

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 OF 25 INTELLECTUAL PROPERTY
LAW PROFESSORS AS *AMICI CURIAE*
IN SUPPORT OF PETITIONER**

JASON SCHULTZ
UC BERKELEY SCHOOL OF LAW
Samuelson Law, Technology
& Public Policy Clinic
215 Boalt Hall
Berkeley, CA 94720

AARON PERZANOWSKI
WAYNE STATE UNIVERSITY
LAW SCHOOL
471 West Palmer Street
Detroit, MI 48202

DARYL L. JOSEFFER
Counsel of Record
PAUL A. MEZZINA
KING & SPALDING LLP
1700 Pennsylvania Ave. NW
Washington, DC 20006
(202) 737-0500
djoeffe@kslaw.com

Counsel for Amici Curiae

July 9, 2012

TABLE OF CONTENTS

TABLE OF AUTHORITIES	ii
INTEREST OF <i>AMICI CURIAE</i>	1
SUMMARY OF ARGUMENT.....	1
ARGUMENT	4
I. APPLICATION OF THE FIRST SALE DOCTRINE TO FOREIGN-MADE COPIES IS CONSISTENT WITH THE TEXT OF § 109(a) AND COMPELLED BY THE STRUCTURE OF THE COPYRIGHT ACT.	5
II. THE COMMON-LAW ORIGINS OF THE FIRST SALE DOCTRINE REQUIRE A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).	9
A. The First Sale Doctrine Has Never Turned On The Geographic Origin Of The Particular Copies At Issue.	12
B. Congress Did Not Intend § 109(a) Or Its Statutory Predecessors To Displace Existing Law.	16
III. THE COMMON LAW OF PATENT EXHAUSTION UNDERSCORES THE NEED FOR A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).	21
CONCLUSION.....	25

TABLE OF AUTHORITIES

Cases

<i>Adams v. Burke</i> , 84 U.S. 453 (1873).....	22, 23
<i>Am. Hosp. Ass’n v. NLRB</i> , 499 U.S. 606 (1991).....	17
<i>Astoria Fed. Sav. & Loan Ass’n v. Solimino</i> , 501 U.S. 104 (1991).....	2
<i>Astrue v. Ratliff</i> , 130 S. Ct. 2521 (2010).....	8
<i>Betts v. Willmott</i> , (1870–71) L.R. 6 Ch. App. 239	23
<i>Bilski v. Kappos</i> , 130 S. Ct. 3218 (2010).....	25
<i>Bloomer v. McQuewan</i> , 55 U.S. 539 (1853).....	21
<i>Bobbs-Merrill Co. v. Straus</i> , 210 U.S. 339 (1908).....	passim
<i>Brilliance Audio, Inc. v. Hights Cross Commc’ns, Inc.</i> , 474 F.3d 365 (6th Cir. 2007).....	25
<i>Burke & Van Heusen, Inc. v. Arrow Drug, Inc.</i> , 233 F. Supp. 881 (E.D. Pa. 1964)	19
<i>C.M. Paula Co. v. Logan</i> , 355 F. Supp. 189 (N.D. Tex. 1973)	19
<i>Clemens v. Estes</i> , 22 F. 899 (C.C.D. Mass. 1885).....	13

<i>Columbia Broad. Sys., Inc. v. Scorpio Music Distrib., Inc., 569 F. Supp. 47 (E.D. Pa. 1983)</i>	19
<i>Comm'r v. Lundy, 516 U.S. 235 (1996)</i>	7
<i>Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng'g Corp., 266 F. 71 (2d Cir. 1920)</i>	22
<i>De Mattos v. Gibson, 45 Eng. Rep. 108 (1859)</i>	13
<i>Dickerson v. Mattheson, 57 F. 524 (2d Cir. 1893)</i>	22
<i>Doan v. Am. Book Co., 105 F. 772 (7th Cir. 1901)</i>	14
<i>Finley v. United States, 490 U.S. 545 (1989)</i>	17
<i>Fuji Photo Film Co. v. Jazz Photo Corp., 394 F.3d 1368 (Fed. Cir. 2005)</i>	24
<i>Fujifilm Corp. v. Benun, 605 F.3d 1366 (Fed. Cir. 2010)</i>	24
<i>Hardt v. Reliance Standard Life Ins. Co., 130 S. Ct. 2149 (2010)</i>	8
<i>Harrison v. Maynard, Merrill & Co., 61 F. 689 (2d Cir. 1894)</i>	14
<i>Henry Bill Publ'g Co. v. Smythe, 27 F. 914 (C.C.S.D. Ohio 1886)</i>	14
<i>Hoepker v. Kruger, 200 F. Supp. 2d 340 (S.D.N.Y. 2002)</i>	6

<i>Holiday v. Mattheson</i> , 24 F. 185 (C.C.S.D.N.Y. 1885).....	22
<i>Indep. News Co. v. Williams</i> , 293 F.2d 510 (3d Cir. 1961).....	19
<i>Isbrandtsen Co. v. Johnson</i> , 343 U.S. 779 (1952).....	10
<i>Jazz Photo Corp. v. Int’l Trade Comm’n</i> , 264 F.3d 1094 (Fed. Cir. 2001).....	24
<i>John D. Park & Sons Co. v. Hartman</i> , 153 F. 24 (6th Cir. 1907).....	12
<i>Keeler v. Standard Folding-Bed Co.</i> , 157 U.S. 659 (1895).....	22
<i>Kipling v. G.P. Putnam’s Sons</i> , 120 F. 631 (2d Cir. 1903).....	14
<i>LG Elecs., Inc. v. Hitachi, Ltd.</i> , 655 F. Supp. 2d 1036 (N.D. Cal. 2009).....	24
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012).....	25
<i>McGruther v. Pitcher</i> , [1904] 2 Ch. 306.....	13
<i>Microsoft Corp. v. i4i Ltd. Partnership</i> , 131 S. Ct. 2238 (2011).....	10
<i>Omni Capital Int’l v. Rudolf Wolff & Co.</i> , 484 U.S. 97 (1987).....	8
<i>Parfums Givenchy, Inc. v. Drug Emporium, Inc.</i> , 38 F.3d 477 (9th Cir. 1994).....	6

