THE DILEMMA OF THE FIRST SALE DOCTRINE IN THE CONTEXT OF FOREIGN-MANUFACTURED GOODS

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I. INTRODUCTION

On March 19, 2013, the Supreme Court ruled in *Kirtsaeng v. John Wiley & Sons, Inc.*,[455] in a 6-3 decision, that the first sale defense of the U.S. Copyright Act applies to copyrighted works first made and sold abroad which are later imported into the United States.[456] This holding has significant implications for businesses that have depended on copyright protection under section 602(a)(1) for goods produced abroad.[457] A copyright owner has a financial incentive to price its goods differently depending on what country those goods are sold in because "economic conditions and demand for particular goods vary across the globe."[458] If a copyright owner no longer has the protection under section 602(a)(1) to prevent the unauthorized importation of copyrighted goods into the United States, it can no longer sell its copyrighted goods at different prices in different countries.[459] Unfortunately, not allowing the first sale defense in any scenario involving copyrighted goods manufactured abroad also gives rise to negative implications because a copyright owner would have incentive to move manufacturing abroad as these goods would have more copyright protection than domestically manufactured goods.[460] This article claims that Congress should amend the statute in a way that protects both the copyright owner and its ability to charge different prices in different geographic regions as well as the consumer to freely dispose of copyrighted goods purchased and manufactured abroad.[461]

This article proceeds in three sections.[462] First, the background describes how the first sale doctrine first came to be and how different circuits have applied it leading up to the decision in *Kirtsaeng v. John Wiley & Sons, Inc.*[463] Next, this article will discuss the different implications of both strictly protecting the copyright owner and the consumer.[464] This article then advances the argument that some sort of balance is needed in which both the copyright holder and the consumer are protected similar to that proposed by the Ninth

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455 133 S. Ct. 1351 (2013).

456 *Id.* at 1352.

457 *See id.* at 1373-74 (Ginsburg, J., dissenting).

458 *Id.* at 1374.

459 *Id.*

460 John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 227-28 (2d Cir. 2011) (Murtha, J., dissenting) *rev'd*, 133 S. Ct. 1351, 185 L. Ed. 2d 392 (U.S. 2013).

461 *See infra* notes 141-144 and accompanying text.

462 *See infra* notes 11-139 and accompanying text.

463 *See infra* notes 11-97 and accompanying text.

464 *See infra* notes 98-135 and accompanying text.

Circuit in *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*[465] Finally, this article concludes with a brief synopsis of the argument.[466]

II. BACKGROUND

The U.S. Supreme Court first recognized in *Bobbs-Merrill Co. v. Straus*[467] that a copyright owner's distribution right of a particular copy cannot extend beyond the first sale of that copy.[468] In *Bobbs-Merrill*, a book publisher sought to enforce a provision printed in each copy of the novel, "The Castaway."[469] The provision provided that each subsequent owner could not resell that copy for less than one dollar.[470] The Court ultimately concluded that to give a copyright holder the power to restrict all future sales "would give a right not included in the terms of the [applicable] statute."[471]

A copyright holder's exclusive distribution right is codified in section 106(3) of the Copyright Act.[472] However, this exclusive right is limited by sections 107 through 122, which includes the first sale doctrine.[473] The first sale doctrine was initially codified in the Copyright Act of 1909 and then adopted in its current form in section 109(a) of the Copyright Act of 1976.[474] Section 109(a) states: "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."[475] The phrase, "lawfully made under this title" in section 109(a), has been widely debated in the Second Circuit and the Ninth Circuit as well as the U.S. Supreme Court.[476]

Section 602(a)(1) gives a copyright holder the right to restrict the importation of copies of a copyrighted work.[477] A violation of section 602(a)(1) is an infringement on the copyright owner's exclusive right to distribute under section 106(3).[478] Therefore, a limitation to a copyright owner's exclusive right to distribute under

