

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSANG d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

The first-sale defense embodied in § 109(a) of the Copyright Act, allows the owner of a copy “lawfully made under this title” to resell the copy without the copyright owner’s permission. It is undisputed that this defense means that a copyright owner has no right to control downstream sales of a copy that was made in the United States. And this Court held in *Quality King Distributors, Inc. v. L’Anza Research International, Inc.*, 523 U.S. 135, 138 (1998), that the same rule applies to copies that are imported into the United States. The court of appeals limited *Quality King*—and the first-sale defense—to a situation where the imported goods were made in the U.S.

The question presented is whether the copyright owner is entitled to control downstream sales just because it opts to manufacture the copies abroad.

PARTIES TO THE PROCEEDING

Petitioner Supap Kirtsaeng, doing business as Bluechristine99, was the defendant-appellant and Respondent John Wiley & Sons, Inc. was the plaintiff-appellee in the court below.

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OPINIONS AND ORDERS BELOW

The district court's order prohibiting Petitioner from raising the first-sale defense is available at 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) and reprinted at P.A. 44-77a. The opinion of the court of appeals is reported at 654 F.3d 210 (2d Cir. 2011) and reprinted at P.A. 1-43a.

JURISDICTION

The court of appeals entered its judgment on August 15, 2011, P.A. 1a; *Wiley v. Kirtsaeng*, 654 F.3d 210 (2d Cir. 2011), and denied rehearing en banc on October 13, 2011, P.A. 87a. The petition for writ of certiorari was filed on December 5, 2011, and granted on April 16, 2012. This Court's jurisdiction is invoked under 28 U.S.C. § 1254.

STATUTORY PROVISIONS INVOLVED

This case revolves around 17 U.S.C. §§ 106, 109, and 602, which are reproduced in full in the Appendix to this brief, and excerpted below. The following provisions that bear on the question of statutory interpretation are also reproduced in relevant part in the Appendix to this brief: §§ 101, 104, 107, 108, 110, 113, 115, 202, 601 (which was repealed in 2010), 1004, and 1006.

Section 106 provides in pertinent part:

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

* * *

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending

Section 109(a) provides in pertinent part:

Notwithstanding the provisions of section 106(3), 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.

Section 602(a)(1)¹ provides in pertinent part:

Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

¹ In October 2008, Congress reorganized § 602. See Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259. The importation prohibition was renumbered from § 602(a) to § 602(a)(1) but not substantively altered. All citations in this brief are to § 602(a)(1).

INTRODUCTION²

For four centuries, the law has protected the right of merchants and consumers to resell products that they legally buy. For over a century, the first-sale defense has applied the ancient rule to products that have copyright protection. The current version of the first-sale defense provides that if a person is “the owner of a particular copy” and that copy was “lawfully made under this title,” he has complete latitude to “sell … that copy.” § 109(a).

A split panel of the court of appeals held that the first-sale doctrine applies only to goods manufactured in the United States. For goods made any-

² This brief and Petitioner’s Reply Brief will use the following abbreviations: Petition Appendix (“P.A.”); Joint Appendix (“J.A.”); Supplemental Appendix (“S.A.”); Brief for Petitioner (i.e., this brief, “OB”); Brief for Respondent (“Resp.”). Citations in the form “§ ____,” without a U.S. Code title, refer to the Copyright Act, found in Title 17. Various materials from *Costco Wholesale Corp. v. Omega*, S.A., 131 S. Ct. 565 (2012) (No. 08-1423), are abbreviated as follows: Brief for Petitioner (“Costco Pet. Br.”); Reply Brief for Petitioner (“Costco Reply”); Brief for U.S. as *Amicus Curiae* (“Costco U.S. Br.”); Transcript of Oral Argument (“Costco Tr.”). The voluminous legislative history includes numerous reports, several of which are cited as follows: *Transcript of Meeting on General Revision of the U.S. Copyright Law*, 88th Cong. (Lib. of Cong., Wash. D.C., Mar. 15, 1962) (“CLR-2”); *Transcript of Meeting on Preliminary Draft for Revised U.S. Copyright Law: Discussions of §§ 43-53*, 88th Cong. (Lib. of Cong. Wash. D.C. Jan. 15, 1964) (“CLR-4”); *H. Comm. on the Judiciary, 89th Cong., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill* (Comm. Print 1965) (“CLR-6”).

where else, the panel majority granted copyright owners eternal control over all further sales, rentals, or gifts, all the way down the stream of commerce. This rule means that Random House could block resales of books and close down public libraries and flea markets and Paramount Pictures and Sony Records could prohibit resales of DVDs and CDs and shut down rental businesses like Netflix—so long as these manufacturers concentrate production abroad.

The ramifications extend far beyond publishers and other content providers. This rule applies with equal force to any product with a copyrightable component—a household product with a label, apparel with a fabric design, a watch with an insignia, a camera or microwave with software on the inside or packaging on the outside, a car with an on-board computer, and so on. Any producer who sends jobs overseas will be rewarded with the manufacturer’s Holy Grail—the power to lock up, extract exorbitant rents from, or discriminate in any secondary market, from multibillion dollar retailers of new products (like Costco and Target) to large dealers in used goods (like used car dealers, Goodwill, and the Salvation Army) to flea markets and garage sales and their modern-day online analogs (such as eBay).

The court of appeals held that Congress achieved this unlikely and disruptive result with three words, “under this title.” According to the panel majority, “lawfully made under this title” means “made in the USA,” rather than simply “made in accordance with this title.” The court believed that this reading was necessary to give the most robust effect to another provision, the “importation prohibition,” which pro-

vides that a person “infringe[s] … the exclusive right to distribute copies” when he “import[s] into the United States … copies … of a work … that have been acquired outside the United States.” § 602(a)(1).

This appeal may seem like *déjà vu* all over again, but it’s not. When this Court split 4-4 in *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), it grappled with very different arguments.

First, the Ninth Circuit had previously recognized that the natural consequence of the statutory construction it reaffirmed in *Costco* was “untenable,” “absurd and unintended,” and therefore tempered its interpretation with a limitation that can be found nowhere in the statutory language. *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994); *see Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 989 (9th Cir. 2008) (acknowledging the previous holding but declining to decide whether it remained operative). The Second Circuit in this case, however, embraced absurdity in the name of greater fidelity to the statutory text.

Second, Petitioner’s counterpart in *Costco* also urged an atextual interpretation of § 109(a), but we do not embrace that reading. Our position is that the provision means exactly what it says: Anyone who acquires a product that is “lawfully made”—i.e., “made in accordance with the Copyright Act”—is free to sell it without the copyright owner’s permission. That means that the importation prohibition is not the Holy Grail manufacturers desire, but it still provides them with a substantial benefit. Petitioner’s

reading neither strains ordinary usage nor runs afoul of the rule against treating statutory language as surplusage.

Third, no one pointed out to the Court the most glaring problem with reading the words “under this title” as a limitation to U.S. soil: Congress defined what falls “under this title” in terms that reach far beyond U.S. borders. Congress could not have meant that same phrase to mean *exactly the opposite* a few sections later.

Finally, to date, all the parties and the lower courts have treated this issue as if the only ambiguity lies in § 109(a)’s use of the words “under this title.” In fact, there is a latent ambiguity in the importation prohibition as well: When § 602(a)(1) says that it is impermissible to import “without the authority of the owner of copyright,” it must mean “without the authority of the owner *or other statutory authorization*.” Otherwise, imported goods would have the exalted status of being immune not just to the first-sale defense but to *all* the traditional statutory privileges and defenses, such as fair use, educational use, or compulsory license. That just cannot be.

These distinctions make all the difference, especially in a case close enough to split this Court evenly.

STATEMENT OF THE CASE

When a professor assigns a textbook, students have to buy it. Textbook publishers have long ex-

ploited their captive customers. Over the past two decades, the price of college textbooks has tripled, soaring at twice the rate of inflation. See U.S. Government Accountability Office, GA0-05-806, *College Textbooks: Enhanced Offerings Appear to Drive* 2 (2005). Cash-strapped students clamor for alternatives to exorbitant retail prices. But the options are limited. They must acquire the books quickly, lest they fall behind on their studies. Used books are often not an option, as publishers routinely print new editions containing just enough new material to make the old editions obsolete.

This case is a textbook illustration of the mischief that the opinion below will wreak in the hands of a motivated copyright owner. It arises from Petitioner Supap Kirtsaeng's unremarkable efforts to meet the needs of fellow students for an alternative market for lawfully purchased, lower-priced textbooks.

Petitioner was just out of high school when he arrived in the United States from Thailand in 1997 to start college at Cornell University. P.A. 48a. He received a generous scholarship conditioned upon his promise to return home to teach for ten years. J.A. 76-77. Upon graduation, he entered the Ph.D. program in mathematics at the University of Southern California. P.A. 48a; J.A. 75-76. When he finished the program, he dutifully returned to Thailand to teach.

As a student, Petitioner subsidized his expenses by reselling textbooks. P.A. 6-7a. He had his family back home visit Thai bookstores, purchase cheaper

versions of English-language textbooks, and ship them to him in the United States, where he sold them on eBay. P.A. 6-7a; J.A. 80. There is no dispute that Petitioner's family lawfully purchased those books. J.A. 63, 80. Before he imported the books into the U.S., Petitioner researched the law online, where he found explanations of the first-sale defense. J.A. 85-88, 134-77. He learned that "if a party legally obtains lawfully made copies whether inside or outside of the US, that party has the right to 'sell or otherwise' dispose of the copies without needing the authorization of the copyright holder." J.A. 143.

Among the textbooks Petitioner's family purchased and shipped to him were eight works copyrighted in the United States by Respondent John Wiley & Sons, Inc. ("Wiley"). J.A. 61-62, 197; S.A. 1-17. Wiley is a New York corporation with its principal place of business in New Jersey. J.A. 7. It publishes English-language textbooks worldwide. P.A. 5a; J.A. 189-91. Though the physical quality of Wiley's books may vary from one location to another, the substance of the texts is nearly identical. P.A. 5a. Nonetheless, Wiley engages in price discrimination, charging considerably more for its textbooks in the United States than it does in foreign markets. J.A. 9.

