

# ADVISORY

## SULLIVAN & WORCESTER ART & MUSEUM LAW ADVISORY

### Responding to Museums' Concerns, Supreme Court Applies First Sale Doctrine Regardless of Geography in *Kirtsaeng v. John Wiley & Sons, Inc.*

In a result strongly advocated by United States museums, the Supreme Court in *Kirtsaeng v. John Wiley & Sons, Inc.* has extended the "first sale" doctrine of the U.S. Copyright Act to copies of protected works that were lawfully manufactured and first sold abroad and later re-sold in the United States. The decision abrogates the earlier view that the "first sale" doctrine applied to copies manufactured outside the United States only if an authorized first sale occurred within the United States. Although the ruling applies broadly to copyrighted materials (the case itself dealt with textbooks), the implications are significant for museums and anyone engaged in visual arts commerce.

#### THE FIRST SALE DOCTRINE

Under section 109(a) of the U.S. Copyright Act, the first sale doctrine allows the owner of a copy that is "lawfully made under this title" to, without the copyright owner's permission, sell or otherwise transfer that copy. The first sale doctrine is also known as "exhaustion," as a copyright holder's right to restrain alienation of a copy is exhausted after the copy's first sale. While a copyright holder may forbid the copying of an original work, once it has authorized the copy and transfer, the lawful recipient of that copy may dispose of it as it wishes. The first sale doctrine thus separates the copyright holder from the distribution right over that particular copy.

The question that has arisen is whether the first sale doctrine protects the buyer of a copy that was lawfully manufactured abroad. Put another way, there has been disagreement over whether the buyer may bring that copy to the United States and dispose of it without getting permission from the copyright holder, and whether the purchaser of a used copy of a book printed abroad may re-sell it without the copyright holder's permission. Laying the confusion to rest, the Supreme Court has resolved the question in favor of a non-geographical, expansive reading.

#### IF YOU WOULD LIKE ADDITIONAL INFORMATION, PLEASE CONTACT:

Nicholas M. O'Donnell  
617 338 2814  
nodonnell@sandw.com

#### BOSTON

Sullivan & Worcester LLP  
One Post Office Square  
Boston, MA 02109

#### NEW YORK

Sullivan & Worcester LLP  
1633 Broadway  
New York, NY 10019

#### WASHINGTON, DC

Sullivan & Worcester LLP  
1666 K Street, NW  
Washington, DC 20006

#### ISRAEL

Zysman, Aharoni, Gayer and Sullivan &  
Worcester LLP  
41-45 Rothschild Blvd., Beit Zion  
Tel Aviv, 65784 Israel

## BACKGROUND

Supap Kirtsaeng, a Thai citizen, moved to the United States to study. He attended Cornell University as an undergraduate, then the University of Southern California as a Ph.D. student. While Kirtsaeng was in school, he had his friends and family in Thailand buy copies of foreign edition textbooks and send them to him in the United States. He then sold the copies in the United States.

John Wiley & Sons, Inc. (“Wiley & Sons”), the copyright holder and parent of the Asian publisher of the books, sued Kirtsaeng for copyright infringement, claiming he violated its exclusive right to distribute them, and a related import prohibition. A jury found that Kirtsaeng had willfully infringed Wiley & Sons’ American copyrights and had imported copies of eight titles without authorization. The Second Circuit upheld the verdict, holding that the first sale doctrine does not apply to American copyrighted works manufactured abroad.

The Ninth Circuit had also held, somewhat more expansively, that the first sale doctrine applies only to (1) copies lawfully made in the United States and (2) copies lawfully made outside the United States but initially sold in the United States with the copyright owner’s permission. By contrast, the Third Circuit has articulated a non-geographical interpretation tied to the compliance of the copy with the law, rather than the place of copying.

The Supreme Court had to determine the meaning of the phrase “lawfully made under this title” in section 109 of the Copyright Act. Wiley & Sons argued that the first sale doctrine should not apply to copies made outside the United States, and, at least not to foreign-produced copies intended for distribution exclusively abroad. Kirtsaeng read “lawfully made under this title” to mean “in accordance with” or “in compliance with” the Copyright Act, and that the first sale doctrine would apply as long as a copy’s manufacture complied with American copyright law. Where a copy is manufactured abroad with the copyright holder’s consent, he argued, the first sale doctrine protects subsequent sellers of lawful copies regardless of where the sale occurs.

Museums were considerably outspoken in the lead-up to the decision. Under the geographical reading of the first sale doctrine, domestic museums would have been prohibited from exhibiting, lending or selling foreign-made, copyrighted works.

## THE DECISION

Section 109(a) does not mention geography, and the Court concluded that geographical restrictions can neither be read into it linguistically, nor find support in canons of statutory construction. More to the substantive point, the Court observed, Congress did not have geography in mind in drafting section 109(a). In fact, the “manufacturing clause” that once restricted the importation of foreign-printed copies was phased out to provide equal treatment to copies printed throughout the world. And, a non-geographical interpretation serves the Constitutional aim of “promoting the progress of science and the useful arts.”

In that vein, the Court specifically considered the concerns of museums, libraries, and other repositories of protected material that have long assumed the first sale doctrine applied to them. Under a geographical interpretation of the first sale doctrine, libraries would have to seek permission to distribute their shares of the 200 million copies of published works that were printed abroad. Finding and obtaining consent from the copyright holders of those works, who may have written them decades ago and have since relocated or died, would be hugely burdensome, if not impossible. Used-book dealers would similarly be restrained. Museums do not necessarily check for international copyright approval before organizing loan exhibitions. The Court regarded these hypothetical permission-verifying processes as “intolerable consequences” of a geographical interpretation. The Court’s non-geographical holding effectively ratifies the propriety of decades of practices by individuals and organizations in the art and literary worlds.

The Court acknowledged, with scant sympathy for manufacturers, that its ruling could make it difficult to divide foreign and domestic markets and charge different prices for the same item in different parts of the world. There is “no basic principle of copyright law,” the Court explained, “that suggests that publishers are especially entitled to such rights.”

## LOOKING AHEAD

In one stabilizing sense, the Court’s holding merely renews the first sale doctrine’s heritage, leaving countless accepted practices beyond credible legal reproach. Museums have long freely displayed their collections beyond their own walls, and that will continue. Library lending of foreign-printed books, teachers’ use of the same, and individuals’ displays of foreign-made bumper stickers will remain largely

innocuous. In the for-profit sector, countless dealers and distributors of lawfully copied works will continue to engage freely in resale. Retailers and second-hand dealers of cars and other complex items containing many copyright-protected components will continue to sell units without increased concern for the authorship of each part. While the practical implications for many of these actors may be minimal, the Court's decision will surely discourage some would-be plaintiffs.

More significantly, this decision may dramatically affect international manufacturing and marketing decisions. Manufacturers (which include museums abroad, of course) looking for a way forward may consider that in a global exchange of legitimate copies, whatever their country of manufacture or initial sale, the means to curtail resale and to define markets may be Congressional advocacy, or in the point-of-sale contract abroad.

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