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[465] *See infra* notes 136-139 and accompanying text.
[466] *See infra* notes 140-143 and accompanying text.
[467] 210 U.S. 339 (1908).
[468] *Id.* at 350-51.
[469] *Id.* at 341.
[470] *Id.*
[471] *Id.* at 351.
[472] 17 U.S.C. § 106(3) (2002).
[473] 17 U.S.C. § 106 (2002).
[474] Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075 (presently codified at 17 U.S.C. § 109(a) (2008)).
[475] 17 U.S.C. § 109(a) (2008).
[476] Daniela Alvarado, *Seamaster-Ing the First Sale Doctrine: A Tripartite Framework for Navigating the Applicability of Section 109(a) to Gray Market Goods*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 885, 896 (2012).
[477] 17 U.S.C. § 602(a) (2010).
[478] *Id.*

section 106(3), *i.e.*, the first sale doctrine, is applicable to section 602(a)(1).[479]

The U.S. Supreme Court first discussed whether the first sale doctrine was an available defense to a violation of section 602(a)(1) in *Quality King Distributors, Inc. v. L'Anza Research International, Inc.*[480] In *Quality King*, the defendant marketed and sold bottles of shampoo affixed with copyrighted labels.[481] The shampoo and labels were manufactured in the United States, shipped and sold to foreign distributors, and then reimported into the United States by the defendant.[482] The defendant raised the first sale doctrine as a defense when the plaintiff claimed infringement on its exclusive distribution right under section 106(3) and its right to control importation under section 602(a)(1).[483]

The Ninth Circuit determined that the first sale doctrine was not a valid defense against a claimed violation of section 602(a)(1) because to hold otherwise would render section 602(a)(1) meaningless.[484] The Ninth Circuit reasoned that the purpose of section 602(a)(1) is to give a copyright owner control over the importation of its product, and if the first sale doctrine was a valid defense to this right, there would be no instance in which a copyright owner would in fact be able to control importation of its product.[485] Thus, the court determined that section 109(a) was entirely unavailable in the context of imported goods under section 602(a)(1) regardless of where the goods were manufactured.[486] However, this decision conflicted with a factually similar Third Circuit case decided in 1988, *Sebastian International, Inc. v. Consumer Contracts (PTY) Ltd.*[487] In *Sebastian International*, the court held that the first sale defense applied in the context of section 602(a)(1) as long as the goods were manufactured domestically.[488] The Supreme Court granted *certiorari* due to the conflicting decisions in the Ninth Circuit and the Third Circuit.[489]

Following in the footsteps of the *Sebastian International* court, the Supreme Court reversed the Ninth Circuit's decision and found in the defendant's favor.[490] In dictum, the Supreme Court discussed how

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[479] Quality King Distributors, Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 144-145 (1998).

[480] *Id.*

[481] *Id.* at 138.

[482] *Id.*

[483] L'Anza Research Int'l, Inc. v. Quality King Distributors, Inc., CV-94-0841-JSL, 1995 WL 908331 (C.D. Cal. July 7, 1995), *aff'd*, 98 F.3d 1109 (9th Cir. 1996), *rev'd sub nom.*, Quality King Distributors, Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, and, *vacated*, 143 F.3d 525 (9th Cir. 1998).

[484] L'Anza Research Int'l, Inc. v. Quality King Distributors, Inc., 98 F.3d 1109, 1114 (9th Cir. 1996).

[485] *Id.* at 1115.

[486] *See id.* at 1115-17.

[487] 847 F.2d 1093 (3d Cir. 1988).

[488] *Id.* at 1099.

[489] *See* Quality King, 523 U.S. 135 at 140.