And so it was with the books Petitioner sold. From its offices in New Jersey, Wiley authorized a wholly owned subsidiary, John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), to manufacture the books abroad. J.A. 7-8, 65-66. Wiley Asia sold them at a fraction of the U.S. price. J.A. 9. Wiley limited its

Asian subsidiary's sales to specified foreign countries and the books themselves stated they were "for sale in Asia only and [could] not to be exported." *E.g.*, J.A. 120, 129, 179, 182. At the same time, some of them claimed protection under U.S. copyright law, explaining that "[n]o part of this publication may be reproduced ... except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act without ... the prior written permission of the Publisher." J.A. 179, 182, 184.

Claiming copyright infringement, Wiley sued Petitioner in the Southern District of New York. P.A. 49a. It asserted that the importation and resale of its foreign editions infringed its United States copyrights. P.A. 49-50a. Before trial, the district court rejected Petitioner's anticipated first-sale defense as a matter of law. P.A. 44-77a. The court held that the defense is "unavailable to goods manufactured in a foreign country." P.A. 59a. In keeping with this ruling, the district court denied Petitioner's proposed jury instruction on the first-sale defense. P.A. 76a; *see* P.A. 81-82a (proposed jury instruction).

The jury then found Petitioner liable for infringing the eight works. P.A. 12a. It also found his infringement willful. *Id.* The jury awarded Wiley statutory damages of \$75,000 per work, for a whopping \$600,000. *Id.* That was more than 16 times Petitioner's \$37,000 in revenues from the sale of Wiley's books and presumably many times his profits. J.A. 63. Because this judgment was beyond Petitioner's means, Wiley persuaded the district court to order him to turn over personal property to satisfy

the judgment, including his computer, printer, and golf clubs. J.A. 224-27.

Petitioner appealed to the Second Circuit. P.A. 12a. A divided panel “acknowledge[d] that this is a particularly difficult question of statutory construction.” P.A. 28a. The majority held that “the phrase ‘lawfully made under this Title’ in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works.” P.A. 27-28a. In contrast, the dissenting judge insisted that “the first-sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured.” P.A. 34a.

The court of appeals denied Petitioner’s petition for rehearing en banc. P.A. 87a. This Court granted certiorari. 132 S. Ct. 1905 (2012).

SUMMARY OF THE ARGUMENT

I. The first-sale defense codified in § 109(a) means that the copyright owner loses any further right to control the distribution of a copy after the first sale. But an ambiguity arises because § 602(a)(1), the “importation prohibition,” if read in isolation, seems to say that when a person acquires a copy of a work abroad, he cannot legally import it without the copyright owner’s permission.

The lower courts—as well as the parties in *Costco*—have ignored one of the keys to resolving the ambiguity. The key lies in § 602(a)(1)’s statement that “[i]mportation ... is an infringement of the ex-

clusive right to distribute *under section 106*.” Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the “exclusive right to distribute under section 106”—are all “[s]ubject to sections 107 through 122.” § 106. So any of the privileges set out in “sections 107 through 122” must trump § 602(a)(1).

To hold otherwise would mean that the importation prohibition wipes out a variety of core copyright privileges for any foreign-made copies, including fair use (§ 107), compulsory licenses (§ 115), and the classroom exemption (§ 110). None of these could possibly be what Congress intended. But whatever is true of each of these privileges must be true of § 109(a). That is what this Court held in *Quality King Distributors, Inc. v. L’Anza Research International, Inc.*, 523 U.S. 135, 149 (1998).

II. It is largely because the Second Circuit and Ninth Circuit in *Costco* completely ignored this Court’s reading of § 602(a)(1) in *Quality King* that they wrestled with alternative meanings of the words “lawfully made under this title” in § 109(a).

In normal parlance, a copy is “lawfully made under” a statute, if it was “made in accordance with the statute.” One would not ordinarily understand the words “lawfully made under this title” to mean “manufactured on U.S. soil.” There are far clearer ways to say, “made in the USA.”

Moreover, any interpretation that reads “under this title” as a limitation to U.S. soil contradicts the Copyright Act’s explicit embrace of foreign subject

matter. In keeping with over a century of copyright legislation, in § 104, Congress defined the Act’s geographic reach “under this title,” in the most expansive international terms imaginable. The words “under this title” cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words to describe an uncommonly international focus.

Petitioner’s reading best accommodates identical language elsewhere in the Copyright Act. The phrase “lawfully made under this title” makes six appearances throughout the Act. The phrase “under this title” appears 91 times. They all make perfect sense when “under this title” is interpreted to mean “in accordance with this title”—and no sense at all under either alternative interpretation.

III. The arguments that have been advanced for rejecting Petitioner’s reading of the statute are unavailing. First, only by ignoring both what *Quality King* actually held and its central logic could the panel majority (and the Ninth in *Costco*) conclude that this Court rejected Petitioner’s definition. This Court embraced the structural reading, described above: “The introductory language in § 106 expressly states that all of the exclusive rights granted in that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a)” 523 U.S. at 144. *Quality King* drew no distinction based upon place of manufacturing. In reaching the opposite conclusion, the panel majority put undue emphasis on a single hypothetical in *Quality King*. But that hypothetical—and the result this Court

presumed in that scenario—is consistent with Petitioner’s reading.

Second, the panel majority improperly rejected Petitioner’s nondiscriminatory approach because it would give § 602(a)(1) “no force in the vast majority of cases.” P.A. 25a. But Petitioner’s reading cannot be rejected just because it narrows the scope of § 602(a)(1)—unless it narrows the provision *out of existence*. *Quality King* definitively rejected any argument that the nondiscriminatory definition leaves § 602(a)(1) superfluous—giving multiple reasons why § 602(a)(1) “retain[s] significant independent meaning” even with a robust reading of § 109(a). 523 U.S. at 148-49. In addition to banning piratical copies, the importation prohibition gives copyright owners a powerful *copyright* weapon (and not just a contract remedy) against distributors who distribute outside their assigned domains. Beyond that, § 602(a)(1) addressed a serious problem under which non-owners—such as a manufacturer or a shipper—who was lawfully *in possession* of copies could argue that their diversion of those goods was not a copyright violation because the previous version of the first-sale defense covered anyone who lawfully possessed the goods.

Third, as this Court recognized in *Quality King*, applying the first-sale defense evenhandedly—regardless of whether the first authorized sale occurred in the U.S. or abroad—does not trigger the presumption against extraterritorial application of U.S. law. Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resi-

dent who was in the U.S. when he committed the purportedly infringing acts. This is not an extraterritorial application of U.S. law any more than a law that prohibits a vendor from selling goods in the U.S. that were stolen abroad.

IV. Several presumptions support Petitioner's reading of the statute.

First is a pair of mutually reinforcing presumptions: (A) that Congress intends to retain the substance of the common law unless it clearly indicates a contrary intention; and (B) that, when revising and consolidating laws, Congress does not intend to change their effect unless such intention is clearly expressed. In defiance of these two presumptions, the panel majority concluded that Congress wiped away four centuries of common law and more than 65 years of statutory authority by inserting three words—"under this title"—into a single provision. The panel majority did not even acknowledge the presumption when it held that Congress executed this sea change with text that it found to be "utterly ambiguous" and "simply unclear." P.A. 23-24a.

Second, the panel majority's interpretation is so unworkable and yields consequences that are so absurd that Congress should be presumed not to have intended them. The panel majority's interpretation would result in a seismic shift in copyright law by requiring that anyone who resells or lends a foreign-made copy of a book, movie, CD, or videogame must secure a license from the copyright owner, who could, in turn, demand any price and deny the license for any or no reason. Such an approach could

wipe out used book stores and DVD markets, restrict library lending, and spell doom for the Salvation Army and Goodwill. Moreover, the panel majority itself acknowledged that its approach would give copyright owners “an incentive to ‘outsource’ publication to foreign locations” and “[t]he result might be that American manufacturing would contract along with the protections of the first sale doctrine.” P.A. 28a n.44. The notion that Congress would take a step so antithetical to U.S. interests is absurd.

ARGUMENT

Had Petitioner’s family lived in Toledo rather than Thailand, Wiley would have no claim. So long as his family bought the books legally (which they indisputably did), his family could send them to him in New York and he could legally resell them as he saw fit. Wiley would be free to gouge the wealthier New York population with higher prices, but it could not prevent the marketplace from responding as efficient markets always do. It is called arbitrage: Merchants buy goods where they are cheap and sell them where they are more expensive.

The arbitrage is legal because of the interplay between two sections of the Copyright Act. Section § 106(3) generally grants “the owner of copyright ... the exclusive right[] to ... distribute copies ... of the copyrighted work to the public.” But § 109(a) cuts off that distribution right after the owner makes or authorizes the first sale:

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

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

§ 109(a). This “first-sale defense” means that the copyright owner loses any further right to control the distribution of a copy after the “first sale.” This is often termed “exhaustion”: The copyright owner exhausts its right to control distribution of a particular copy the moment it sells the product and pockets the proceeds.

This statutory provision dates back to 1909, when Congress codified this Court’s holding, in *Bobbs-Merrill Co. v. Straus*, that the copyright statute does not “add to the right of exclusive sale the authority to control all future retail sales.” 210 U.S. 339, 351 (1908). But the principle is far older than that. As is discussed more fully below, *infra* at 49-50, Congress has recognized that “[t]he first sale doctrine has its roots in the English common law rule against restraints on alienation of property,” H.R. Rep. No. 98-987, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 2898, 2899, which dates back at least to the early 1600s.

The question in this case is whether Congress granted Wiley superior rights just because its printing press was in Thailand rather than in Toledo. If so, then Wiley and every other copyright owner would have a copyright power that is anathema to the common law and antithetical to the principles that prompted Congress to codify the first-sale de-

fense. The power would extend far beyond traditional authors to any manufacturer who stamps a logo on a product, embeds software in it, or puts it in a distinctive wrapper. The resulting power to control or condition downstream sales would incentivize copyright owners to ship manufacturing jobs overseas. The very notion seems so unlikely that one would be reluctant to impute such an intention to Congress even if the statutory language were clear.

Congress did not clearly express any such an intention. Two statutory provisions seem, at first blush, to point in opposite directions. On one side is § 109(a), the first-sale defense quoted above. It makes no reference to the location of the manufacture of the copy or of the location of the first sale. And its categorical opening—“[n]otwithstanding the provisions of section 106(3) [the distribution right]”—seems to override any aspect of the “exclusive right[] ... to distribute copies.” § 106(3). Thus, in the absence of any contrary language, § 109(a) seemingly means that it does not matter whether the manufacture or first sale is in the United States or abroad; once the copyright owner sells an authorized copy, it no longer controls that copy.