<i>Platt & Munk Co. v. Republic Graphics, Inc.</i> , 315 F.2d 847 (2d Cir. 1963)	16
<i>Powertech Tech. Inc. v. Tessera, Inc.</i> , 660 F.3d 1301 (Fed. Cir. 2011)	24
<i>Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.</i> , 523 U.S. 135 (1998).....	passim
<i>Quanta Computer, Inc. v. LG Elecs., Inc.</i> , 553 U.S. 617 (2008).....	4, 23
<i>Red Baron-Franklin Park, Inc. v. Taito Corp.</i> , 883 F.2d 275 (4th Cir. 1989).....	6
<i>Samantar v. Yousuf</i> , 130 S. Ct. 2278 (2010).....	10
<i>Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.</i> , 847 F.2d 1093 (3d Cir. 1988).....	8, 12
<i>Sexton v. Wheaton</i> , 21 U.S. 229 (1823).....	12
<i>Sony Corp. of Am. v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984),.....	21, 25
<i>Sorenson v. Sec'y of the Treasury</i> , 475 U.S. 851 (1986).....	7
<i>Sullivan v. Strop</i> , 496 U.S. 478 (1990).....	7
<i>Taddy & Co. v. Sterious & Co.</i> , [1904] 1 Ch. 354	13
<i>Tessera, Inc. v. Int'l Trade Comm'n</i> , 646 F.3d 1357 (Fed. Cir. 2011)	24

<i>United Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365 (1988)</i>	5
<i>United States v. Bily, 406 F. Supp. 726 (E.D. Pa. 1975)</i>	19
<i>United States v. Masonite Corp., 316 U.S. 265 (1942)</i>	24, 25
<i>United States v. Texas, 507 U.S. 529 (1993)</i>	10
<i>United States v. Wells, 176 F. Supp. 630 (S.D. Tex. 1959)</i>	18, 19
<i>Whitman v. Am. Trucking Ass'ns, 531 U.S. 457 (2001)</i>	11
Statutes	
17 U.S.C. § 101	7
17 U.S.C. § 104	7, 8
17 U.S.C. § 106	18
17 U.S.C. § 109	passim
17 U.S.C. § 601 (2006), <i>repealed</i> , 124 Stat. 3180 (2010).....	8
17 U.S.C. § 602	8, 9
17 U.S.C. § 1001	5
17 U.S.C. § 1006	5
Copyright Act of 1909, Pub. L. 60-349, 35 Stat. 1075 (1909).....	3, 16
Copyright Act of 1947, Pub. L. No. 80-281, 61 Stat. 652 (1947)	16

Other Authorities

2 Herbert Hovenkamp, et al., <i>IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law</i> (2d ed. 2010).....	22
Aaron Perzanowski & Jason Schultz, <i>Digital Exhaustion</i> , 58 UCLA L. Rev. 889 (2011).....	12
H.R. Rep. No. 60-2222 (1909)	16
H.R. Rep. No. 94-1476 (1976)	3, 17, 18
H.R. Rep. No. 98-987 (1984)	12
Joint Statement of Plaintiff LG Electronics Inc. and Defendants Q-Lity Computer Inc., et al. Regarding Decision by the United States Supreme Court, <i>LG Elecs., Inc. v. Q-Lity Computer Inc.</i> , No. 01-2187 (N.D. Cal. June 17, 2008), ECF No. 1120.....	23
Oral Arg. Tr., <i>Costco Wholesale Corp. v. Omega, S.A.</i> , 131 S. Ct. 565 (2010) (No. 08-1423)	9
S. Rep. No. 94-473 (1975).....	3, 17
Zechariah Chafee, Jr., <i>Equitable Servitudes on Chattels</i> , 41 Harv. L. Rev. 945 (1928).....	13

INTEREST OF *AMICI CURIAE*¹

Amici are 25 full-time legal academics who teach and write about intellectual property law. A complete list of individual *amici* is attached as Appendix A. *Amici* submit this brief to explain the broader context in which Congress enacted 17 U.S.C. § 109(a), in hopes of informing the sound and consistent development of intellectual property law.

SUMMARY OF ARGUMENT

The first sale doctrine has long provided that legitimate owners of non-infringing copies of copyrighted works may use and sell their copies as they see fit — just as all property owners may generally use and alienate their property. In keeping with that rationale, the doctrine traditionally applied to all works made and sold by the copyright holder or its licensee, regardless of the place of the manufacture or the first sale of a particular copy. The Second Circuit’s contrary holding — that 17 U.S.C. § 109(a) categorically bars application of the first sale doctrine to foreign-made goods — runs contrary to the statutory context in which § 109(a) appears, the common-law backdrop against which Congress legislated, and analogous principles of patent law as well.

¹ The parties have consented to the filing of this brief. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amici* and their counsel, made a monetary contribution to the preparation or submission of this brief.

As the Second Circuit acknowledged, however, the text of § 109(a) does not clearly require such a departure from background norms; to the contrary, the text is hopelessly ambiguous. Nor does the legislative history express any intent to reject settled doctrine. Under fundamental canons of statutory construction, therefore, context is king, and this Court should construe § 109(a) in keeping with its broader statutory and historical context.