[490] Quality King, 523 U.S. at 150-54.

a copyright holder could potentially bring an infringement claim against a foreign manufacturer who attempted to resell in the United States by way of a hypothetical involving a British and United States manufacturer of a particular book, each with exclusive distribution rights in their respective countries.[491] Section 109(a) would not provide a valid defense for the British manufacturer who violated 602(a)(1) by attempting to sell copies in the U.S. because only the copies made in the United States would be "lawfully made under this title" and therefore limited by the first sale doctrine.[492]

Notwithstanding this hypothetical, the shampoo and copyrighted labels in *Quality King* were manufactured in the United States and because of this the Supreme Court was not forced to make a decision regarding the geographical implications of "lawfully made under this title."[493] The defendant was not infringing the plaintiff's copyright by selling the shampoo in the United States because the product was, under any construction of the phrase, "lawfully made under this title."[494] The first sale doctrine was available to the defendant because the goods were manufactured domestically.[495] Due to this fact, the Court did not analyze whether section 109(a) would provide a valid defense in the case of foreign-manufactured goods.[496]

Justice Ginsburg discussed in her concurrence the limitation of the Court's holding to goods manufactured domestically.[497] She warned that the dicta in *Quality King* was just that, dicta.[498] Despite this warning, lower courts have used the British manufacturer hypothetical in order to determine whether the first sale doctrine was an applicable defense in the case of foreign-manufactured goods.[499]

The Ninth Circuit has previously held that the first sale doctrine is an available defense to section 602(a)(1) for both goods manufactured in the United States as well as foreign-manufactured goods if the copyright holder of the foreign-manufactured goods sold or provided authorization to sell those goods domestically.[500] *BMG Music v. Perez*[501] was the first case in which the Ninth Circuit began to advance this interpretation of the first sale doctrine.[502] The defendant in *BMG Music* allegedly infringed the plaintiff's copyright under section 602(a)(1) by purchasing sound recordings abroad and thereafter importing them into the United States for commercial resale.[503] The court followed *Columbia Broadcasting Systems v.*

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491 *Id.* at 148.
492 *Id.*
493 *Id.* at 138.
494 *Id.* at 145.
495 *Id.* at 145, 152.
496 *Id.*
497 *Id.* at 154 (Ginsburg. J., concurring).
498 *Id.*
499 Alvarado, *supra* note 19, at 901.
500 *See* Denbicare U.S.A., Inc. v. Toys "R" Us, Inc., 84 F.3d 1143, 1150 (9th Cir. 1996).
501 952 F.2d 318 (9th Cir. 1991).
502 *Id.*
503 *Id.* at 319.

Scorpio Music Distributors[504], an earlier Third Circuit case, by reasoning that section 602(a)(1) would be "rendered virtually meaningless" if section 109(a) were held to be a valid defense against a copyright holder's importation right.[505] The court held that section 109(a) does not provide a valid defense for foreign-manufactured goods because the phrase "lawfully made under this title" narrows the defense to cases involving "copies legally made and sold in the United States."[506] The court erroneously introduced "and sold" into its interpretation of "lawfully made under this title," and therefore left open the possibility for future holdings in which a sale in the United States by the copyright holder of copyrighted goods manufactured abroad would be adequate to make such goods "lawfully made under this title."[507]

A few years later, following this same line of reasoning, *Parfums Givenchy, Inc. v. Drug Emporium*[508] allowed the Ninth Circuit to further develop its explanation for the application of the first sale doctrine to copyrighted goods manufactured abroad.[509] The plaintiff produced perfume, as well as the boxes in which the perfume was packaged, in France and thereafter sold the boxed perfume to its American subsidiary, Givenchy USA. [510] The defendant began purchasing the perfume from a third party importer and reselling the product in the United States leading the plaintiff to sue for copyright infringement pursuant to section 602(a)(1).[511] The Ninth Circuit held that the first sale doctrine is inapplicable to goods manufactured abroad unless and until there is a first sale in the United States which is authorized by the copyright owner.[512] In *Givenchy*, the third parties had imported the perfume from France and had not purchased the perfume from the American subsidiary.[513] Therefore, the plaintiff had not authorized a first sale within the United States as to the particular perfume that the defendant was selling.[514] After *Givenchy*, the Ninth Circuit had affirmatively established its interpretation of section 109(a)'s phrase "lawfully made under this title" to mean that the first sale doctrine could not be used as a valid defense for foreign-manufactured goods if the copyright holder had not authorized a sale of those particular goods within the United States.[515]

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504 569 F. Supp. 47 (E.D. Pa. 1983).