On the other side is § 602(a)(1). That section refers back to the very same distribution right that is codified in § 106(3). Often called the “importation prohibition,” § 602(a)(1) extends this distribution right beyond our borders. It provides that

[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies ... of a work that have

been acquired outside the United States is an infringement of the exclusive right to distribute copies ... under section 106.

§ 602(a)(1). In isolation, the importation prohibition might be read to mean that when a person acquires a copy of a work abroad, he cannot legally import it without the copyright owner's permission—even if he legally purchased the copy with the copyright owner's full knowledge and approval.

Obviously, both categorical readings cannot be right. The interplay between §§ 109(a) and 602(a)(1) thus reveals an ambiguity when applied to copies imported into the United States.

The lower courts have attributed the ambiguity only to the wording of § 109(a). *See, e.g.*, P.A. 24a (focusing on the “lawfully made under this title” language in § 109(a) in discussing interplay between first-sale defense and the importation provision); *Costco*, 541 F.3d at 986 (same). So, too, have all the parties and *amici* to brief the issue to this Court in *Costco*. We address that ambiguity below. *See infra* Point II. But before we do, we address a different latent ambiguity that no one in the prior litigation discussed, but that solves the puzzle of statutory construction and proves that only Petitioner’s reading of the Act is tenable. *See infra* Point I. We then demonstrate that arguments against Petitioner’s reading are unpersuasive, *see infra* Point III, and that several presumptions support Petitioner’s construction, *see infra* Point IV.

I. THE AMBIGUITY IN THIS CASE ARISES AS MUCH FROM § 602 AS FROM § 109, BUT THAT AMBIGUITY IS READILY RESOLVED IN FAVOR OF A MORE ROBUST FIRST-SALE DEFENSE.

The lower courts and previous parties before this Court have all missed a critical point: Section 109(a) is not the only source of ambiguity that bears on the issue of statutory construction. Equally to blame is a latent ambiguity in the importation prohibition. That provision speaks in seemingly categorical terms when it says that “[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute.” § 602(a)(1) (emphasis added). But there obviously have to be exceptions. There are contexts where “without authority of the owner” must mean “without authority of the owner or *other statutory authorization*.”

For example, when 2 Live Crew parodied Roy Orbison’s song, “Oh, Pretty Woman,” they did so “without authority of the owner.” *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). And Dorling Kindersley did not have “authority of the owner” to reproduce concert posters in *Grateful Dead: The Illustrated Trip*. *See Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006). Each was *statutorily* authorized, however, as a “fair use” under § 107. That statutory authorization allows 2 Live Crew’s record company to sell its CDs in the U.S., and Dorling Kindersley to sell its book in the U.S., “without authority of the owner of the copyright.”

What if the CDs were pressed or the books were printed in Asia? Section 602(a)(1) says that “[i]mportation into the United States, *without the authority* of the owner of copyright ... is an infringement of the exclusive right to distribute.” (Emphasis added). That cannot possibly mean that foreign-made copies are not subject to fair use. Rather, the statute has to be read to allow their distribution without express authorization. *Statutory* authorization must be enough, even though the importation prohibition does not say that explicitly.

Similarly, Paul McCartney was allowed to sell his CD of quintessential American songs—such as “Be-Bop-A-Lula” and “Ain’t No Sunshine”—“without authority of the owner of copyright.” So long as he complied with the compulsory license provisions of § 115, he did not need that authority. But what if the CDs had been made in England? Literally, § 602(a)(1) says that “[i]mportation [of the CDs] into the United States, *without the authority* of the owner of copyright” infringes. But that cannot possibly mean that foreign CDs are not subject to the compulsory license.

The importation prohibition’s literal language would make mischief for multiple other statutory authorizations. Under the panel majority’s approach:

- the libraries and archives exception (§ 108) would permit libraries to reproduce or distribute a limited number of copies under certain circumstances, but not if they were made abroad;

- the classroom exemption (§ 110) would allow performance or display of “lawfully made” works in classrooms and places of worship, but not if they were made abroad; and
- the useful articles exception (§ 113) would permit advertisements displaying images of “lawfully produced” copyrighted materials attached to products, but not if they were made abroad.

None of these could possibly be what Congress intended.

One need not insert language into the Act to reach that logical result. In each circumstance, despite § 602(a)(1)'s seemingly categorical language, the Copyright Act can be read naturally to support the non-infringement conclusion that is so obviously correct. The key lies in § 602's statement that “[i]mportation ... is an infringement of the exclusive right to distribute ... *under section 106*,” the provision that enumerates the bundle of rights that attach to ownership of a copyright. § 602(a)(1) (emphasis added). Section 106, in turn, is subject to explicit exceptions: The exclusive rights in § 106—including the “exclusive right to distribute under section 106”—are all “[s]ubject to sections 107 through 122.” § 106. Sections 107 through 122 are all privileges—exceptions to the prohibitions against various forms of infringement, including copying, distributing, publicly displaying, etc.

Putting it all together, as the dissent below explained, the exclusive right of distribution is express-

ly made subject to the enumerated exceptions, and the importation prohibition depends upon the distribution right. P.A. 35a. Thus, the importation prohibition must also be “[s]ubject to sections 107 through 122.” In other words, § 602(a)(1)’s importation prohibition expressly incorporates not only the rights of § 106, but also the express limitations of fair use, compulsory licenses, and educational use.

Of course, § 109(a) is also a privilege that falls within “sections 107 through 122.” Generally, provisions that stand on equal statutory footing have the same statutory consequence. *See Ali v. Fed. Bureau of Prisons*, 552 U.S. 214, 222 (2008). Section 109(a) must be applied in the same way as the other statutory authorizations in that range. Either § 602(a)(1) overrides them all or it overrides none of them.

As is discussed in greater detail below, *infra* at 38-39, this Court held in *Quality King* that § 602(a)(1) does not override any of the copyright privileges, including § 109(a):

The introductory language in § 106 expressly states that all of the exclusive rights granted by that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a)

523 U.S. at 149. As this Court explained, § 602(a) does not create any rights in and of itself, but merely flows from § 106. *Id.* So this branch of the distribution right is subject to the same exceptions as the

core distribution right from which it grows. *Id.* That means the first-sale defense of § 109 trumps the importation prohibition, in the same way as fair use (§ 107), the compulsory license (§ 115), the classroom exception (§ 110), and every other privilege codified in “sections 107 through 122.”

Wiley is free to argue that the unanimous Court was wrong when it reached this conclusion in *Quality King*. But if it does, it must explain what possessed Congress to wipe away *all* the traditional copyright privileges for any product that is made abroad. The premise is about as inexplicable as the same Congress, in a moment of self-loathing, passing a resolution favoring greater dependence on OPEC oil.

II. THE PHRASE “LAWFULLY MADE UNDER THIS TITLE” IS BEST READ TO SUPPORT A NONDISCRIMINATORY APPLICATION OF THE FIRST-SALE DEFENSE.

It is largely because the Second and Ninth Circuits completely ignored this Court’s reading of § 602(a)(1) that they wrestled with alternative meanings of the words “lawfully made under this title” in § 109(a).

As a matter of ordinary parlance, it seems odd to suggest that Wiley’s books were not “lawfully made under this title.” The copyright owner, John Wiley & Sons, Inc., is a U.S. company. Because the books were first published in the U.S., *see* S.A. 1-17, the Copyright Act, therefore, defines them as “United States work[s].” § 101 (defined to include any “work”

that is “first published … in the United States”). From U.S. soil, the U.S. company authorized its wholly owned subsidiary to make the copies. J.A. 7, 65-66. And as if to punctuate the point, many of the books in question prominently featured the legend asserting rights under “the 1976 United States Copyright Act.” J.A. 179, 182, 184.

Dollars to donuts, if one had polled Wiley executives on the question, “Are these books lawfully made under the Copyright Act?” every one of them would have agreed with Petitioner that the answer is yes. It would not have dawned on anyone to say, “No, because Wiley’s printing press was in Asia.”

The Second Circuit and the Ninth Circuit said no, each offering a different definition of the key phrase and each rejecting the other’s definition. We describe each definition in turn. And, in the interest of completeness, we mention a fourth definition—Costco’s position in the earlier case—which we do not embrace.

Petitioner: Nondiscriminatory definition. Under Petitioner’s reading, a copy is “lawfully made under this title”—and the seller enjoys the benefit of the first-sale defense—if the copy was made “in accordance with the Copyright Act.” In this reading, other sections of the Act impose geographic conditions on the scope of copyright (a topic we address *infra* at 29-31), but § 109, itself, does not discriminate between foreign-made and domestically produced copies. Thus, we call this the “nondiscriminatory definition.”

Second Circuit: Pro-foreign definition. At the other end of the spectrum is the Second Circuit’s reading in this case. Under this narrow interpretation, “lawfully made under this title” means “manufactured on U.S. soil.” P.A. 27-28a (applies to copies “made in territories in which the Copyright Act is law, and not to foreign-manufactured works”). Under this purely geographic definition, a copy that was made abroad is *never* subject to the first-sale defense. The copyright owner has a right that is almost unknown in commerce—the right to control resale down the chain of commerce in perpetuity—extending not just to sales, but to rental, lending, regifting, or other disposition of a copy. But Congress granted this power only to those select copyright owners who are foreign and manufacture overseas or who are domestic and choose to ship manufacturing jobs abroad. This definition actually punishes foreign owners who choose to ship their manufacturing jobs to the U.S. One is tempted to call this the “political-suicide definition.” But we will call it the “pro-foreign definition.”

Ninth Circuit: Compromise definition. A third approach is the Ninth Circuit’s construction. See *Denbicare U.S.A. Inc. v. Toys ‘R’ Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). That court has interpreted the term “lawfully made under this title” to mean essentially “manufactured on United States soil or manufactured abroad and then sold with the copyright owner’s approval at least once after arriving on U.S. soil.” This proposal mitigates the extremity of the pro-foreign definition, but it sacrifices any pretense of fidelity to the statutory text. We call this the “compromise definition.”

