-sale doctrine also applied to copyrighted works made outside the U.S., was described by some attorneys as a clear victory for consumers and businesses that operate in secondary markets, like online retailers, used book stores and thrift shops.

Seth Greenstein of Constantine Cannon LLP told Law360 that the Second Circuit's ruling would have created "perverse incentives" for copyright holders to manufacture goods outside the U.S. to restrict resales and "downstream uses."

"Congress could not have intended that," said Greenstein, who filed amicus briefs in the case on behalf of the Retail Litigation Center Inc., the Retail Industry Leaders Association and others. "The Supreme Court set that right today."

The majority opinion, written by Justice Stephen G. Breyer, included a discussion of the possible consequences — referred to as "horribles" — that the Second Circuit's ruling might have had on a range of businesses and organizations. If the appeals court's ruling stood, the majority said, libraries might have needed to get permission from copyright holders before loaning books published abroad, and retailers might have been restricted from reselling imported goods with copyrighted packaging or logos.

"Reliance upon the 'first-sale' doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums and retailers, who have long relied upon its protection," Justice Breyer wrote.

Picking up on the majority's sentiment, Michael M. Ratoza of Bullivant Houser Bailey PC, said the decision "refuses to make criminals and pirates out of everyone who deals in used merchandise."

"This decision confirms that used book stores, museums, garage sellers, used record shops, Goodwill stores and a host of other legitimate used good owners are able to lawfully display and resell their wares without the threat of a copyright infringement claim," Ratoza said.

Jonathan Reichman, a partner in Kenyon & Kenyon LLP's intellectual property practice, said the Supreme Court's ruling made sense in light of the increasingly global nature of the sectors that rely most on copyrights, including the motion picture, music and technology industries.

“This ruling brings us current with the way the copyright industries operate today,” Reichman told Law360.

But while U.S. consumers and certain retailers might stand to benefit from the Supreme Court's ruling, some attorneys cautioned that the decision may also affect the sales and prices of copyrighted work in other countries.

Because the ruling would let people and businesses buy copyrighted work for low prices overseas and resell them for a profit in the U.S., copyright holders would probably price their goods in other countries close to what they would sell for in the U.S.

“Today’s decision ... will force companies to evaluate their foreign pricing structure,” said Dax Anderson of Kirton McConkie PC. “While it is a win for U.S. consumers, the unintended consequence may price foreign consumers out of the market for U.S. creative works, thus reducing demand for U.S. goods abroad.”

Karol Kepchar, an intellectual property partner at Akin Gump Strauss Hauer & Feld LLP, explained that the impacts on sales of copyrighted material might be felt acutely in developing nations.

“People in developing countries may find that textbooks and other copyrighted works that are priced appropriately to their market will be less accessible,” said Kepchar.

Tuesday's ruling comes in a case that dates back to 2008, when Wiley lodged copyright infringement allegations in New York federal court against Supap Kirtsaeng, a student who moved from Thailand to the U.S. for college.

Kirtsaeng asked friends and family to buy low-priced foreign editions of textbooks in Thai bookshops and mail them to him in the U.S. He then sold the books, paid back his family and friends, and kept the remainder as profit, the high court said.

Kirtsaeng argued he was allowed to resell the books under the first-sale rule, but the district court found the doctrine did not apply to foreign-made goods. A federal jury later found Kirtsaeng liable for willful infringement of Wiley's copyrights and hit him with \$600,000 in damages.

On appeal, the Second Circuit agreed with the lower court, saying the first-sale doctrine did not apply to copies of American copyrighted works that were made outside the U.S.

Kirtsaeng filed a petition with the Supreme Court, which granted it in April and heard arguments in October.

At the high court, the two sides disputed the doctrine's geographical scope.

On one side, Wiley argued that the first-sale doctrine applied only to goods manufactured within U.S. borders, leaving copyright owners free to sue over goods made abroad. On the other, Kirtsaeng maintained that the rule applies regardless of where goods are made, and said his resale of foreign textbooks was permitted.

In Tuesday's ruling, the majority reversed the Second Circuit's decision, saying “Kirtsaeng’s nongeographical reading is the better reading.”

In a dissent, Justice Ruth Bader Ginsburg criticized the majority's holding, which she said “shrinks to insignificance copyright protection against the unauthorized importation of foreign-made copies.”

Several attorneys noted that, despite Tuesday's ruling, the debate could rage on in the realm of federal lawmakers.

“Given the significance of the decision to publishers and the apparent limitations on their rights, it seems likely that they will now turn to Congress for help,” said Peter Toren of Weisbrod Matteis & Copley PLLC.

Breyer was joined in the majority by Chief Justice John G. Roberts Jr., as well as Justices Clarence Thomas, Samuel A. Alito Jr., Sonia M. Sotomayor and Elena Kagan.

Justice Ginsburg was joined in the dissent by Justice Anthony Kennedy and, in part, by Justice Antonin Scalia.

Wiley is represented by Theodore B. Olson, Matthew D. McGill and Scott P. Martin of Gibson Dunn & Crutcher LLP.

Kirtsaeng is represented by E. Joshua Rosenkranz, Annette L. Hurst and Lisa T. Simpson of Orrick Herrington & Sutcliffe LLP and by Sam P. Israel of Sam P. Israel PC.

The case is *Kirtsaeng v. John Wiley & Sons Inc.*, case No. 11-697, in the U.S. Supreme Court.

--Editing by Kat Laskowski and Chris Yates.
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