505 *Id.* at 49-50 (holding that "lawfully made under this Title" means manufactured in the United States).

506 BMG Music, 952 F.2d at 319.

507 *Id.*

508 38 F.3d 477 (9th Cir. 1994).

509 *Id.* at 481 (holding that section 109(a) does not apply to goods manufactured abroad unless and until a first sale has occurred in the United States).

510 *Id.* at 479.

511 *Id.*

512 *Id.* at 481.

513 *Id.* at 479.

514 *Id.* at 481.

515 *Id.*

Two years later, in *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, following the previously discussed line of cases, the Ninth Circuit held the first sale doctrine was an available defense if the copyright owner made a sale or authorized the sale of a foreign-made good in the United States.[516] *Denbicare* involved nearly half a million diapers manufactured in Hong Kong and the copyrighted packaging of those diapers.[517] The copyright holder authorized the importation of the packaged diapers and the court found the first sale doctrine to be applicable.[518] The diapers were sold as a result of bankruptcy and the court found this to be a domestic sale authorized by the copyright holder and, therefore, section 109(a) was applicable.[519] The court recognized the "widespread criticism" of applying the first sale doctrine only to domestically manufactured goods.[520] The court acknowledged that providing a copyright owner with control over the chain of ownership "would be untenable, and that nothing in the legislative history or text of [the 1976 Copyright Act] supports such an interpretation."[521]

Following the Supreme Court's decision in *Quality King*, the Ninth Circuit once again faced the first sale doctrine's applicability to foreign-manufactured goods in *Omega, S.A. v. Costco Wholesale Corp.*[522] In *Omega*, the defendant, Costco, purchased the plaintiff's Swiss-manufactured watches from a company in New York who acquired the watches from third parties who purchased the watches abroad.[523] Although the plaintiff approved the original sale from the foreign distributor, the importation and eventual sales by Costco were not authorized.[524] Costco sold the watch at a significantly discounted price as compared with other retailers in the United States.[525] These retailers made complaints to the plaintiff who in turn placed a copyrighted design on the underside of each watch and thereafter brought a copyright infringement action under section 602(a)(1).[526] Costco asserted the first sale doctrine as a defense.[527] The court acknowledged the fact that the first sale doctrine undoubtedly provides a valid defense to domestically manufactured goods.[528] However, this case involved watches manufactured in Switzerland and first sold abroad.[529] Since the product was manufactured abroad and the plaintiff did not authorize a domestic sale, the Ninth Circuit did not consider the domestic sale exception to goods manufactured

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516 Denbicare, 84 F.3d at 1150.
517 *Id.* at 1145.
518 *Id.* at 1145-46.
519 *Id.* at 1150-51.
520 *Id.* at 1149-50.
521 *Id.* at 1150.
522 Omega, S.A. v. Costco Wholesale Corp., 541 F.3d 982 (9th Cir. 2008).
523 *Id.* at 984.
524 *Id.*
525 *See* Omega, S.A. v. Costco Wholesale Corp., CV 04-05443 TJH, 2011 WL 8492716 at *1 (E.D. Cal. Nov. 9, 2011).
526 *Id.*; Omega, 541 F.3d at 984.
527 Omega, 541 F.3d at 985.
528 *Id.* at 988.
529 *Id.* at 989-90.

abroad as discussed in *Givenchy* and *Denbicare*.[530] In fact the court questioned the validity of the domestic sale exception given the dicta articulated in *Quality King*.[531]

The Supreme Court was given the opportunity to resolve the issue as to whether the domestic sale exception was valid and more generally, whether the first sale doctrine was applicable to goods manufactured abroad, but instead the court simply affirmed the appellate court decision without an opinion.[532]

On remand, the Eastern District of California allowed Costco to use a defense other than the first sale doctrine against the plaintiff.[533] The plaintiff purposely placed the copyrighted design on the watches to use section 602(a)(1) in order to prevent Costco or anyone else from importing the watches and thereby selling them at a significantly discounted rate.[534] Therefore, the court found that the plaintiff had committed copyright misuse which is a valid defense to a copyright infringement action.[535]