The Costco compromise. Costco offered a different compromise position. It argued that “lawfully made under this title” essentially means “made in accordance with U.S. law *unless* the copies are subject to an unrelated foreign distributor’s exclusive license to operate in a particular country.” See *Costco* Tr. at 7; *Costco* Pet. Br. at 37; *Costco* Reply at 20-21. No court has embraced this compromise position. Nor do we, for it, too, is unmoored from the language Congress drafted.

This case should boil down to a competition between the two constructions that the statutory language can arguably support—the nondiscriminatory definition vs. the pro-foreign definition. As we demonstrate below, Petitioner’s nondiscriminatory definition is superior. It is the best reading of the text, *see infra* Point II.A., the most consistent with the Act’s explicit embrace of foreign subject matter, *see infra* Point II.B., and the most consistent with other uses of the same term in the same statute, *see infra* Point II.C.

A. The Nondiscriminatory Definition Is the Best Reading of the Text of § 109.

Where, as here, a phrase “is not defined by statute,” this Court “normally construe[s] it in accord with its ordinary or natural meaning.” *Smith v. United States*, 508 U.S. 223, 228 (1993). The most natural reading of the phrase “lawfully made under this title” in § 109(a) is Petitioner’s nondiscriminatory reading. In normal parlance, a copy is “lawfully made under” a statute, if it was made “in compliance with” or “in accordance with” the statute—in other

words, if it was made by the owner of the work itself or by someone who is authorized by the owner to make it. *See* § 106 (defining exclusive rights to include the right “to authorize”); *see* P.A. 37a.

That is exactly how this Court has interpreted the phrase “under this title” in the past. Thus, for example, this Court confronted the question whether a state administrative claim required under 42 U.S.C. § 2000e-5(k) constituted a proceeding “under this title.” *New York Gaslight Club, Inc. v. Carey*, 447 U.S. 54 (1980). No one on the Court questioned the fundamental proposition that “under this title” meant “according to Title 42.” *Id.* at 61.

That is also how the Government interpreted the phrase in *Quality King*: “The correct and more natural reading of the phrase ‘lawfully made under this title’ refers simply to any copy made with the authorization of the copyright owner as required by Title 17, or otherwise authorized by specific provisions of Title 17.” Brief for U.S. as Amicus Curiae Supporting Respondent, at 30 n.18, *Quality King*, 523 U.S. 135 (No. 96-1470) (hereinafter “*Quality King* U.S. Br.”).³

In contrast to this natural reading, one would not ordinarily read the words “lawfully made under this title” to mean “manufactured on U.S. soil” as the pro-foreign definition posits. There are far clearer ways to say, “made in the USA.” And one certainly

³ The Government supported the copyright owner in *Quality King*, but on a different basis, which this Court rejected. *See* *Quality King*, 523 U.S. at 151-52.

would not use those five words to signify “manufactured on United States soil or manufactured abroad and then sold with the copyright owner’s approval at least once on United States soil,” per the Ninth Circuit’s compromise definition. As important as it is to save the pro-foreign definition from its inevitable consequences, the dissent below was correct that this compromise position “finds no support in the statutory text.” P.A. 41a.

The dissent below, the Third Circuit, and the Government in *Quality King*, all noted another difficulty with reading a geographic limitation into the phrase, “under this title”: “When ... Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so explicitly.” *Quality King* U.S. Br. 30; see P.A. 38-39a; *Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir.1988). For example, the version of the now-expired “manufacturing provision” that Congress enacted at the same time as the current version of the first-sale defense provided as follows:

[T]he importation into or public distribution in the United States of copies of a work consisting predominantly of nondramatic literary material that is in the English language and is protected *under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States* or Canada.

17 U.S.C. § 601 (1976) (repealed 2010) (emphasis added). Having used the phrases “under this title” and “manufactured in the United States” in the

same sentence, Congress obviously did not intend to give them the same meaning. Rather, § 601 contemplated (as § 104 provides) that a work authored abroad could nevertheless *also* be protected “under this title.”

Both the pro-foreign definition and the compromise definition are inconsistent with these other textual cues in the Act as well. For example, “Congress also demonstrated it could differentiate based on the place a copy was ‘acquired,’” P.A. 39a n.54, as it did in the very importation prohibition at issue here, which applies to copies “acquired outside the United States.” § 602(a)(1).

That is the norm throughout the U.S. Code. *See, e.g.*, 15 U.S.C. § 1124 (banning importation of goods that “bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States”); 19 U.S.C. § 1673c(1)(2) (providing for penalties where a trading partner “no longer prevents the suppression or undercutting of domestic prices of merchandise manufactured in the United States”); 14 U.S.C. § 97(a)(1) (“the Coast Guard may not procure buoy chain that is not manufactured in the United States”).

B. Any Interpretation That Reads “Under This Title” as a Limitation to U.S. Soil Is Inconsistent With the Copyright Act’s Explicit Embrace of Foreign Subject Matter.

The parties and amici before the Court in *Costco* debated the meaning of “under this title” with

scarcely a mention of what *Congress* said “this title” covers. That was a mistake. Reading “under this title” as a geographic limitation that constrains the Copyright Act to U.S. soil contradicts the explicit language of the Act extending U.S. copyright protection far beyond U.S. soil.

The Copyright Act contains a series of provisions explicitly defining the subject matter—both in substance and in territory—encompassed by the Act. 17 U.S.C. §§ 102-05. One of these defining sections is § 104, entitled “Subject matter of copyright: National origin.” In that section, Congress defined the Act’s geographic reach in the most expansive international terms imaginable. Section 104(a), for example, provides that all *unpublished* original works, derivative works, and compilations are “subject to protection *under this title without regard to the nationality or domicile of the author.*” (Emphasis added). In other words, our Copyright Act says that unpublished works *authored anywhere in the world* fall “under this title.”

Section 104(b), which covers *published* works, has a similarly expansive geographic sweep. It presents a menu of options for protection “*under this title.*” Practically every element of the list refers to a “treaty party,” defined as any foreign country that “is a party to an international [copyright] agreement.” *Id.* § 101. For example, § 104(b) declares that the following all fall “under this title”:

- all works where “on the date of first publication, one or more of the authors is a national

or domiciliary ... of a treaty party,” § 104(b)(1);

- all works “first published ... in a foreign nation that ... is a treaty party,” § 104(b)(2);
- any “sound recording that was first fixed in a treaty party,” § 104(b)(3); and
- any “pictorial, graphic, ... sculptural” or “architectural work” that “is incorporated” or “embodied in a building ... located in ... a treaty party,” § 104(b)(4).

More than 179 countries currently qualify as “treaty part[ies].” U.S. Copyright Office, 38A.110, *International Copyright Relations of the United States* (2010), available at <http://www.copyright.gov/circs/circ38a.pdf>.

Together, §§ 104(a) and 104(b) provide that virtually any work made in those countries or made by citizens or residents of those countries are “under this title.” The words “under this title” cannot be used to limit § 109(a) to U.S. soil when Congress used the same exact words—at the same time it enacted § 109(a)—to describe a breathtakingly international focus. The very suggestion is especially far-fetched in light of Congress’s history of using similar language for over a century to communicate the same international reach.⁴ There was no point in

⁴ See, e.g., International Copyright Act of 1891, Pub. L. No. 849, §§ 1, 13, 26 Stat. 1106 (2d Sess.) (the Act “shall ... apply” to foreign citizens whose works are protected “under the laws of the United States”); Copyright Act of 1909, Pub. L. No. 849, § 8,

the past 120 years when Congress would have considered the words “under this title” to mean “on U.S. soil.”

No one presented any of this to the Court in *Costco*. See *Costco* Pet. Br. at 30 n.13 (citing § 104(b) as an example of the Copyright Act acknowledging the relevance of foreign events, not to provide a definition for “under this title”). The Government, for its part, did not even cite § 104 *at all* in either its invitation brief or its merits brief. See, e.g., *Costco* U.S. Br. at iv-v. To posit that the phrase “under this title” is a geographic limitation without wrestling with the provision that actually *defines* the geographic subject matter “under this title” is like positing that federal courts have plenary jurisdiction without referencing Article III.

C. The Nondiscriminatory Definition Best Accommodates Identical Language Elsewhere in the Copyright Act.

As this Court has observed, “[a] provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme—because the same terminology is used elsewhere in a context that makes its meaning clear, or because only one of the permissible meanings produces a substantive effect that is compatible with the rest of the law.” *United*

35 Stat. 1075, 1077 (“the copyrights secured by this Act shall extend” to the work of a qualifying foreign author who would receive a copyright “under the conditions and for the terms specified in this Act”); Act of July 30, 1947, Pub. L. No. 80-281, § 9, 61 Stat. 652, 655 (changed to “by this title,” “in this title,” and “under this title”).

Sav. Ass'n v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365, 371 (1988) (citations omitted). Such is the case here. The phrase “lawfully made under this title” makes six appearances throughout the Act—in §§ 109(a), 109(c), and 109(e), 110, 1001, and 1006. The phrase “under this title” appears 91 times. They all make perfect sense when “under this title” is interpreted to mean “in accordance with this title”—and no sense at all under either alternative interpretation. A few illustrations make the point.

Section 106. Let us start with the core provision of the Copyright Act, § 106, which defines the rights secured by copyright. As noted above, that section provides that “the owner of copyright *under this title* has the exclusive rights to do and to authorize any of the following.” § 106. In keeping with the principle that “identical ... phrases within the same statute should normally be given the same meaning,” *Powerex Corp. v. Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007), let us see what happens when each definition is substituted for the italicized.

Under Petitioner’s nondiscriminatory definition, the Act would grant the enumerated “exclusive rights” to “the owner of copyright *in accordance with this title*”—i.e., these rights would be granted only to the person or entity that the Copyright Act would deem to be the owner. In contrast, the geographic connotation would yield nonsense: “[T]he owner of copyright *on United States soil* has the exclusive rights to do and to authorize any of the following.” So an owner who leaves the U.S. loses all rights? The very notion defies the entire international reciprocal framework of copyright in place since 1891.

Section 109(c). Similarly, § 106(5) grants the copyright owner the exclusive right “to display the copyrighted work publicly.” But § 109(c)—just two subsections away from § 109(a)—provides an important limitation: The owner of a particular physical copy “lawfully made under this title” may publicly display it without further authorization.

