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U.S. Supreme Court Holds That Copyright Is Subject To International Exhaustion

April 2, 2013

On March 19, 2013, the Supreme Court issued its long-awaited opinion in *Kirtsaeng v. John Wiley & Sons, Inc.* John Wiley is an academic textbook publisher that gives rights to publish English-language editions of its textbooks to its foreign subsidiary in Asia. The textbooks at issue in this case were published and sold in Asia by John Wiley's foreign subsidiary. There was a notation inside each book that explained that the book was only authorized for sale in certain countries and that importation of the book outside of those countries would be a violation of the publisher's copyright. Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997. Because copies of the foreign textbooks were less expensive in Thailand, Kirtsaeng asked his friends and family there to buy copies of the books and mail them to him in the United States. Kirtsaeng then resold them in the United States, reimbursed his family and friends, and kept the profit.

John Wiley sued Kirtsaeng for copyright infringement. John Wiley claimed that Kirtsaeng's unauthorized importation and resale of its books amounted to a violation of John Wiley's copyright under 17 U.S.C. § 106(3) and 17 U.S.C. § 602. In response, Kirtsaeng argued that the books at issue had been lawfully made and sold by the copyright owner (through its subsidiary), that the copyright owner had therefore received all that the copyright owner was due for those copies, and that the "first sale" or "exhaustion" doctrine codified in 17 U.S.C. § 109(a) therefore applied. Section 109(a) reads as follows:

Notwithstanding the provisions of section 106(3), the owner of a particular copy…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….

Thus, as a general principle, even though section 106(3) prohibits unauthorized distribution of a copy of a copyrighted work, section 109(a) holds that once a copy of that work has been lawfully sold, the owner of *that copy*and subsequent owners may dispose of it as they see fit. This is known as the "first sale" or "exhaustion" doctrine because the "first sale" by the copyright owner (or its licensee) "exhausts" the copyright in that copy.

The issue in *Kirtsaeng* was whether section 109(a) is still applicable when the copy at issue was printed and first sold *outside of the United States.* John Wiley argued that the phrase "lawfully made under this title" in section 109(a) is a geographical limitation. The argument was that a book that is made and first sold outside of the United States is not subject to copyright laws in the United States and is therefore not "made under this title" but under some other country's copyright laws. The Supreme Court rejected that argument in *Kirtsaeng*, holding that the most natural interpretation of "lawfully made under this title" was simply "made in compliance with this title" and that there is no geographical limitation on section 109(a). Thus, the Court endorsed the principle of "international exhaustion," *i.e.*, exhaustion for copies sold by the copyright owner or its licensees anywhere in the world. In support of its interpretation, the Supreme Court pointed to a number of "practical problems" that would arise under John Wiley's interpretation of section 109(a). It explained that libraries who have purchased books published abroad would have to ensure that those copies were imported with permission, that a tourist who buys a book in Paris for American friends "might find that she had violated the copyright law," that the copyrighted software in automobiles "would prevent the resale of…a car…without the permission of the holder of each copyright on each piece of copyrighted automobile software," and that art museums might have difficulty in displaying foreign-produced works.

Justice Breyer wrote the majority opinion for the Court, and was joined by Chief Justice Roberts, Justice Thomas, Justice Alito, Justice Sotomayor, and Justice Kagan. Justice Kagan, joined by Justice Alito, wrote a concurring opinion pointing out that the Court's decision, in conjunction with the Court's previous decision in *Quality King Distributors, Inc. v. L'anza Research, Int'l*, Inc., 523 U.S. 135 (1998) left very little of the right to prohibit unauthorized importation in 17 U.S.C. § 602 and suggesting that perhaps *Quality King* might have been wrongly decided. Justice Ginsburg offered a dissenting opinion, joined by Justice Kennedy and Justice Scalia.

Interestingly, after *Kirtsaeng*, the exhaustion rule is currently different in patent law than in copyright law. The U.S. Court of Appeals for the Federal Circuit has held that a sale of a patented good by a patent owner outside the United States does *not* exhaust the patent owner's U.S. patent rights in that good. *Jazz Photo Corp. v. International Trade Comm'n*, 264 F.3d 1094, 1105 (Fed. Cir. 2001); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1376-77 (Fed. Cir. 2005).

The full text of all of the opinions associated with the Supreme Court's *Kirtsaeng* decision can be found at:

http://www.supremecourt.gov/opinions/12pdf/11-697_d1o2.pdf