Yet another Circuit used the hypothetical posed in *Quality King* in order to determine section 109(a)'s applicability to foreign-manufactured goods. Recently in *John Wiley & Sons, Inc. v. Kirtsaeng*, the Second Circuit decided that the first sale doctrine was limited to domestically manufactured goods and was not available in the context of goods manufactured abroad.[536] The copyright holder, John Wiley and Sons sued Kirtsaeng, a foreign exchange student from Thailand for copyright infringement under section 602(a)(1) when Kirtsaeng sold foreign-manufactured English textbooks in the United States.[537] Kirtsaeng had his family and friends in Thailand purchase the text books from John Wiley's Asian subsidiary, ship them to the United States where he would then sell them online on sites such as eBay.[538] Kirtsaeng ended up generating a revenue of nearly $1.2 million throughout his academic career in the United States.[539]

Kirtsaeng attempted to use section 109(a) as a defense to the copyright infringement action.[540] In its analysis, the court discussed three conceivable interpretations of section 109(a)'s phrase, "lawfully made under this title": (1) manufactured domestically; (2) any copyrighted good manufactured abroad that obtains a United States

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530 *Id.* at 990.

531 *Id.*

532 Costco Wholesale Corp. v. Omega S.A., 131 S. Ct. 565 (2010).

533 Omega, 2011 WL 8492716 (holding that the plaintiff's infringement action under section 602(a) was barred by copyright misuse).

534 *Id.* at *1.

535 *Id.* at *2 ("[C]opyright misuse is an equitable defense to copyright infringement, the contours of which are still being defined." (quoting MDY LLC v. Blizzard Entm't, Inc., 629 F.3d 928, 941 (9th Cir. 2010)).

536 *See* John Wiley, 654 F.3d 210.

537 *Id.* at 213.

538 *Id.*

539 *Id.* at 215.

540 *Id.* at 214.

copyright signifying that the good is protected under Title 17; or (3) "lawfully made under this title had this title been applicable."[541] The Second Circuit then returned to the dicta in *Quality King* involving the hypothetical which suggested that the first sale doctrine was inapplicable in an infringement action under section 602(a)(1) involving foreign-manufactured goods.[542] Following *Quality King's* dicta, the court held that "lawfully made under this title" means "made in territories in which the Copyright Act is law."[543] Consequently, the first sale doctrine is not an available defense for goods manufactured abroad such as the textbooks Kirtsaeng purchased in Thailand and resold in the United States.[544]

Judge Murtha, in his dissent, discussed the fact that no other sections of Title 17 referred to a place of manufacture and that both common law and prior versions of the Copyright Act were silent as to any geographic limitations on the place of manufacture with respect to the applicability of the section 109(a)'s limitation on a copyright owner's distribution right.[545] Due to the lack of authority within the Copyright Act as well as the common law, Judge Murtha reasoned that Congress had no intention of imposing a geographic limitation on section 109(a)'s applicability.[546] Judge Murtha explained that there would be undesired consequences to limiting section 109(a) to domestically manufactured goods that "would create high transaction costs and lead to uncertainty in the secondary market."[547] Any individual who wished to resell a copyrighted good would be burdened with searching the origin of that good, which in many cases would prove to be impossible.[548] Judge Murtha also recognized that prohibiting the first sale defense in the context of foreign-manufactured goods would incentivize manufacturing abroad by giving special treatment to those copyright holders who choose to manufacture oversees.[549]

The Supreme Court thereafter granted *certiorari* and released a final decision in March of 2013, which led to the current state of the first sale doctrine's applicability to foreign-made goods.[550] The Court reversed the Second Circuit's decision and held that the first sale doctrine was applicable to both domestically and foreign-manufactured goods regardless of whether the copyright owner authorized a sale in the United States.[551] The Court rejected the Second Circuit's geographical-based interpretation of "lawfully made under this title" and instead adopted the meaning "in compliance or