I. The structure of the Copyright Act demonstrates that the ambiguous phrase “lawfully made under this title” in § 109(a) does not mean “made in the United States,” as the court of appeals concluded. Because other provisions of the Copyright Act use that phrase to include items made abroad, the Second Circuit’s interpretation would render the Act internally inconsistent. Congress has also demonstrated that it knows perfectly well how to adopt a place-of-manufacture requirement in the Act when it desires to do so, making it inappropriate to imply such a limitation.

II. If the statutory text and structure do not compel a geographically neutral reading of “lawfully made under this title,” they certainly do not preclude it. The canon that Congress “is understood to legislate against a background of common-law ... principles” is therefore essential to understanding Congress’s intent. *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104, 108 (1991).

A. The first sale doctrine did not suddenly spring into being by an Act of Congress. Courts in the nineteenth and early twentieth centuries — both before and after this Court endorsed and applied the

first sale doctrine in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908) — consistently held that the statutory copyright grant did not constrain the customary rights of legitimate owners of non-infringing copies to use and sell those copies. These courts followed the common law’s longstanding rejection of sellers’ attempts to impose restraints on buyers’ ability to alienate their property. And none of them attached any significance to the place where the copy was manufactured or first sold.

B. There is no indication, much less a clear one, that Congress intended to reject this settled law and authorize restraints on alienation of copyrighted works depending on their place of manufacture. Congress first recognized the first sale doctrine in § 41 of the Copyright Act of 1909 — a provision that all agree was geographically neutral. And the House Report explained that § 41 was not intended to change existing law in any way.

The language Congress used to reflect the first sale doctrine did not change until 1976, when Congress adopted the current § 109(a) containing the disputed phrase “lawfully made under this title.” Once again, the committee reports made clear that Congress understood § 109(a) to “restate[] and confirm[]” the traditional first sale doctrine. H.R. Rep. No. 94-1476, at 79 (1976); S. Rep. No. 94-473, at 71 (1975).

III. Although the first sale doctrine in copyright law and the similar doctrine of patent exhaustion may not be identical, traditional patent law further confirms the legal backdrop prevailing at the time of § 109(a)’s enactment. A number of early decisions

apply the patent exhaustion doctrine to imported goods. This Court's recent decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), likewise applied the common-law principle of patent exhaustion to products that were manufactured and sold outside the United States. These traditional principles of patent law provide further support for the conclusion that the legal backdrop against which Congress enacted § 109(a) was well settled, such that Congress would have had to speak clearly to depart from it.

ARGUMENT

Congress's addition of the words "lawfully made under this title" to § 109(a) did not render the longstanding first sale doctrine inapplicable to all copies manufactured abroad. Those five words are by no means self-defining in this context, a proposition the court of appeals readily accepted. Thus, where one ends up has a fair amount to do with where one begins. And the place to begin is the context in which Congress acted.

Both the structure of the Copyright Act and the history of the first sale doctrine confirm that Congress did not intend to break from traditional principles of law, discriminate against goods made abroad, and thereby produce no end of absurd and untenable results for ordinary consumers of imported goods (who may not even know or have any way of reasonably knowing where a copy was made or first sold).

I. APPLICATION OF THE FIRST SALE DOCTRINE TO FOREIGN-MADE COPIES IS CONSISTENT WITH THE TEXT OF § 109(a) AND COMPELLED BY THE STRUCTURE OF THE COPYRIGHT ACT.

The court of appeals recognized that, in isolation, the phrase “lawfully made under this title” in § 109(a) could reasonably mean either “subject to protection under” the Act or “lawfully made under [the Act] had [it] been applicable.” Pet. App. 23a–24a. Under either of those textually permissible readings, § 109(a) would apply to copies manufactured and sold abroad and then distributed in the United States. *Id.* at 24a n.38. The court, however, rejected both of those readings and held that the phrase excludes “foreign-manufactured works.” *Id.* at 28a.

The court of appeals misunderstood the statutory context. Of course, “[s]tatutory construction ... is a holistic endeavor” and a “provision that may seem ambiguous in isolation is often clarified by the remainder of the statutory scheme.” *United Sav. Ass’n of Tex. v. Timbers of Inwood Forest Assocs., Ltd.*, 484 U.S. 365, 371 (1988).

Significantly, the phrase “lawfully made under this title” appears in other provisions of the Copyright Act where it is clear that no exclusion of foreign-made copies is intended. For example, the Act provides for royalty payments to authors of musical works that have been embodied in audio recordings “lawfully made under this title.” 17 U.S.C. § 1006(a)(1)(A); *see id.* § 1001(7)(A)–(B).

There is no reason to believe that Congress intended to deny royalties to artists whose U.S.-copyrighted works were distributed on CDs that were manufactured abroad.

Even within § 109, interpreting “lawfully made under this title” to mean “made in the United States” would lead to results inconsistent with existing law and legislative intent. Section 109(c) limits the exclusive right to publicly display copyrighted works by allowing “the owner of a particular copy lawfully made under this title ... to display that copy publicly ... to viewers present at the place where the copy is located.” If the court of appeals’ interpretation were to stand, museums and galleries across the country would be forced to negotiate copyright licenses to display foreign-made works they have purchased. That result is inconsistent with settled expectations and precedent. *See Hoepker v. Kruger*, 200 F. Supp. 2d 340, 342 (S.D.N.Y. 2002) (applying § 109(c) to a photograph made in Germany).

Even more tellingly, § 109(e) permits “the owner of a particular copy of [a coin-operated video game] lawfully made under this title ... to publicly perform or display that game.” This provision was enacted to overrule the Fourth Circuit’s contrary conclusion in *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275 (4th Cir. 1989). *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.9 (9th Cir. 1994). Since the games at issue in *Red Baron* were manufactured in Japan, Congress could not have intended “lawfully made under this title” to function as a geographic limitation; if it did, the

statute would have failed to overrule the very decision that prompted its enactment.