With the Second Circuit’s pro-foreign definition, the right to display would be limited to copies “manufactured in the U.S.” So the proprietor of a café in Buffalo could purchase a photograph of Niagara Falls printed in Niagara Falls, New York and display it without fear. But if the same photograph was printed in Niagara Falls, Ontario, she would be forbidden to hang the photo without permission, even though she has unquestionable legal title to the copy. Under a more natural nondiscriminatory reading of the phrase “lawfully made under” the Act, there would be no such asymmetry. Each version of the photo—regardless of where printed—would be subject to the same rights and limitations and the purchaser could display it freely no matter where it was printed.

Section 110. The very next section of the Act exempts from liability a teacher’s use of a copy “in the course of face-to-face teaching activities … in a classroom.” § 110(1). But all bets are off if the teacher uses “a copy that was not lawfully made under this title” and the teacher “knew or had reason to believe [it] was not lawfully made.” *Id.* Interpreting this phrase through the nondiscriminatory lens, § 110 would permit teachers to use lawful copies of books, recordings, and other media, while sensibly

prohibiting their knowing use of piratical copies, which are obviously not “lawfully made.”

In contrast, the pro-foreign definition—“made on U.S. soil”—is absurd: A teacher could play for her students a U.S.-made CD of the New York Philharmonic playing Mozart, but could not play the same exact recording from a CD stamped in Asia.

Section 1006. Nonsense also results from applying the pro-foreign definition to the requirements that the Audio Home Recording Act (“AHRA”), 17 U.S.C. §§ 1001 et seq. introduced into the Copyright Act. The AHRA regulates the importation and distribution of audio recordings and requires manufacturers, importers, or distributors of such products to pay royalties to copyright owners. Section 1006 provides that royalties shall be distributed to those whose musical works have been “embodied in a digital musical recording or an analog musical recording *lawfully made under this title* that has been distributed.” *Id.* § 1006(a)(1)(A) (emphasis added).

The pro-foreign definition would mean that royalty payments must be distributed only for CDs manufactured in the United States. No royalty payment under § 1006 would be due on copies manufactured abroad. But § 1004 provides for payment of royalties on “each digital audio recording medium *imported into and distributed in the United States*, or manufactured and distributed in the United States.” *Id.* § 1004(b) (emphasis added). Interpreting “lawfully made under this title” as urged by the Second and Ninth Circuits would place these two provisions in direct conflict—even though they were

enacted at the same time and were intended to be read in harmony. Only the nondiscriminatory definition avoids that absurdity.

As the Government noted in *Quality King*, § 1004(b) has further significance: Like the now-expired manufacturing clause, Congress's reference to a CD "manufactured and distributed in the United States" shows that when Congress intends to make the location of manufacture significant for copyright purposes, it does so explicitly. *Quality King* U.S. Br. 30; *see supra* at 28-29 (discussing former § 601).

Section 109(e). Perhaps the most vivid example is § 109(e). Congress drafted the provision to overrule the Fourth Circuit's decision in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). In *Red Baron*, a Japanese manufacturer made electronic circuit boards used in coin-operated video games. 883 F.2d at 277. The circuit boards were made in Japan. *Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 U.S. Dist. LEXIS 15735, at *2-3 (E.D. Va. Aug. 29, 1988). Much like Petitioner, a video arcade company purchased the cheaper Japanese circuit boards in Japan, imported them into the United States, and installed them in its video arcades. *Red Baron*, 883 F.2d at 277. The Fourth Circuit rejected the first-sale defense. *Id.* at 280-81.

Less than a year later, in 1990, Congress enacted § 109(e), with the explicit purpose of overruling that holding. *See Computer Software Rental Amendments Act of 1990*, Pub. L. No. 101-650, § 803, 104 Stat. 5089, 5136. The new provision directs that

“the owner of a particular copy of [a video arcade] game *lawfully made under this title*[] is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment.” § 109(e) (emphasis added).

Only the nondiscriminatory definition achieves that objective. Under the pro-foreign definition the statute would mean: “the owner of a particular copy of a video arcade game *made in the U.S.* is entitled ... to publicly perform ... that game.” That would mean that the very copies at issue in *Red Baron* would not be subject to § 109(e) and that Congress enacted a nullity.

III. THE ARGUMENTS AGAINST THE NON-DISCRIMINATORY DEFINITION ARE UNPERSUASIVE.

Courts have advanced three main arguments for rejecting Petitioner’s nondiscriminatory reading of the statute: (A) that dicta in *Quality King* point the other way; (B) that the nondiscriminatory definition saps § 602(a)(1) of all meaning; and (C) that the nondiscriminatory definition is inconsistent with the presumption against extraterritorial application of U.S. law. *See, e.g.*, P.A. 25-27a; *Costco*, 541 F.3d at 988-89. The majority below correctly rejected the last critique, but incorrectly embraced the first two. We address each.

A. *Quality King* Supports the Nondiscriminatory Definition.

Only by ignoring both what *Quality King* actually held and its central logic could the panel majority (and the Ninth in *Costco*) conclude that this Court rejected the nondiscriminatory definition. The holding, which is quoted above, *supra* at 22-23, is even more compelling when placed in its fuller context.

In *Quality King*, a manufacturer affixed copyrighted labels to its shampoo bottles. The manufacturer's British distributor sold the products to a foreign purchaser. The products then found their way back into the U.S. where Quality King sold them to U.S. retailers without the manufacturer's authority. 523 U.S. at 139. The Court framed the "question presented by this case" as essentially the same as the question presented here: "whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies." *Id.* at 138. In the Court's view, the answer depended, in turn, on "whether the right granted by § 602(a) is also limited by §§ 107 through 120." *Id.*

The Court unanimously held that the importation right is so limited. In so ruling, the Court tracked the same structural point Petitioner makes above. See *supra* at 19-23. This Court's analysis began (as Petitioner's does above) with the observation that "[i]t is significant that [§ 602(a)] does not categorically prohibit the unauthorized importation of copyrighted materials. Instead, it provides that such importation is an infringement of the exclusive right to distribute copies 'under section 106.'" 523 U.S. at

144. That is where the holding quoted above comes in—as a critical limitation on § 106 and therefore on the importation prohibition as well:

The introductory language in § 106 expressly states that all of the exclusive rights granted in that section—including, of course, the distribution right granted by subsection (3)—are limited by the provisions of §§ 107 through 120. One of those limitations ... is provided by the terms of § 109(a)

Id. The Court further recognized the limits of § 602(a):

Since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right “under section 106,” and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of [the hair care] products who decide to import them and resell them in the United States.

Id. at 145. The Court thus found § 602(a) “simply inapplicable” “even if the first sale occurred abroad.” *Id.* at 145 n.14. In response to the Government’s argument that the importation prohibition trumps § 109(a), this Court declared: “the Solicitor General’s cramped reading of the text of the statutes is at odds ... with the necessarily broad reach of § 109(a).” *Id.* at 152.

The panel majority (like the Ninth Circuit in *Costco*) ignored this Court’s *holding* and all the logic behind it. It did so on the basis of what it perceived to be “a key factual difference at work in *Quality King* that is of critical importance.” P.A. 17a. The difference, it held, was that “[i]n *Quality King*, the copyrighted items in question had all been manufactured in the United States” and made a roundtrip back, whereas the books here were all made abroad. *Id.* The majority correctly observed that Justice Ginsburg, concurring alone, noted the distinction, and concluded that “the Court’s opinion … do[es] not today resolve cases in which the alleged infringing imports were manufactured abroad.” *Id.* The problem with the panel majority’s distinction is that this Court’s analysis did not revolve around—or even mention—the place of manufacture. The Court held that the first sale defense applies, period. The Court’s bottom line was that “[t]he whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.” *Quality King*, 523 U.S. at 152.

The panel majority also found “instructive *dicta*” in *Quality King*. P.A. 17a. The dicta came at the tail end of a lengthy analysis rejecting the argument that “§ 602(a) is superfluous unless it covers nonpiratical (‘lawfully made’) copies sold by the copyright owner, because importation nearly always implies a first sale.” *Quality King*, 523 U.S. at 146. The Court offered three illustrations of why § 602(a) still has teeth, despite its expansive reading of the first-sale defense. The first two are reviewed more

fully in the next section. *See infra* at 44-46. The third illustration—and specifically, one sentence fragment addressing that illustration—was what drove the panel majority’s analysis.

Quality King’s third illustration was a hypothetical where a copyright owner grants a British distributor the exclusive right to sell books in England and grants a U.S. distributor the right to sell them in the U.S. In the hypothetical, the British distributor sells some of its copies in the U.S. In so doing, the British distributor is obviously violating its contract with the owner, and the copyright owner can sue for breach. But far better for the copyright owner, it is also an act of copyright infringement. That gives the copyright owner more robust remedies, including injunctive relief, disgorgement of the infringer’s profits, statutory damages, impoundment of the infringing articles, and costs and attorneys fees. *See §§ 502-05.* As this Court observed, the reason the owner has a copyright claim was that “[t]he first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a).” 523 U.S. at 148.

That conclusion was clearly correct. As the dissent below understood, the reason is that the hypothetical British distributor has sold directly into the U.S. before there was any first sale. P.A. 43a. There can be no first-sale defense until *after* the first sale, so § 602(a) has full effect. Confusion has arisen because this Court gave a different explanation for the correct conclusion: “presumably, only those [copies] made by the publisher of the U.S. edition would be

‘lawfully made under this title’ within the meaning of § 109(a).” 523 U.S. at 148. The court of appeals (like the Ninth Circuit) seized on a single word in that fragment—“only.” It read the sentence to mean that “copyrighted material manufactured abroad cannot be subject to the first sale doctrine.” P.A. 19a.

That single word cannot override everything else this Court said and held in the case, for several reasons. First, as the panel majority acknowledged, the facts of the hypothetical were not before the Court and not in any way dispositive of the case that was before the Court. P.A. 17a. Second, the Court hedged its analysis with the word “presumably,” as if to indicate that it did not intend to commit definitively to either that third conclusion or the specific explanation for that conclusion. Third, the Court did not even suggest that the place of manufacture was the controlling fact even for that hypothetical. The copies that the U.S. distributor sold could also have been printed abroad.

In sum, this dictum provides no reason to abandon the logical construction this Court detailed in *Quality King* and should reaffirm here: Section 106(3)—and thus any effect of § 602(a)—is expressly limited by § 109(a), which means the first-sale defense applies to works “lawfully made” and sold regardless of place of manufacture.