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541 *Id.* at 220.
542 *Id.* at 218 (quoting Quality King, 523 U.S. at 148).
543 *Id.* at 222.
544 *Id.*
545 *Id.* at 226-27 (Murtha, J., dissenting).
546 *Id.* at 227.
547 *Id.*
548 *Id.* at 227-28.
549 *Id.*
550 Kirtsaeng, 133 S. Ct. 1351(2013).
551 *Id.* at 1355-56.

accordance with" United States copyright law.[552] The Supreme Court ruled that the first sale doctrine protected Kirtsaeng and that neither his importation nor his domestic resale of the textbooks infringed John Wiley's rights under section 602(a)(1).[553]

In reaching its conclusion, the Court relied on statutory interpretation and what it described as potentially "horrible[]" consequences of approving the Second Circuit's geographic interpretation.[554] According to a rule of statutory interpretation, "'when a statute covers an issue previously governed by common law', we must presume that 'Congress intended to preserve the substance of the common law.'"[555] Because the common law made no geographic distinctions, it is presumed that Congress did not intend to make any geographic limitations without any express intention to do so.[556] As to the potential "horrible[]" consequences of a geographical limitation, the court discussed examples such as the need to get permission from copyright holders for an individual to resell a car, for a library to lend a book or movie, or even for a museum to display a painting if any of the copyrighted items involved were made in a foreign country.[557]

III. ARGUMENT

Only allowing the first sale doctrine as a valid defense in copyright infringement cases under section 602(a)(1) which involve domestically manufactured goods gives protection to the copyright holder who decides to manufacture abroad leaving the consumer who purchases that foreign-made product with less rights than the consumer who purchases a domestically manufactured good.[558] However, applying the first sale doctrine in any copyright infringement case, regardless of the place of manufacture, under section 602(a)(1) leaves section 602(a)(1) with little purpose or meaning, if any.[559] The Ninth Circuit attempted to strike a balance between these two extremes by allowing the first sale defense in all cases involving domestically manufactured goods and in some cases involving goods made abroad if the copyright holder authorized a sale in the United States.[560] Although this interpretation cannot legitimately be read into the statute, Congress should amend the statute in a way that provides consumers purchasing foreign-made products with similar rights as consumers purchasing domestic products while still leaving the copyright holder with some protection under section 602(a)(1).[561]

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552 *Id.* at 1358.
553 *Id.* at 1371.
554 *Id.* at 1363, 1366.
555 *Id.* at 1363 *quoting* Samantar v. Yousuf, 560 U.S. 305 (2010).
556 *Id.*
557 *Id.* at 1364-66.
558 *See Id.* at 1362.
559 L'Anza 98 F.3d at 1117.
560 *See* Denbicare, 84 F.3d at 1149-1150, *see also* Parfums, 38 F.3d at 481.
561 Kirtsaeng, 133 S. Ct. at 1360.

Applying the first sale doctrine strictly to copyrighted works made in the United States would have far reaching implications; particularly with respect to libraries, museums, used book dealers, technology companies, and retailers. [562] This narrow application of the first sale doctrine protects the copyright owner's ability to segment international markets and completely limits the consumer's ability to sell or dispose of a copy in the United States when the consumer purchased the particular copy abroad and the copy is manufactured abroad.[563]

There are over 200 million foreign-published books in libraries across United States.[564] Providing the first sale defense to only goods that are manufactured domestically means that libraries would have to gain permission from each foreign publisher in order to circulate or distribute these 200 million books.[565] This would place a significant burden on the libraries to find and contact each copyright holder of a foreign book, especially if the book was published many decades ago.[566] This burden would equate to both added time and expense that libraries are not equipped to handle.[567]

The same burden would be placed on museums who display works of art by, for example, "Cy Twombly, Rene Magitte, Henri Matisse, Pablo Picasso, and others." [568] The museums, like the libraries, would have to obtain permission from the copyright holder prior to displaying the art in question.[569] What would happen if the artist cannot be found or there are heirs fighting over who actually owns the copyright?[570]

As far as used book dealers are concerned, dealers have "operat[ed] … for centuries" assuming that the first sale defense was applicable to books manufactured abroad.[571] Under an interpretation in which the first sale doctrine is not applicable to foreign-made goods, a tourist purchasing books abroad for herself and friends might find, on returning home to the United States, that she has just committed copyright infringement under section 602(a)(1).[572] It would

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562 *Id.* at 1354.