Under the “normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning,” these provisions constitute “compelling evidence” in favor of a geographically neutral reading of the same phrase in § 109(a). *Comm’r v. Lundy*, 516 U.S. 235, 249–50 (1996) (quoting *Sullivan v. Strop*, 496 U.S. 478, 484 (1990)); *see also, e.g., Sorenson v. Sec’y of the Treasury*, 475 U.S. 851, 860 (1986).

Moreover, interpreting “lawfully made under this title” in § 109(a) to mean “made in the United States” would be inconsistent with the Copyright Act’s general approach of affording protection “under this title” to many works authored and located abroad. Section 104 of the Act states that “protection under this title” extends to, among other things, unpublished works anywhere in the world; works first published in any of the numerous countries that are co-signatories with the United States to any copyright treaty; and works published in non-signatory countries but authored by a person domiciled in a signatory country. *See* 17 U.S.C. §§ 101, 104(a)–(b). Respondent’s suggestion that even though foreign works are “protected under” the Copyright Act, copies of them manufactured abroad nonetheless are not “made under” the Act, is a fanciful distinction that slices the Act’s terminology far too thin.

Other provisions of the Copyright Act demonstrate that “[w]hen Congress considered the place of manufacture to be important,” it adopted

“statutory language [that] clearly expresses that concern.” *Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988). See, e.g., 17 U.S.C. § 601(a) (2006) (prohibiting importation of copies of literary works not “manufactured in the United States or Canada”), *repealed*, 124 Stat. 3180 (2010); *id.* § 104(b)(2) (protecting works “first published in the United States or in [certain] foreign nation[s]”). Where Congress uses “express” language in one statutory provision, this Court regards “the absence of such language” in other provisions as highly significant. *Astrue v. Ratliff*, 130 S. Ct. 2521, 2527–28 (2010); see also, e.g., *Hardt v. Reliance Standard Life Ins. Co.*, 130 S. Ct. 2149, 2156 (2010); *Omni Capital Int’l v. Rudolf Wolff & Co.*, 484 U.S. 97, 106 (1987).

Neglecting this powerful structural evidence of § 109(a)’s meaning, the court of appeals relied entirely on its concern that applying the first sale doctrine to copies made abroad would unduly intrude on a copyright holder’s exclusive right to import copies of its work, which is protected by § 602(a). That concern was not justified because § 109(a) trumps § 602(a), and construing § 109(a) consistent with its context does not make § 602(a) surplusage.

As respondent has acknowledged, it is settled law that the importation restriction in § 602(a) is subject to, and limited by, the first sale doctrine embodied in § 109(a). See Br. in Opp. 4. In *Quality King Distributors, Inc. v. L’anza Research International, Inc.*, 523 U.S. 135 (1998), this Court squarely confronted the question “whether the right granted by § 602(a)” is “limited by §§ 107 through 120” — including § 109(a) — which limit the scope of

the copyright holder’s exclusive distribution right under § 106(3). 523 U.S. at 138. This Court answered that question in the affirmative. Because § 602(a) “merely provides that unauthorized importation is an infringement of an exclusive right ‘under section 106,’” it is “simply inapplicable” in cases where a limitation on the exclusive right applies. 523 U.S. at 145. Otherwise, absurd results would follow. For example, “[i]f § 602(a) functioned independently, ... the ‘fair use’ defense embodied in § 107 would be unavailable to importers” — a result that Congress could not possibly have intended “[g]iven the importance of the fair use defense to publishers of scholarly works, as well as to publishers of periodicals.” 532 U.S. at 150–51.

Nor does a geographically neutral reading of § 109(a) make § 602(a) surplusage. At a minimum, § 602(a) applies to copies made without the copyright holder’s authorization, 532 U.S. at 146, copies distributed by a non-owner, *id.* at 146–47, and copies shipped to the United States by the foreign manufacturer without any prior “first sale,” *see* Oral Arg. Tr. at 26, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423) (Breyer, J.).

II. THE COMMON-LAW ORIGINS OF THE FIRST SALE DOCTRINE REQUIRE A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).

If these structural considerations do not compel a geographically neutral reading of “lawfully made under this title” in § 109(a), they at least confirm that the statute is reasonably susceptible to that interpretation. That makes the traditional common-

law rule dispositive, because “when a statute covers an issue previously governed by the common law, we interpret the statute with the presumption that Congress intended to retain the substance of the common law.” *Samantar v. Yousuf*, 130 S. Ct. 2278, 2289 n.13 (2010); *see also Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2245–46 (2011); *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952). Where the courts have already spoken, “Congress does not write upon a clean slate,” and if it is to “abrogate a common-law principle,” the statute “must speak directly to the question.” *United States v. Texas*, 507 U.S. 529, 534 (1993) (internal quotation marks omitted).

The common law is important here for a second reason: Even if § 109(a) itself did not mandate application of the first sale doctrine to foreign-manufactured copies, the common-law first sale doctrine would nonetheless act as a background limitation on the scope of the exclusive right to distribute copies granted by § 106. As this Court recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908), the scope of the underlying right itself is not unlimited; instead, it is defined in part by tradition. As a result, the exclusive distribution right would not extend to subsequent sales of lawfully made copies even if Congress had never enacted § 109(a) (which, indeed, is part of the holding of *Bobbs-Merrill*, which predated that statute and its predecessors).