B. As This Court Held in *Quality King*, the Nondiscriminatory Definition Accords § 602 Full Meaning.

The panel majority's second reason for opting for the pro-foreign definition starts with the premise that § 602(a)(1) "is obviously intended to allow copyright holders some flexibility to divide ... international and domestic markets for the particular copyrighted item." P.A. 24-25a. That is true. The question is *how*? Under Petitioner's nondiscriminatory approach, § 602(a)(1) achieves that result in the manner described in the third *Quality King* illustration: by giving the copyright owner a powerful *copyright* weapon against distributors who distribute outside their assigned domains. The question here is whether § 602(a)(1) *also* grants the copyright owner even greater (and almost unprecedented) power to control all downstream sales, rentals, loans, and gifts. The majority erred in assuming that Congress intended to grant the broader power.

From this improper assumption, the panel majority chose between competing readings merely because one reading would give § 602(a)(1) effect in all cases and the other would give it "no force in the vast majority of cases." P.A. 25a. Even if true, the observation is irrelevant to this exercise in statutory construction. To be sure, Petitioner's reading could be rejected if it narrows the scope of § 602(a)(1) *out of existence*—so much as to make it "superfluous, void, or insignificant." *Regions Hosp. v. Shalala*, 522 U.S. 448, 467 (1998) (Scalia, J., dissenting) (quoting *Market Co. v. Hoffman*, 101 U.S. 112, 115-16 (1879)). But as noted above, *Quality King* definitively reject-

ed any argument that the nondiscriminatory definition leaves § 602(a)(1) superfluous—giving multiple reasons why § 602(a)(1) “retain[s] significant independent meaning” even with a robust reading of § 109(a). 523 U.S. at 148-49; *see supra* at 40-41; P.A. 42a (dissent catalogs the continued effects of § 602(a)(1)).

This Court cited several functions that § 602(a)(1) still serves, beyond the one extensively discussed above, of giving copyright holders a copyright remedy against rogue distributors. *See Quality King*, 523 U.S. at 148.

First, “because the protection afforded by § 109(a) is available only to the ‘owner’ of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.” 523 U.S. at 146-47 (footnote omitted). For example, if the shipper of the copyrighted goods tried to divert the shipment from its intended foreign pier and instead brought the goods to the U.S., without the copyright owner’s authorization, § 602(a)(1) would subject that shipper to an infringement claim. This bailee could not find sanctuary in the first-sale defense. “These were substantial copyright problems before the 1976 Act for which § 602(a) [was] the solution.” Darren E. Donnelly, *Parallel Trade and International Harmonization of the Exhaustion of Rights Doctrine*, 13 Santa Clara Computer & High Tech. L.J. 445, 461 n.107 (1997). Congress solved them in § 602(a).

Second, piratical goods are not the only goods that can be described as not “lawfully made under this title.” As this Court explained, there can be “copies that were ‘lawfully made’ not under the United States Copyright Act but instead, under the law of some other country.” 523 U.S. at 147.⁵ Examples abound:

- Some countries grant compulsory licenses that U.S. law does not recognize, so a copy made there solely on the basis of this statutory authority would be unlawful here. *See, e.g.*, Indian Copyright Act, 1957 §§ 31-32 (providing for compulsory licenses for certain works withheld from the public, unpublished Indian works, translations, and other specified purposes).
- Other countries extend copyright protection for a term that is shorter than the term granted under U.S. law (generally speaking, the author’s life plus 70 years), so a copy made without authorization there would be lawful but would not be lawful here. *Compare* § 302

⁵ The Ninth Circuit mistakenly read this language to indicate a distinction between domestically made copies (which are “lawfully made under this title”) and foreign-made copies (which are not). *Costco*, 541 F.3d at 988-89. It appears that the panel majority may have harbored the same view. *See* P.A. 26-27a. That is incorrect. Like the hypothetical discussed above, this sentence does not refer to the place of manufacture. This Court could not possibly have meant to indicate an either-or distinction. Obviously, the same act could be lawful under both U.S. law and foreign law, lawful under either, or unlawful under both.

with Canadian Copyright Act, § 6 (R.S.C., 1985, c. C-42) (generally, life of author plus 50 years).

- Yet others allow a copyright owner to assign rights orally, which U.S. law would not recognize—hence the copies would not be legitimate under U.S. law. *Compare* § 204 (execution of transfers of copyright ownership) *with* Francois Dessemontet, *International Copyright Law and Practice Switzerland* § 4[2][b] (Paul Edward Geller ed., Lexis Nexis 2011).

None of these products are piratical, but nor would they be considered “lawfully made under” U.S. law. The bottom line, as this Court explained, is that § 602(a)(1) and § 109(a) are not “coextensive.” 523 U.S. at 148. Where § 109(a) does not apply, § 602 does. In each of these circumstances, § 602 has the salutary and intended effect of generally enforcing U.S. copyright norms with respect to copies made abroad that end up in the U.S. The panel majority took a provision that was intended to reinforce U.S. copyright norms and paradoxically interpreted it to mean that Congress purposely gutted a significant and age-old copyright privilege.

C. The Nondiscriminatory Approach Does Not Trigger the Presumption Against Extraterritorial Applications of U.S. Law.

This last point—about enforcing U.S. copyright norms with respect to copies made abroad—was what led the Ninth Circuit in *Costco* to conclude that

nondiscriminatory definition was impermissibly extraterritorial. *See Costco*, 541 F.3d at 988. The Second Circuit was correct in rejecting the argument, P.A. 22a, and this Court should, too.

Indeed, this Court already has rejected it—once again in its opinion in *Quality King*, where the copyright owner made the same argument. 523 U.S. at 145 n.14. This Court held that “the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)’s ‘acquired abroad’ language does.” *Id.* As this Court understood, the argument misapprehends both (1) the presumption against extraterritoriality and (2) its application to the copyright laws.

The presumption against extraterritoriality is a “longstanding principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’” *EOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (quoting *Foley Bros, Inc. v. Filardo*, 336 U.S. 281, 285 (1949)). Extraterritorial in this context means the challenged acts are *wholly* foreign. *Subafilms, Ltd. v. MGM-Pathe Commc’ns Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994); *Env'l. Defense Fund, Inc. v. Massey*, 986 F.2d 528, 531 (D.C. Cir. 1993). However, “[a] claim is not ‘extraterritorial’ simply because it involves foreign acts or parties.” Jane Ginsburg, Comment, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int’l L. 587, 588 (1997). When the

conduct to be evaluated under the statute affects the United States and is being adjudicated in the United States, then by definition the presumption against extraterritoriality is irrelevant to the question of construction. *See Parfums Givenchy v. C&C Beauty Sales*, 832 F. Supp. 1378, 1386 (C.D. Cal. 1993), *aff'd sub nom. Parfums*, 38 F.3d 477.

That is the case here. Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resident who was in the U.S. when he committed the purportedly infringing acts. No one has ever disputed that U.S. law applies to the controversy. Nondiscriminatory exhaustion merely maintains that a copyright owner's rights are exhausted upon the first sale, and it does not matter where that first sale occurs. To so hold does not extend U.S. law into foreign lands, any more than a law that prohibits a vendor from selling goods in the U.S. that were stolen abroad. *See e.g.*, 18 U.S.C. §§ 2314-15; *United States v. Schultz*, 333 F.3d 393 (2d Cir. 2003).

IV. SEVERAL PRESUMPTIONS AND OTHER DEVICES OF STATUTORY CONSTRUCTION SUPPORT THE NONDISCRIMINATORY DEFINITION.

While some courts invoke a presumption that is inapplicable, the panel majority and other like-minded courts have ignored presumptions that are applicable.

A. The Presumption That Congress Did Not Intend to Override an Ancient Common Law and Statutory Principle Supports the Nondiscriminatory Definition.

We begin with a pair of mutually reinforcing presumptions that the panel majority ignored. First, “when a statute covers an issue previously governed by the common law, [this Court] interpret[s] the statute with the presumption that Congress intended to retain the substance of the common law.” *Samantar v. Yousef*, 130 S. Ct. 2278, 2289 n.13 (2010) (citation omitted). Second, “[u]nder established canons of statutory construction, ‘it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed.’” *Finley v. United States*, 490 U.S. 545, 554 (1989) (quoting *Anderson v. Pac. Coast Steamship Co.*, 225 U.S. 187, 199 (1912)). In defiance of these two presumptions, the panel majority concluded that Congress in 1976 wiped away four centuries of common law and more than 65 years of statutory authority by inserting three words—“under this title”—into a single provision.

The first-sale defense is about as hoary a common law doctrine as there is. It is an application of the ancient common law policy against restraints on trade dating at least as far back as the 1600s: “[I]f a man be possessed of a ... horse or of any other chattel, real or personal, and give or sell his whole interest, or property therein upon condition that the Donee or Vendee shall not alien[ate] the same, the same is void, because his whole interest and proper-

ty is out of him, so as he hath no possibility of Reverter, and it is against Trade and Traffic and bargaining and contracting between man and man” 1 Coke on Littleton bk. 3, ch. 5, § 360, at 223 (1628); *see also Sexton v. Wheaton*, 21 U.S. (8 Wheat.) 229, 242 (1823); H.R. Rep. No. 98-987, at 2 (1984), reprinted in 1984 U.S.C.C.A.N. 2898, 2899 (“The first sale doctrine has its roots in the English common law rule against restraints on alienation of property.”).

Bobbs-Merrill applied this age-old principle to a question of statutory interpretation under the Copyright Act. There, a publisher printed books with a notice prohibiting downstream owners from reselling at less than \$1 per copy and tried to enforce that condition on a downstream merchant who had bought the books legally. 210 U.S. at 341-42. The publisher argued that any resale that violated its stated condition infringed its “sole right” to “vend[]” the copies within the meaning of the copyright laws. *Id.* at 349-50. This Court held that Congress did not intend to create “a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it.” *Id.* at 350.

There is no dispute that Congress codified this common law principle when it passed the precursor to § 109(a) in 1909. The stated rationale for the provision was that “it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is the subject of copyright after said proprietor has made the first sale.”

H.R. Rep. No. 60-2222, at 19 (1909) (2d. Sess.). In keeping with this rationale, the first version of the provision stated that “nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.” Copyright Act of 1909 § 41, 35 Stat. at 1084 (previously codified at 17 U.S.C. § 27). Wiley concedes that under this version, the first-sale defense applied with equal force to any copy that was sold once, regardless of whether the sale occurred in Toledo or Thailand. Br. in Opp. 23.