563 *Id.* at 1386.

564 *Id.* a 1364 (citing Brief for American Library Association et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 WL 2641851 at *4).

565 Kirtsaeng, 133 S. Ct. at 1364.

566 *Id.*

567 *Id.*

568 *Id.* at 1365 (citing Brief for Association of Art Museum Directors et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 WL 2867810 at *6).

569 Kirtsaeng 133 S. Ct. at 1365.

570 *Id.* (citing Brief for Association of Art Museum Directors et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), at *6).

571 *Id.* (quoting Brief for Powell's Books Inc. et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 WL 2861163 at *7).

572 Kirtsaeng,133 S. Ct. at 1365.

be impossible for the used-book dealer to know whether the foreign publisher gave permission for that individual to sell the copy.[573]

Copyrightable software and packaging is found in "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers."[574] Concerned technology companies state that much of the copyrighted information is made abroad and imported and sold with the copyright owner's permission.[575] However, these copyright owners have perpetual control over distribution since the first sale doctrine is not an available defense, and the individual who purchases that car or computer would have to get permission from the copyright owner prior to reselling.[576]

Finally, there would be far reaching implications for United States retailers.[577] In 2011, "over $2.3 trillion worth of foreign goods were imported." [578] Many of those items contained copyrighted "packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals."[579] Retailers would be subject to infringement suits for selling these products if the first sale doctrine was strictly applicable to domestically manufactured goods.[580]

Not only would there be unintended consequences in the above mentioned scenarios, but allowing the first sale defense exclusively for domestically manufactured products and not foreign-made goods provides an incentive for a copyright holder to outsource its manufacturing oversees.[581] The ultimate result would be that copyrighted works manufactured abroad would receive greater copyright protection than copyrighted works manufactured in the United States.[582] Once a domestic copy is sold, the copyright holder's exclusive distribution right is exhausted under section 109(a).[583] However, if the copyright holder manufactures in a foreign country, they will have perpetual distribution rights with regard to section 602(a)(1).[584] This incentivizes manufacturing abroad.[585]

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573 *Id.*

574 *Id.* (citing Brief for Public Knowledge et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 WL 2861169 at *10).

575 *Id.* (citing Brief for Retail Litigation Center, Inc., et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 WL 2861165 at *4).

576 Kirtsaeng 133 S. Ct. at 1365.

577 *Id.* at 1365-1366.

578 *Id.* (citing Brief for Retail Litigation Center, Inc., et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), at *8).

579 *Id.* (citing Brief for Retail Litigation Center, Inc., et al. as Amici Curiae Supporting Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), at *10-11).

580 Kirtsaeng, 133 S. Ct. at 1365.

581 John Wiley, 654 F.3d at 228. (Murtha, J., dissenting).

582 *Id.* at 227-228.

583 *Id.*

584 *Id.* at 228.

Unfortunately, applying the first sale doctrine to both domestic and foreign-manufactured goods without any limitations also presents undesired consequences. Protecting solely the consumer's rights under the first sale doctrine for copies purchased and manufactured abroad would prevent copyright owners from the ability to sell copies in different countries at different prices in order to maximize profits.[586]

Allowing the first sale defense regardless of place of manufacture would render section 602(a)(1) "virtually meaningless." [587] The only effect of section 602(a)(1) that would remain would be "to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies." [588] Congress used broad language in section 602(a)(1) and if they had intended this narrow prohibition which provides a copyright holder a remedy against "larcenous lessees, licensees, consignees, and bailees" of copyrighted works, would they not have simply "used language tailored to that narrow purpose"?[589]

Additionally, a copyright owner's ability to segment the international market is an incentive to create copyrighted works.[590] If the copyright owner cannot control the importation of his work into another country, there is not a way for him to sell the same work at different prices depending on the country in which the work is being sold in order to maximize profit.[591] This may decrease incentive for potential copyright owners down the line to create copyrightable works.[592]