The common law is especially important here because it reflects the fundamental balance underlying the intellectual property laws, as confirmed by more than a century of judicial analysis

and experience. Under the common-law principles discussed below, a copyright holder who transfers title to a copy is powerless to restrain further distribution of that particular copy. This rule balances two competing personal interests — the intellectual property interest of the copyright owner and the personal property interest of the owner of a particular copy. And it also balances two competing societal interests — the interest in promoting works of authorship by rewarding authors, and the interest in promoting free trade and commerce by avoiding restraints on the alienation of property.

A first sale doctrine that discriminates against personal property interests on the basis of the geographic origin and place of first sale of the particular copy at issue — and thus permits copyright holders to double-dip, by selling a copy once and then also imposing severe restraints on downstream alienation of and trade in legitimate, lawfully acquired copies — would be inconsistent with the common-law background against which Congress has legislated for more than a century. And as petitioner explains, it would produce a number of absurd results — with astonishing consequences for the rights of millions of Americans who purchase imported goods. *See* Pet'r Br. 56–58.

Especially in this circumstance, the common law must control absent a very clear contrary statement from Congress, of which there is none. *See Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 467–68 (2001) (“Congress ... does not alter the fundamental details of a regulatory scheme in vague terms ... it does not, one might say, hide elephants in mouseholes.”).

A. The First Sale Doctrine Has Never Turned On The Geographic Origin Of The Particular Copies At Issue.

As both the courts and the Congress have acknowledged, the first sale doctrine “finds its origins in the common law aversion to limiting the alienation of personal property.” *Sebastian*, 847 F.2d at 1096; *accord* H.R. Rep. No. 98-987, at 2 (1984); Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. Rev. 889, 909–14, 929–31 (2011). Courts have long resisted limitations on downstream use and resale of personal property on the ground that “they offend against the ordinary and usual freedom of traffic in chattels.” *John D. Park & Sons Co. v. Hartman*, 153 F. 24, 39 (6th Cir. 1907). Such restraints on alienation are inconsistent with “the essential incidents of a right of general property in movables, and ... obnoxious to public policy, which is best subserved by great freedom of traffic in such things as pass from hand to hand.” *Id.*

This geographically neutral principle, which does not depend in any way on the place of manufacture, was not new in 1823, when Chief Justice Marshall declared that “[i]t would seem to be a consequence of that absolute power which a man possesses over his own property, that he may make any disposition of it which does not interfere with the existing rights of others.” *Sexton v. Wheaton*, 21 U.S. 229, 242 (1823). Although a handful of English courts flirted with servitudes on chattels in the mid-nineteenth century, *see, e.g., De Mattos v. Gibson*, 45 Eng. Rep. 108, 110 (1859), those flirtations were short-lived, and the traditional rule precluding such

restraints on alienation ultimately prevailed. See *Taddy & Co. v. Sterious & Co.*, [1904] 1 Ch. 354 (rejecting manufacturer's effort to enforce minimum prices printed on tobacco packets); *McGruther v. Pitcher*, [1904] 2 Ch. 306 (third party permitted to sell rubber heels below the price stipulated on packaging). In the United States, similar efforts to impose equitable servitudes on chattels, including copyrighted and patented articles, were "effectually killed by the courts." Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 Harv. L. Rev. 945, 954-56 (1928). The emergence of the first sale doctrine reflected this deep aversion to impeding the free flow of goods in the stream of commerce.

Courts responded to these concerns by limiting the scope of the copyright grant. A dispute over Mark Twain's *Huckleberry Finn* was among the earliest in this line of cases. In *Clemens v. Estes*, 22 F. 899 (C.C.D. Mass. 1885), plaintiff transferred title to copies of his book to distributors who agreed to sell copies only on a subscription basis for a fixed price. Although the distributors breached their agreement by selling to booksellers below the minimum fixed price, the court refused to enjoin further retail sales, reasoning that "defendants had a right to buy, or contract to buy, books from agents who lawfully obtained them by purchase from the plaintiff or his publishers." *Id.* at 901.

In contrast, the court in *Henry Bill Publ'g Co. v. Smythe*, 27 F. 914 (C.C.S.D. Ohio 1886), enjoined the sale of books where the copyright holder's agents, to whom no first sale had been made and title had not passed, delivered copies to booksellers rather than subscribers. The *Henry Bill* court recognized that

the outcome would have been different had there been an authorized transfer of title in the copies, stating that “[i]nseparably with the transfer of the title in any copy of the work must go the right of alienation.” *Id.* at 923. “Whenever [the copyright holder] parts with that ownership, the ordinary incident of alienation attaches to the particular copy parted with, in favor of the transferee, and he cannot be deprived of it. This latter incident supersedes the other, — swallows it up, so to speak” *Id.* at 925.

By the turn of the century, therefore, it was settled law that “the right to restrain the sale of a particular copy ... has gone when the owner of the copyright and of that copy has parted with all his title to it.” *Harrison v. Maynard, Merrill & Co.*, 61 F. 689, 691 (2d Cir. 1894); *accord Doan v. Am. Book Co.*, 105 F. 772, 776 (7th Cir. 1901); *Kipling v. G.P. Putnam’s Sons*, 120 F. 631, 634 (2d Cir. 1903). Indeed, the location of manufacture and first sale of a particular copy was so irrelevant to the common law that some decisions do not even mention it.

When this Court first had occasion to apply the first sale doctrine in *Bobbs-Merrill* — decades after *Clemens* and *Henry Bill* — it construed the Copyright Act in accordance with this existing common law. The question, according to the Court, was whether the Copyright Act “permit[ted] ... 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.” 210 U.S. at 349–350. Noting that “[t]he owner of the copyright in this case did sell copies of the book in quantities and at a price satisfactory to

it,” this Court held that the copyright holder’s exclusive right to control the distribution of those copies had been exhausted and that a further right “to control all future retail sales” of those copies was beyond the scope of the copyright grant. *Id.* at 351; *see also id.* at 349–50 (“one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it”).