Congress reaffirmed its commitment to the common law rule upon every amendment to the Copyright Act, which occurred over 30 times between 1909 and 1976, and there was never an argument that the first-sale defense applied only to U.S.-made copies.

The original language remained unchanged until 1976, when Congress repackaged the same concept in slightly different terms. The relevant committee reports confirmed that Congress crafted § 109(a), like its predecessor, merely to codify the principles “established by the court decisions and ... the present [copyright] law.” H.R. Rep. No. 94-1476, at 79 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5693 (hereinafter “House Report”); S. Rep. No. 94-473, at 71-72 (1975). As this Court pointed out in *Quality King*, Congress confirmed that this new language “restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy ... of a work, the person to whom the copy ... is transferred is entitled to dispose of it.”

House Report at 79 (quoted in *Quality King*, 523 U.S. at 152 n.27).

So why change the language from revolving around whether the persons “lawfully obtained” “possession” of the “copy,” to revolving around whether the person is “the owner of a particular copy ... lawfully made under this title”? It was certainly not to introduce a new geographic limitation into the first-sale defense. Rather, Congress explained that these minor edits were needed to achieve two goals—to expand the first-sale defense in one regard and contract it in another.

On the one hand, Congress contracted language to address mischief that the original version was causing. The previous focus on the lawfulness of the “possession” caused exactly the problem described above, where an unscrupulous bailee—such as a shipper or a printer—would import without the owner’s authority. They could claim to have “lawfully obtained” “possession” of copies. *See supra* at 44. Similarly, there was a serious problem “where a person has rented a print of a motion picture from the copyright owner” and proceeds to sell it. CLR-6 at 41. The previous version authorized bailees and renters—as well as consignees and other non-owners who lawfully *possessed* copies—to dispose of the copies however they wished, which was obviously not the intention. *Id.*; House Report at 79. Indeed, as Judge Friendly pointed out, “[a] literal reading of the clause would mean ... that an innocent purchaser of a copy from a conceded pirate would be free to resell it without liability for infringement.” *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 851 (2d

Cir. 1963). The reference to ownership addressed all this mischief.

On the other hand, Congress expanded the first-sale defense in another respect. As the House Report emphasized, the phrase “lawfully made under this title” was crafted to clarify that the defense applies not only to copies authorized by the copyright owner, but also to copies that were “not necessarily [made] with the copyright owner’s authorization,” but were nevertheless authorized by virtue of other provisions of the Copyright Act, such as copies “legally made under the compulsory licensing provisions of section 115.” House Report at 79.

Nowhere in the legislative history covering § 109 is there the slightest hint that any member of Congress so much as suggested that the statute should limit the first-sale defense to U.S.-manufactured goods, much less that any member thought that was what Congress achieved with the new language.

Nor, for that matter, did Congress ever indicate that § 602(a)(1) was intended to contract the time-honored first-sale defense. The House Report accompanying the final version of the 1976 Act, for example, merely noted that § 602(a) covers a situation where “copies … were lawfully made but their distribution in the United States would infringe the U.S. copyright owner’s exclusive rights.” House Report at 170. That explanation is perfectly consistent with Petitioner’s account of what the importation prohibition accomplishes, which is to grant the copyright owner an additional weapon with which to enforce contractual limitations *against the distributor*

and to preserve a copyright claim with respect to any copies that, though lawful under foreign law, would not be lawful under U.S. law.

To be sure, over the 20-year course of reports and conferences that led to the 1976 Act, a handful of witnesses expressed hopes as to importation restrictions Congress might adopt to address various concerns. One of them was a witness for the publishing industry who urged the drafters to address the situation where “a U.S. book publisher enters into a contract with a British publisher to acquire exclusive U.S. rights for a particular book” and the publisher “finds that the English edition ... of that particular book finds its way into this country.” CLR-2 at 212 (statement of Mr. Manges). But neither he nor any of the drafters so much as suggested that the solution was to create a distribution right that depended upon whether a copy was manufactured abroad. Nor did a single witness or drafter ever suggest that the provision that Congress ultimately adopted—§ 602(a)—would trump the first-sale defense for copies lawfully made abroad and subsequently sold abroad. *See generally* Costco Amicus Br. at Point II.B. Indeed, some thought it clear that the importation prohibition would not apply to the latter circumstance, because, as one witness observed, “the very first sale here is a perfectly legitimate and legal sale and that brings into play the very basic concept of copyright law that, once you’ve sold a copy legally, you can’t restrict its resale.” CLR-4 at 211 (statement of Mr. Karp). No one contradicted him.

Nevertheless, the panel majority concluded that Congress ever so subtly achieved a sea change in the age-old rights. The majority reached this conclusion based on an interpretation of “text” that it found to be “utterly ambiguous,” P.A. 24a, and “simply unclear,” P.A. 23a. “[S]imply unclear” is simply not clear enough to overcome four centuries of common law and legislation to the contrary. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984) (“we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests”).

B. Other Constructions Run Afoul of the Presumption That Congress Does Not Intend to Produce Absurd Results.

Petitioner’s nondiscriminatory interpretation is easy to apply and inflicts no collateral damage on copyright law or commerce. It simply means that the copyright owner has the same control over its products as any other vendor (with a kicker). On the one hand, like any vendor, the owner has complete control over how and where and for what price it distributes its copies. It can, for example, enforce its scheme of price discrimination on its own distributors. On the other hand, like any vendors of all other products, the copyright owner cannot chase purchasers down the chain of commerce to prevent further sales, loans, or gifts or to enforce conditions on them. The kicker is that, unlike any other vendor, the copyright owner has an extra weapon with which to keep its distributors in line.

In contrast, the panel majority’s interpretation is so unworkable and yields consequences that (to quote the Ninth Circuit) are so “absurd and unintended,” *Parfums*, 38 F.3d at 482 n.8, that Congress should be presumed not to have intended them. *See United States v. Am. Trucking Ass’ns*, 310 U.S. 534, 543 (1940).

Ramifications for first-sale defense. Under the panel majority’s interpretation, Congress inserted the words “under this title” to wipe out an ancient protection for nearly a third of all shipped titles, *see ITC, Harmonized Tariff Schedule on the United States* § 4901 (2012) (database search discloses that just under one billion printed materials were imported in 2008, the most recent year available); Department of Commerce, *Statistical Abstract of the United States*: 2012 at 715 (Aug. 2011) (estimating just over 3 billion net shipments by publishers in 2008), and to eliminate a secondary market estimated at \$40 to \$60 billion, *see, e.g.*, Romana Autry & Francesco Bova, *Gray Markets and Multinational Transfer Pricing*, Harv. Bus. School Accounting & Mgmt. Unit Working Paper No. 09-098, at 1 (Feb. 2009). This change in copyright law would require anyone who resells or lends a foreign-made copy of a book, movie, CD, or videogame to secure a license from the copyright owner, who could, in turn, demand any price and deny the license for any or no reason. The owner could deny the license to all resellers, whether to avoid the competition from the secondary market or to enforce price discrimination. Or it could deny the license to punish specific retailers for discount pricing or unfavorable product reviews.

All this, alone, seems unfathomable. But the ramifications of never-ending downstream control extend beyond retailers and far beyond the publishing realm:

- Millions of cars are imported into the U.S., virtually all bearing copyrighted software. Any resale or rental of those cars would violate the copyright laws.
- The entire consumer electronics industry would enjoy the same advantage to the extent they manufacture abroad and include a tiny microprocessor and software—as most do.
- The manufacturer of almost any foreign-made product could achieve the same result by affixing a printed label (as in *Quality King*), placing it in a distinctive package (as in *Parfums Givenchy*, 38 F.3d at 479), or enclosing instructions.
- One or two big movie producers (such as Universal) could demolish movie rental services (like Netflix) by manufacturing DVDs in Mexico. Universal could then enjoy a permanent veto over any further rental of the foreign-made DVD, for the copyright owner’s “exclusive right[] to ... distribute” includes the exclusive right to “rent[]” or “lease.”
- Manufacturers could shut down internet-based secondary markets in almost any good, whether or not the good was actually manufactured abroad. All they have to do is scour

the internet—or, easier still, use software to do it—and direct a “take-down notice” to the host after each hit, *asserting* that the sale would infringe. See 17 U.S.C. § 512 (safe harbor provisions and notification requirements under the Digital Millennium Copyright Act).

- Publishers who print books abroad could extract rents from the libraries insisting that the copyright owner’s “exclusive right[] to ... distribute” includes the exclusive right to “lend[]”—even for free.
- Publishers could eliminate competition from the Strand, Capitol Hill Books, and all other used-book stores. They could just print in Mexico and prohibit these establishments from reselling the books.
- Equally at risk are the Salvation Army, Goodwill, and other sellers of used goods, many of which have copyright protection.
- Even cherished American traditions, such as flea markets, garage sales, and swapping dog-eared books are vulnerable to copyright challenge.

If any of these scenarios seems implausible, just think for a moment about this case. A major international publisher torments a graduate student all the way to the Supreme Court for making a measly profit of a few thousand dollars, and crushes him with a \$600,000 judgment and an order to turn over his computer and golf-clubs. There is little assur-

ance that other copyright owners will exercise restraint where the rents to be extracted are far richer and the pockets much deeper.

Any one of the above consequences would be anathema to the very concept of a first-sale defense. All of them together make a compelling case against a pro-foreign definition and its atextual counterpart, the compromise definition.

Moreover, any interpretation other than the nondiscriminatory definition puts an intolerable burden on retailers and rental businesses. They often do not know the provenance of the items they resell. This problem is especially stark in situations where the copyright claim is based on a label (as in *Quality King*) or an insignia (as in *Costco*). And it is downright impossible where just a component is copyrighted, as is the case, for example, for any car or electronic equipment with a software component. Even if a retailer who satisfies itself that a product is from the U.S., it has no way of verifying that no component came from abroad.

Sending U.S. jobs overseas. The majority and the dissent below agreed on one point. Rejecting the nondiscriminatory approach will give copyright owners “an incentive to ‘outsource’ publication to foreign locations” and “[t]he result might be that American manufacturing would contract along with the protections of the first sale doctrine.” P.A. 28a n.44. The incentive will be irresistible—and not just for publishers but for the makers of any product that has a copyrightable component. See Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 Cardozo

L. Rev. 55, 142 n.380 (2001). While “acknowledg[ing] the force of this concern,” the majority maintained that “it does not affect or alter our interpretation of the Copyright Act.” P.A. 28a n.44.

