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Supreme Court Upholds Copyright “First Sale” Doctrine To Copyrighted Works Manufactured Overseas

The U.S. Supreme Court ruled last month against an academic publishing company who sought to stop the importation of textbooks published and purchased overseas for resale in the United States. The case settles the legal question as to whether the “first sale” doctrine in copyright law applies to works made in foreign countries, but leaves open practical questions about how the publishing market will respond.

In *Kirtsaeng v. John Wiley & Sons* (No. 11-697, March 19, 2013), the Court ruled 6-3 in an opinion by Justice Breyer that the first sale doctrine of the Copyright Act applies to works lawfully made overseas and that there is no geographical limitation in the language of the statute controlling where the first sale must be made. It overturns Second and Ninth Circuit decisions that found the first sale doctrine protects only works made in the United States.

The case began when a Thai citizen, Kirtsaeng, moved to the U.S.


This decision reinforces the principle that “if you buy it, you own it.”

for graduate school. To pay for classes, Kirtsaeng asked his family in Thailand to purchase English-language textbooks produced in Thailand under a license from academic publisher John Wiley & Sons, Inc. Wiley produces textbooks in the United States and overseas through a foreign subsidiary. The foreign-produced textbooks are sold by Wiley with a restriction banning their import into the American market. Because the Thai-produced textbooks are much cheaper than the American versions, Kirtsaeng then

resold these books – at a profit – online in the United States. Wiley sued him for infringement of its exclusive right of distribution and importation of the books.

Copyright law grants the owner of a copyrighted work an exclusive right to distribute copies of the work to the public, by sale or some other form of transfer. The first sale doctrine is an exception in the law providing that once a copyrighted work is lawfully sold or transferred, the copyright owner's distribution right is exhausted – meaning that the new owner of the work can sell it or dispose of it as he likes.

The crux of the first sale doctrine, and the main focus in the *Kirtsaeng* case, is that the doctrine only applies if the work at issue was “lawfully made under this title.” In other words, that statute has been interpreted (and so argued the publisher here), that the doctrine applies to works made in the U.S. Therefore, the publisher argued that the



The impact on the publishing business has yet to be felt.

books, which were printed in Thailand, were not “made under this title,” and *Kirtsaeng* could not lawfully sell them.

The Court, instead, interpreted the “made under this title” provision as “non-geographical,” so that copies of a work made and sold outside of the U.S. are “lawfully made” under the statute. In this case, the publisher authorized its foreign subsidiary to print foreign copies of its book, so the Court ruled that its right to control distribution of those copies ended when the first sale was made in Thailand.

Consumer advocates and libraries were happy about the decision, which they said protects the ability

of consumers to dispose of their rightful property and allows libraries to collect foreign-made works. Resale companies like Amazon and Ebay also applauded the decision, which limits their liability for the sale of used works.

Publishers, on the other hand, are not pleased, because the ruling allows for copyrighted works that were intended and priced for a foreign market, to make their way into the U.S. market. Also, arguably, the potential negative impact of this ruling extends beyond publishers; it could affect authors who rely on royalties they receive from the sale of their books, where royalties from foreign versions of books are typically lower than U.S. versions.

So, if you are a consumer, you will like this decision – it reinforces the “if you buy it you own it” principle. If you are a publisher or your livelihood is connected to the publishing world, you may have to rethink how you do business.