The core principle that emerges from these early cases and defines the first sale doctrine is that transfer of title to a copy by the copyright holder or an authorized licensee exhausts the exclusive right to control distribution of that copy — a principle that does not depend in any way on the place a copy was made and first sold. In other words, United States law treats a copy made and first sold abroad like any other copy.

The Second Circuit explained that geographically neutral principle, in the course of summarizing this settled law, as follows:

[T]he courts have formulated the pivotal question as whether lawful ownership of the copyrighted object has been transferred to a first purchaser; whether the proprietor had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it; or whether the object has been sold by authority of the owner of the copyright.

Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847, 852 (2d Cir. 1963) (internal quotation marks and citations omitted).

B. Congress Did Not Intend § 109(a) Or Its Statutory Predecessors To Displace Existing Law.

This Court has already determined that “[t]here is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope.” *Quality King*, 523 U.S. at 152. Instead, the statutory history confirms that Congress endorsed the broad reasoning of *Bobbs-Merrill* and earlier cases.

Section 41 of the Copyright Act of 1909 provided, in geographically neutral terms, 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.” Ch. 320, § 41, 35 Stat. 1075, 1084 (emphasis added). As the House Report explained, § 41 was “not intended to change in any way existing law” but “to make it clear that there is no intention to enlarge in any way the construction to be given to the word ‘vend’” because Congress deemed it “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). The Copyright Act was amended in 1947, moving the statutory acknowledgement of the first sale doctrine to § 27 but leaving its language unchanged. Pub. L. No. 80-281, § 27, 61 Stat. 652, 660 (1947).

The Copyright Act of 1976 introduced the current formulation of the first sale doctrine. Congress was careful to emphasize that the rewording did not disturb the scope or operation of

the law as “established by the court decisions and section 27 of the present law.” H.R. Rep. No. 94-1476, at 79 (1976); S. Rep. No. 94-473, at 71 (1975). Section 109(a) merely “restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means.” H.R. Rep. No. 94-1476, at 79; S. Rep. No. 94-473, at 71. Thus, “the outright sale of an authorized copy of a book frees it from any copyright control over its resale price or other conditions of its future disposition.” H.R. Rep. No. 94-1476, at 79; S. Rep. No. 94-473, at 71.

If Congress had intended to “place the important limitation” on the scope of the first sale doctrine that respondent suggests, one “would expect to find some expression of that intent in the legislative history.” *Am. Hosp. Ass’n v. NLRB*, 499 U.S. 606, 613–14 (1991); see also *Finley v. United States*, 490 U.S. 545, 554 (1989). There is none. The discussion of § 109(a) in the House and Senate Reports accompanying the 1976 Act makes no mention of place of manufacture. It in no way suggests that copies made outside of the territorial borders of the United States are subject to ongoing copyright-holder control over distribution despite a transfer of title. Instead, these reports speak in the broad and unequivocal language of the 1909 Act and the cases that preceded it.

Indeed, the wording changes in § 109(a) reflect and reinforce the bedrock common-law doctrine. By limiting the defense to copies “lawfully made under

this title,” § 109(a) ensures that title to the copy in question originated with the copyright holder or its licensee.² And by extending the defense only to “the owner of a particular copy,” the statute ensures that title to the copy passed to the individual asserting a first sale defense.

While the statutory formulation has changed slightly over the decades, these basic requirements — that the copyright holder or its licensee made the copy, and that title over the copy passed to the defendant — have stood as the key limits on the first sale doctrine since its inception. In context, therefore, the phrase “lawfully made under this title” reflects the courts’ longstanding insistence that only those copies made by the copyright holder or its authorized agents are subject to the first sale doctrine. *See* Pet. App. 37a (Murtha, J., dissenting).

For most of the twentieth century, courts consistently interpreted § 109(a) and its statutory predecessors in line with the common-law rule and held that, under those provisions, any transfer of title from the copyright holder or a licensee resulted

² Because the exclusive rights of the copyright holder include both the right to reproduce the work and the right to authorize others to do so, *see* 17 U.S.C. § 106, an authorized licensee’s sale of a copy exhausts the distribution right in the same way as a sale by the copyright holder. *See, e.g., United States v. Wells*, 176 F. Supp. 630, 633–34 (S.D. Tex. 1959). For these purposes, licensees include not only those licensed by the copyright holder, but also those permitted to make copies under other provisions of the Copyright Act such as “the compulsory licensing provisions of section 115.” H.R. Rep. No. 94-1476, at 79.

in an unequivocal exhaustion of the distribution right. None of these courts so much as suggested that Congress had altered the fundamental common-law rule by making it depend on where the copy was manufactured. *See, e.g., Indep. News Co. v. Williams*, 293 F.2d 510, 517 (3d Cir. 1961) (“once there is lawful ownership transferred to a first purchaser, the copyright holder’s power of control in the sale of the copy ceases [and] the rights conferred by the Copyright Act are no longer operative”); *United States v. Wells*, 176 F. Supp. 630, 633–34 (S.D. Tex. 1959); *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F. Supp. 881, 883 (E.D. Pa. 1964); *C.M. Paula Co. v. Logan*, 355 F. Supp. 189, 191 (N.D. Tex. 1973); *United States v. Bily*, 406 F. Supp. 726, 732 (E.D. Pa. 1975).