While this Court has not declared a formal presumption that Members of Congress would never purposely send manufacturing jobs overseas, the point is so obvious that it should not have to be pronounced in a formal rule. The sheer implausibility of the proposition should at least *affect* the question of statutory construction.

The norm for at least the past half century is that Congress strives to pass “measures meant to encourage U.S. firms to expand employment domestically rather than abroad,” not the other way around. Linda Levine, Cong. Research Serv., RL32292, *Offshoring (or Offshore Outsourcing) and Job Loss Among U.S. Workers* 2 (2011). When Congress passed the current version of § 109(a), it also included a provision that applied the same job-protection imperative to the Copyright Act. That was the indisputable purpose of the manufacturing clause quoted above. *See supra* at 28. With a provenance dating back to 1891, *see* International Copyright Act of 1891 § 3, 26 Stat. at 1107; Copyright Act of 1909 § 16, 35 Stat. at 1079, that clause required that all copies of any English-language work be printed domestically, even when created by a foreign author. As the Government observed in *Quality King*, “it is distinctly unlikely that Congress would have provided such an incentive to manufacture abroad at the same time it was shielding the domes-

tic printing industry under Section 601.” U.S. *Quality King* Br. 30.

The notion that *any* Congress would purposely take a step so antithetical to U.S. interests is absurd. But it is downright inconceivable that Congress did so in the years leading up to the passage of the Copyright Act in 1976, in the wake of the oil crisis, the stock market crash of 1973-74, and a period of stagflation remarkable for rising unemployment coinciding with rising inflation. See Michael E. Kanell, *Oil Prices Drop, but still volatile; Political haze also big worry*, Atlanta J. Const., Aug. 26, 2004, at 1E.

Ramifications for other privileges. Finally, any approach other than the nondiscriminatory approach yields another level of absurdity that extends beyond the first-sale defense: As is explained above, if § 602(a)(1) trumps the first-sale defense, then it must trump fair use, compulsory licenses, and every other privilege in “sections 107 through 122.” § 106; *see supra* at 22-23. All foreign-made products with copyrightable content would hold an exalted place in copyright law of the sort that *no* product in the history of copyright law has ever enjoyed. If Congress wants to achieve this result, it is free to do so. But any rational view of how Congress operates would dictate that this elected body would never do anything so extreme without being clear—certainly not in the name of enabling copyright owners to charge higher prices to U.S. residents.

CONCLUSION

For these reasons, this Court should reverse the judgment of the court of appeals.

Respectfully submitted,

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STATUTORY APPENDIX

The following provisions of the Copyright Act appear in title 17 of the United States Code:

Section 101 provides in relevant part:

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

* * * *

A “computer program” is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

“Copies” are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed.

“Copyright owner”, with respect to anyone of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

* * * *

To “display” a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process

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or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

* * * *

“Literary works” are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

* * * *

To “perform” a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

* * * *

“Publication” is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work “publicly” means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

* * * *

A “transfer of copyright ownership” is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

* * * *

A “treaty party” is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The “United States”, when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories

under the jurisdiction of the United States Government.

For purposes of section 411, a work is a "United States work" only if—

(1) in the case of a published work, the work is first, published—

(A) in the United States;

(B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that is not a treaty party; or

(D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

(2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A “useful article” is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a “useful article.”

Section 104(a) and (b) provide in relevant part:

§ 104. Subject matter of copyright: National origin

(a) UNPUBLISHED WORKS.—The works specified by sections 102 and 103, while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author.

(b) PUBLISHED WORKS.—The works specified by sections 102 and 103, when published, are subject to protection under this title if—

(1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a treaty party, or is a stateless person, wherever that person may be domiciled; or

(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party; or

(3) the work is a sound recording that was first fixed in a treaty party; or

(4) the work is a pictorial, graphic, or sculptural work that is incorporated in a building or other structure, or an architectural work that is embodied in a building and the building or structure is located in the United States or a treaty party; or

(5) the work is first published by the United Nations or any of its specialized agencies, or by the Organization of American States; or

(6) the work comes within the scope of a Presidential proclamation. Whenever the President finds that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States or to works that are first published in the United States, copyright protection on substantially the same basis as that on which the foreign nation extends protection to works of its own nationals and domiciliaries and works first published in that nation, the President may by proclamation extend protection under this title to works of which one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation, or which was first published in that nation. The President may revise, suspend, or revoke any such proclamation or impose any conditions or limitations on protection under a proclamation.

Section 106 provides:

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
 - (2) to prepare derivative works based upon the copyrighted work;
 - (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
 - (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
 - (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
 - (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.
-

Section 107 provides:

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Section 108(a) provides in relevant part:

**§ 108. Limitations on exclusive rights:
Reproduction by libraries and archives**

(a) Except as otherwise provided in this title and notwithstanding the provisions of section 106, it is not an infringement of copyright for a library or archives, or any of its employees acting within the scope of their employment, to reproduce no more than one copy or phonorecord of a work, except as provided in subsections (b) and (c), or to distribute such copy or phonorecord, under the conditions specified by this section

Section 109 provides:

**§ 109. Limitations on exclusive rights: Effect of
transfer of particular copy or
phonorecord**

(a) Notwithstanding the provisions of section 106(3), 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. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of

direct or indirect commercial advantage only during the 12-month period beginning on—

- (1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or
- (2) the date of the receipt of actual notice served under section 104A(d)(2)(B),

whichever occurs first.

(b)(1)(A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any tape, disk, or other medium embodying such program), and in the case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational

institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

(B) This subsection does not apply to—

- (i) a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or
- (ii) a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

(C) Nothing in this subsection affects any provision of chapter 9 of this title.

(2)(A) Nothing in this subsection shall apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(B) Not later than three years after the date of the enactment of the Computer Software Rental Amendments Act of 1990, and at such times thereafter as the Register of Copyrights considers appropriate, the Register of Copyrights, after consultation with representatives of copyright owners and librarians, shall submit to the Congress a report stating whether this paragraph has achieved its intended purpose of

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maintaining the integrity of the copyright system while providing nonprofit libraries the capability to fulfill their function. Such report shall advise the Congress as to any information or recommendations that the Register of Copyrights considers necessary to carry out the purposes of this subsection.

(3) Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, "antitrust laws" has the meaning given that term in the first section of the Clayton Act and includes section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition.

(4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under section 501 of this title and is subject to the remedies set forth in sections 502, 503, 504, and 505. Such violation shall not be a criminal offense under section 506 or cause such person to be subject to the criminal penalties set forth in section 2319 of title 18.

(c) Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

(d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

(e) [terminated in 1995] Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game lawfully made under this title, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment, except that this subsection shall not apply to any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship.

Section 110 provides in relevant part:

**§ 110. Limitations on exclusive rights:
Exemption of certain performances and displays**

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

(1) performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to

instruction, unless, in the case of a motion picture or other audiovisual work, the performance, or the display of individual images, is given by means of a copy that was not lawfully made under this title, and that the person responsible for the performance knew or had reason to believe was not lawfully made

....

Section 113(a) and (c) provide:

§ 113. Scope of exclusive rights in pictorial, graphic, and sculptural works

(a) Subject to the provisions of subsections (b) and (c) of this section, the exclusive right to reproduce a copyrighted pictorial, graphic, or sculptural work in copies under section 106 includes the right to reproduce the work in or on any kind of article, whether useful or otherwise.

* * * *

(c) In the case of a work lawfully reproduced in useful articles that have been offered for sale or other distribution to the public, copyright does not include any right to prevent the marking, distribution, or display of pictures or photographs of such articles in connection with advertisements or commentaries related to the distribution or display of such articles, or in connection with news reports.

Section 115 provides in relevant part:

§ 115. Scope of exclusive rights in nondramatic musical works: Compulsory license for making and distributing phonorecords

In the case of nondramatic musical works, the exclusive rights provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to compulsory licensing under the conditions specified by this section.

(A) AVAILABILITY AND SCOPE OF COMPULSORY LICENSE.—

(1) When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person, including those who make phonorecords or digital phonorecord deliveries, may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work. A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use, including by means of a digital phonorecord delivery. A person may not obtain a compulsory license for use of the work in the making of phonorecords duplicating a sound recording fixed by another, unless: (i) such sound recording was fixed lawfully; and (ii) the making of the phonorecords was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound re-

cording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.

(2) A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, but the arrangement shall not change the basic melody or fundamental character of the work, and shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner.

Section 202 provides:

§ 202. Ownership of copyright as distinct from ownership of material object

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

Section 601(a), which was repealed in 2010, provided:

§ 601. Manufacture, importation, and public distribution of certain copies

- (a) Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada.
-

Section 602 provides:

§ 602. Infringing importation or exportation of copies or phonorecords

- (a) INFRINGING IMPORTATION OR EXPORTATION.—

(1) IMPORTATION.—Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

(2) IMPORTATION OR EXPORTATION OF INFRINGING ITEMS.—Importation into the United States or

exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under sections 501 and 506.

(3) EXCEPTIONS.—This subsection does not apply to—

(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for

its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) IMPORT PROHIBITION.—In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.

Section 1004 provides in relevant part:

§ 1004. Royalty payments

(a) DIGITAL AUDIO RECORDING DEVICES.—

(1) AMOUNT OF PAYMENT.—The royalty payment due under section 1003 for each digital audio recording device imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 2

percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such device shall be required to pay the royalty with respect to such device.

* * * *

(b) DIGITAL AUDIO RECORDING MEDIA.—The royalty payment due under section 1003 for each digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 3 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such medium shall be required to pay the royalty with respect to such medium.

Section 1006 provides in relevant part:

§ 1006. Entitlement to royalty payment

(a) INTERESTED COPYRIGHT PARTIES.—The royalty payments deposited pursuant to section 1005 shall, in accordance with the procedures specified in section 1007, be distributed to any interested copyright party—

(1) Whose musical work or sound recording has been—

(A) embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed, and

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(B) distributed in the form of digital musical recordings or analog musical recordings or disseminated to the public to which such payment pertain; and

(2) who has filed a claim under section 1007.