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Inside:

Biz Loses Landmark Copyright Case

By Eriq Gardner

NEW YORK — The U.S. Supreme Court on Tuesday ruled in favor of Supap Kirtsaeng, an immigrant from Thailand who challenged the $600,000 he was ordered to pay for willfully infringing a textbook publisher's copyrights when he sold books first purchased overseas in the U.S. through eBay.

The important ruling deals with the first-sale doctrine under U.S. copyright law, which allows for the reselling of acquired copyrighted works without the authority of the original copyright owner. Advocates for Kirtsaeng argued that limiting the doctrine would cause manufacturing to fly overseas and imperil the reselling of many goods including films and music.

John Wiley & Sons Inc., the publisher that pursued Kirtsaeng, argued on the other hand that before copyrighted works are resold, they first had to be "lawfully made" and that illegal importation is a violation of the exclusive rights enjoyed by copyright owners.

"We hold that the first-sale doctrine applies to copies of a copyrighted work lawfully made abroad."
— Supreme Court Justice Stephen Breyer

The publisher was supported in its position by the U.S. government and many of the entertainment industry trade associations including the MPAA and the RIAA, arguing that extending the first-sale doctrine to copies made abroad could impede authors' ability to control entry into poorer nations, limit their flexibility to adapt to market conditions and undermine territorial licensing agreements.

On a 6-3 vote, the Supreme Court sided with Kirtsaeng over the interests of copyright owners. The majority opinion was authored by Justice Stephen Breyer, who reversed the lower appeals court.

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made abroad," wrote Breyer, who added that it is not surprising that for at least a century the "first sale" doctrine has played an important role in American copyright law.

Kirtsaeng moved to the U.S. from Thailand in 1997 to study mathematics at Cornell University. During his studies, he asked his friends and family back home to buy cheap copies of foreign-edition English-language textbooks and send them to him. Later, he resold them, paid back his family and friends and kept the profit.

The case has huge ramifications: For instance, Tuesday's ruling could impact the pricing of music, films and other copyrighted works globally. But in some ways, the battle came down to a linguistic fight over five words, "lawfully made under this title," found in the first-sale doctrine, codified in USC §109(a). The question was whether those words imposed a geographical limitation since there are other portions of the copyright act that deal with exclusive rights and illegal importation.

Whether the controversial five words meant the first-sale doctrine only applied if the other conditions for a legal copy were met (as Wiley argued) or just meant that the doctrine was in accordance with the rest of the copyright law (as Kirtsaeng argued) commanded the Supreme Court's attention.

"In our view, §109(a)'s language, its context and the common-law history of the first-sale doctrine, taken together, favor a non-geographical interpretation," Breyer wrote. "We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial and consumer activities."

Indeed, Breyer accepted the parade of horribles offered up by advocates of a more expansive first-sale doctrine.

For instance, to interpret these words geographically, he wrote, would mean that anyone who buys a bumper sticker in Canada, Europe or Asia couldn't display it in America. He also says that "to interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa or Asia."

The ramifications of a ruling that favored the publisher would be dire, said the judge. Libraries might stop circulating millions of books made abroad. Cars might not be able to be resold without the permission for each piece of copyrighted automobile software. Art museums might not be able to display foreign-produced works by Cy Twombly, Rene Magritte, Henri Matisse or Pablo Picasso — and Breyer asked, "What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found or if a group of heirs is arguing about who owns which copyright?"

The entertainment industry had its own concerns that taking an expansive view of the first-sale doctrine would increase piracy and gray-market sales and limit the ability to price copyrighted works in accordance to local economic conditions on a global basis.

"Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets," Breyer wrote. "We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights."

Ginsburg

The justice added that it is up to Congress to decide whether copyright owners should or should not have more than ordinary commercial power to divide international markets.

Justices Ruth Bader Ginsburg, Anthony Kennedy and Antonin Scalia were in dissent.

They countered that the majority decision's "bold departure from Congress' design" is "stunning," and they further said that the parade of horribles is "largely imaginary." They objected to the majority's interpretation of the phrase "lawfully made under this title" and said that the high court had just reduced the illegal-importation clause of the Copyright Act to "insignificance."

Ginsburg said the majority failed to address Congress' intention "to grant copyright owners the right to control the importation of foreign-made copies of their works" and that an alternative interpretation of the first-sale doctrine would not not bar art museums from lawfully displaying works made in other countries. "Museums can, of course, seek the copyright owner's permission to display a work," she wrote.

The justice added, "Kirtsaeng and his supporting amici cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity."

Some attorneys believe that the majority of the Supreme Court came to the right conclusion.

"The court's ruling was grounded not only in the plain language of the first-sale doctrine but in common sense," said Aaron Moss at Greenberg Glusker. "The court recognized that there is no legitimate reason why works manufactured and lawfully sold in accordance with U.S. copyright law should be treated differently based on whether they are produced in the U.S. or abroad. If the Second Circuit's ruling had been affirmed, foreign-made works would have, oddly, enjoyed greater protection under U.S. law than those made here." THR