It is only relatively recently that some courts have begun to interpret § 109(a) as deviating from the common law. This interpretation dates to 1983, when a district court relied on vague concerns over extraterritoriality to hold that § 109(a) transformed the traditional first sale doctrine by making it inapplicable to copies manufactured abroad. *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983). As this Court has already determined, however, there is no extraterritoriality concern here because any liability under United States law would depend on acts occurring in the United States (such as importation and sale), and foreign law would continue to govern liability for acts abroad (such as manufacture and sale). *See Quality King*, 523 U.S. at 145 n.14. None of the courts that have interpreted § 109(a) to exclude foreign-made copies,

including the court of appeals below, has adequately examined the long and extensive doctrinal backdrop against which Congress legislated or the legislative history demonstrating that Congress did not intend to disturb the common law in this area.

The court of appeals' reliance on this Court's decision in *Quality King* is likewise misplaced. *Dictum* in the Court's decision distinguished between "copies produced lawfully *under a foreign copyright*" and those based on a United States copyright. *Id.* at 147 (emphasis added); *see id.* at 147–48. But the Court nowhere suggested that the *place* of manufacture would make a difference when, as in this case, a United States copyright is asserted. Moreover, the *Quality King dictum* envisioned importation by the foreign publisher — that is, importation in the absence of a first sale — not importation by a third party after a sale. Thus, it need not be read to suggest that copies published and first sold abroad are not subject to the first sale doctrine after title is transferred.

To the contrary, the Court emphasized 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." *Id.* at 152. And that core principle does not depend on the places of manufacture and of first sale (places that, in many instances, may be unknown and realistically unknowable to many owners of resold works).

III. THE COMMON LAW OF PATENT EXHAUSTION UNDERSCORES THE NEED FOR A GEOGRAPHICALLY NEUTRAL READING OF § 109(a).

The structure of the Copyright Act and the common-law backdrop provide the most important indicia of congressional intent in this case, and patent-law precedents are not controlling as to copyright doctrine. *See Bobbs-Merrill*, 210 U.S. at 346. Nonetheless, traditional patent law is informative, *see Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), especially considering that the history, scope, and extent of patent exhaustion under the common law inform the understanding of the background against which § 109 was enacted.

In this Court's first patent exhaustion case, Chief Justice Taney held that when a patented product "passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress." *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853). The Court later held that, notwithstanding an explicit post-sale restriction, a purchase of a patented machine "carrie[s] with it the right to the use of that machine so long as it [is] capable of use." *Adams v. Burke*, 84 U.S. 453, 455 (1873) (striking down a territorial restriction on the resale of patented goods); *see also* 2 Herbert Hovenkamp, et al., *IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* § 33.3b, at 33-20 (2d ed. 2010) (identifying *Adams* as the source of the "first sale' or exhaustion doctrine").

These principles — the right to use and to alienate patented goods that have been lawfully distributed — are consistent with the early copyright exhaustion cases. Notably, patent courts have applied them equally to all goods without regard to their individual characteristics, geographic or otherwise. “[O]ne who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time *or place*.” See *Keeler v. Standard Folding-Bed Co.*, 157 U.S. 659, 666 (1895) (emphasis added).

In fact, several of the earliest patent decisions regarding importation of patented goods sold abroad applied the exhaustion doctrine to such goods, in geographically neutral fashion. For example, *Holiday v. Mattheson*, 24 F. 185 (C.C.S.D.N.Y. 1885), held that the original purchaser of a foreign good “acquire[s] the right of unrestricted ownership in the article he buys as against the [patentee], including, as an inseparable incident, the right to use and enjoy it, and to transfer his title to others.” *Id.* at 186; see also *Dickerson v. Mattheson*, 57 F. 524, 527 (2d Cir. 1893); *Curtiss Aeroplane & Motor Corp. v. United Aircraft Eng’g Corp.*, 266 F. 71, 78–79 (2d Cir. 1920). English courts at the time followed the same rule. See *Betts v. Willmott*, (1870–71) L.R. 6 Ch. App. 239, 245 (applying patent exhaustion to goods sold in France, Belgium, and England).

Four years ago, this Court confirmed that exhaustion is based on the “longstanding principle that, when a patented item is ‘once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee.’” *Quanta*

Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617, 630 (2008) (quoting *Adams*, 84 U.S. at 457) (alteration in original, emphasis omitted). The Court’s formulation, in particular its use of the phrase “lawfully made,” is strikingly similar to the language of § 109(a). And this Court applied the exhaustion doctrine in *Quanta* to products that had been manufactured and sold outside of the United States. See Joint Statement of Plaintiff LG Electronics Inc. and Defendants Q-Lity Computer Inc., *et al.* Regarding Decision by the United States Supreme Court at 1–2, *LG Elecs., Inc. v. Q-Lity Computer Inc.*, No. 01-2187 (N.D. Cal. June 17, 2008), ECF No. 1120. Although the Court’s opinion does not identify the places of manufacture and first sale, the Court’s apparent disinterest in them confirms that they are of little importance in the patent exhaustion context.

Moreover, *Quanta* cautioned that allowing exceptions to the exhaustion rule would permit rightsholders to execute an “end-run” around these important limiting principles. 553 U.S. at 630. Concerns about “end-runs” of the first sale doctrine are nothing new. In fact, they have been part and parcel of patent exhaustion for almost a century. See *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942).³ Permitting copyright holders or their

³ A few years before *Quanta*, and a quarter-century after Congress enacted § 109(a), the Federal Circuit held that “United States patent rights are not exhausted by products of foreign provenance” or by first sales occurring abroad. *Jazz Photo Corp. v. Int’l Trade Comm’n*, 264 F.3d 1094, 1105 (Fed. Cir. 2001). Regardless of the merits of that decision, the intent of the Congress that enacted § 109(a) is informed by the

licensees to thwart traditional exhaustion doctrine by manufacturing copies abroad before importing them into the United States would invite a massive end-run.