Finally, to hold that the first sale doctrine is an applicable defense to goods manufactured abroad, would be a violation of the presumption that United States laws apply "only to conduct occurring within, or having effect within, the territory of the United States, unless the contrary is clearly indicated by the statute."[593] This is the presumption against extraterritoriality.[594] The statute in question, the first sale doctrine of section 109(a), does not explicitly state that it is applicable to conduct outside the territory of the United States.[595]

Congress should amend the Copyright Act in these areas in such a way that both the consumer and the copyright holder are afforded at least some protection. An alternative approach which

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585 *Id.*

586 Kirtsaeng, 133 S. Ct. at 1374 (Ginsburg, J., dissenting).

587 Omega, 541 F.3d at 986 (internal quotations omitted).

588 Kirtsaeng, 133 S. Ct. at 1378 (Ginsburg, J., dissenting) (internal citation omitted).

589 *Id.*

590 *Id.* at 1384 (internal citation omitted).

591 *Id.* at 1374.

592 *See Id.* at 1384.

593 Omega, 541 F.3d at 987-88.

594 *Id.* at 987.

595 *Id.* at 988.

seems to strike a balance between the two extremes and the consequences stemming from each has been posed by the Ninth Circuit in decisions prior to the Supreme Court's decision in *Quality King*.[596] The Ninth Circuit has held that consumer copies purchased and manufactured abroad get first sale protection once at least one authorized sale in the United States has occurred.[597] This attempted solution provides some protection to consumers who purchase goods abroad which are manufactured abroad if the copyright holder authorized for sale in the United States one of those goods; this solution would still give the copyright holder protection for its foreign-made goods if it chooses not to authorize any domestic sales.[598]

Unfortunately, the Ninth Circuit's approach is not completely fool proof. The Ninth Circuit's interpretation of the statute cannot legitimately be read from the statute.[599] Ultimately, there is still the issue of perpetual control by the copyright owner in situations in which the consumer purchases a copyrighted good abroad that was manufactured abroad and the copyright holder did not authorize any sales in the United States.[600]

IV. CONCLUSION

The recent decision in *Kirtsaeng v. John Wiley & Sons, Inc.* allows a consumer to purchase a less expensive version of a copyrighted item abroad, import that item into the United States, sell it for less than the domestic version of that copyrighted item, and therefore turn a profit.[601] Unfortunately, not allowing this result would have even worse implications, specifically in the context of libraries, museums, used book dealers, technology companies and retailers.[602] The Ninth Circuit attempted to strike a balance in order to protect both the copyright holder and the consumer by allowing the first sale defense when the copyrighted goods were made abroad if the copyright holder had authorized at least one domestic sale of that particular good.[603] Regrettably, this still provides the copyright holder with perpetual control if they in fact do not authorize any domestic sales.[604]

Although the Ninth Circuit's attempt to protect both the copyright holder and the consumer is in no way perfect, it was a

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596 *See* Denbicare 84 F.3d at 1149-1150.

597 *Id.*

598 *See id.*

599 Kirtsaeng, 133 S. Ct. at 1360.

600 Alvarado *supra* note 19 at 911.

601 *See* Kirtsaeng, 133 S. Ct. 1351 (holding that section 109(a) of the Copyright Act was applicable to copyrighted goods purchased and manufactured abroad).

602 Kirtsaeng, 133 S. Ct. at 1364-65.

603 *See* Denbicare, 84 F. 3d at 1150 (holding that section 109(a) of the Copyright Act was applicable to copyrighted goods purchased and manufactured abroad if goods were sold in the United States by the copyright owner or with its authority).

604 Alvarado *supra* note 19 at 911.

commendable attempt. Unfortunately, the Ninth Circuit's interpretation could not legitimately be read from the statute. For this reason, Congress should amend the Copyright statutes in a way that protects both the copyright holder and the consumer with respect to foreign-made copyrighted goods.