Thus, rather than focusing on the specific details of a particular transaction, exhaustion principles focus on the constitutional purpose of patents and copyrights. *Id.* A “monopoly is no longer needed” to protect a patented or copyrighted article once “the owner has received the desired compensation” from selling that article; in that circumstance, “[t]he first sale doctrine ensures that the [intellectual property] monopoly does not intrude on the personal property rights of the individual owner, given that the law generally disfavors restraints of trade and restraints

traditional, geographically neutral patent exhaustion doctrine, not the Federal Circuit’s subsequent innovation.

Moreover, the Federal Circuit erred by departing from traditional principles based in large part on its observation that “the United States patent system does not provide for extraterritorial effect.” *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368, 1376 (Fed. Cir. 2005). As noted above, this Court dismissed a virtually identical extraterritoriality argument in *Quality King*. See 523 U.S. at 145 n.14. Especially after *Quanta*, the *Jazz Photo* doctrine is no longer good law, as at least one court has recognized. See *LG Elecs., Inc. v. Hitachi, Ltd.*, 655 F. Supp. 2d 1036, 1046–47 (N.D. Cal. 2009). Even the Federal Circuit’s views are now unclear. One panel insisted that the *Jazz Photo* rule survives *Quanta*, see *Fujifilm Corp. v. Benun*, 605 F.3d 1366, 1371–72 (Fed. Cir. 2010), but two subsequent panel decisions applied patent exhaustion to imported goods manufactured and first sold abroad. See *Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1307 (Fed. Cir. 2011); *Tessera, Inc. v. Int’l Trade Comm’n*, 646 F.3d 1357, 1369–70 (Fed. Cir. 2011).

on alienation.” *Brilliance Audio, Inc. v. Hights Cross Commc’ns, Inc.*, 474 F.3d 365, 373–374 (6th Cir. 2007).

The common law confirms that copyright law is no different in that respect. Unless and until Congress clearly signals an intent to depart from these longstanding exhaustion principles, this Court should continue to apply them in a manner consistent with their judicial origins and development. Because only Congress has “the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests” implicated by the scope of the copyright grant, the Court should decline “to expand the protections afforded by the copyright without explicit legislative guidance.” *Sony Corp.*, 464 U.S. at 431; *accord Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012) (“[W]e must hesitate before departing from established general [intellectual property] rules lest a new protective rule ... produce unforeseen results ... [a]nd we must recognize the role of Congress in crafting more finely tailored rules where necessary.”); *Bilski v. Kappos*, 130 S. Ct. 3218, 3249–50 (2010) (Stevens, J., concurring in the judgment).

CONCLUSION

This Court should hold that five ambiguous words in § 109(a) did not abrogate the centuries-old common-law first sale doctrine as applied to foreign-made copies, and it should therefore reverse the judgment below.

Respectfully submitted,

Daryl L. Joseffer
Counsel of Record
Paul A. Mezzina
King & Spalding LLP
1700 Pennsylvania Ave. NW
Washington, DC 20006

Jason Schultz
UC Berkeley School of Law
Samuelson Law, Technology,
& Public Policy Clinic
215 Boalt Hall
Berkeley, CA 94720

Aaron Perzanowski
Wayne State University
Law School
471 West Palmer Street
Detroit, MI 48202

Counsel for Amici Curiae

July 9, 2012

APPENDIX A

Amici file this brief in their individual capacities, and not as representatives of the institutions with which they are affiliated.

Howard B. Abrams
Professor of Law
University of Detroit Mercy School of Law

Margreth Barrett
Professor of Law
UC Hastings College of the Law

Annemarie Bridy
Associate Professor of Law
University of Idaho College of Law

Irene Calboli
Professor Of Law & Director, Intellectual
Property and Technology Program
Marquette University Law School

Andrew Chin
Associate Professor of Law
University of North Carolina School of Law

Margaret Chon
Donald & Lynda Horowitz Professor for the
Pursuit of Justice
Seattle University School of Law

Ralph D. Clifford
Professor of Law
University of Massachusetts School of Law

William T. Gallagher
Professor of Law
Golden Gate University School of Law

Shubha Ghosh
Vilas Research Fellow & Professor of Law
University of Wisconsin Law School

Llewellyn Joseph Gibbons
Associate Professor of Law
University of Toledo College of Law

Eric Goldman
Associate Professor of Law & Director, High
Tech Law Institute
Santa Clara University School of Law

Faye E. Jones
Professor of Law & Director, Research Center
Florida State University College of Law

Ariel Katz
Associate Professor, Innovation Chair in
Electronic Commerce & Director, Centre for
Innovation Law & Policy
University of Toronto Faculty of Law

Yvette Joy Liebesman
Assistant Professor of Law
Saint Louis University School of Law

Deirdre K. Mulligan
Assistant Professor
UC Berkeley School of Information

Aaron Perzanowski
Assistant Professor of Law
Wayne State University Law School

David G. Post
Professor of Law
Temple University Beasley School of Law

Blake E. Reid
Graduate Clinical Fellow in First Amendment
and Media Law
Georgetown University Law Center

Pamela Samuelson
Richard M. Sherman Distinguished Professor of
Law
UC Berkeley School of Law

Jason Schultz
Assistant Clinical Professor of Law
UC Berkeley School of Law

Jessica Silbey
Professor of Law
Suffolk University Law School

Katherine J. Strandburg
Professor of Law
New York University School of Law

4a

Rebecca L. Tushnet
Professor of Law
Georgetown University Law Center

Jennifer M. Urban
Assistant Clinical Professor of Law
UC Berkeley School of Law

Ryan G. Vacca
Assistant Professor of Law
University of Akron School of Law