Wiley v. Kirtsaeng: The Right to Sell Nonpiratical Imported Goods

Thomas G. Field, Jr.

What might continued acceptance of *Boesch*, a patent case, reveal about congressional views of copyright exhaustion across national boundaries?

Copyright and patent laws have much in common. Sony Corp., America v. Universal City Studios, 464 U.S. 417 (1984), applies the notion of "staple" from 35 U.S.C. § 271(c) to dismiss liability for contributory infringement. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 US 913 (2005), also finds the notion of induced infringement as set out in § 271(b) applicable in copyright cases. More recently, the Court applied early patent cases in finding that Congress may, if it wishes, grant copyright protection to works that had previously been without it. *See* Golan v. Holder: Lessons for Patent Lawyers Too <http://tinyurl.com/84mbh8s>.

Here, I argue that the longstanding rule in Boesch v. Graff, 133 U.S. 697 (1890), a patent case involving exhaustion, might have some bearing on equivalent copyright cases. *Boesch* holds that a party's authorized sales abroad do not exhaust its domestic patent rights. In a case of first impression, John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210 (2d Cir. 2011) (Wiley), reaches a parallel result.

Wiley examines copyright's first-sale doctrine of 17 U.S.C. § 109(a) as it applies to books that did not infringe where they were made and sold. *Id*. at 216 n.4. In holding that publishers' authorized sales abroad do not exhaust their domestic rights, the court confronted "utterly ambiguous" language. *Id*. at 220. Thus, the majority concedes that its holding is a "close call." *Id*. at 221. Close or not, it remains the law of the circuit, "unless it is reversed by the Supreme Court or by this court en banc." Pearson Educ., Inc. v.

Yadav, 2011 WL 4348010 (2d Cir.).

Judge Murtha, sitting by designation from the District Court of Vermont, dissents. I focus on his two policy arguments to simplify discussion of what seem to be the central issues. First, he argues that the majority's holding will create "uncertainty in the secondary market" when the provenances of goods cannot be easily determined. 654 F.3d at 227. The books in this case, however, were clearly marked as "authorized for sale in Europe, Asia, Africa and the Middle East only." *Id*. at 213. It is difficult to imagine why other goods would not be similarly marked or why publishers failing to do so would prevail against those otherwise uninformed.

Judge Murtha also argues that the majority's holding will "provide greater copyright protection to copies manufactured abroad than [to] those manufactured domestically." This, he concludes, follows from a "portion of the… *Quality King* decision which noted that where a sale occurs is irrelevant for first sale purposes." *Id*. at 228 (citing Quality King Distr., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 145 (1998)).

That observation is consistent with the text of § 109(a): "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…" (emphasis added).

That section is said to codify the first sale doctrine initially articulated in Bobbs–Merrill Co. v. Straus: "The purchaser of a book, once *sold* by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." 210 U.S. 339, 350 (1908). That the *first sale* provision now reads "lawfully *made*," not "lawfully *sold*," is ironic and fosters the ambiguity lamented by the majority.

The phrase, “under this title,” makes interpretation even more difficult. It could mean only domestic manufacture, or, since the United States joined the Berne convention, it could mean foreign as well as domestic manufacture. Judge Murtha argues against the former lest firms be able to import goods published abroad for non-exhausting domestic sales. To avoid that result, he would favor an interpretation of “made under this title” to encompass foreign as well as domestic publication. If that is the rule, gray market goods can be imported and sold by parties such as Kirtsaeng, the defendant in *Wiley*, despite a prohibition on unauthorized importation in § 602.

Quality King may offer some support for Judge Murtha’s view, but referenced language is not dispositive. As Justice Ginsburg (concurring) points out, that case holds that publishers’ rights are exhausted when round-trip goods are initially made and sold domestically. 523 U.S. at 154.

As noted by both the *Wiley* majority, 654 F.3d at 218, and Judge Murtha, at 228, the Ninth Circuit has found that publishers’ domestic *sales* exhaust their rights regardless of the place where goods are *made*. Despite being at odds with § 109(a), that, indeed, was the holding in Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982 (9th Cir. 2008). The Supreme Court granted certiorari to review it, but, in Costco Wholesale Corp. v. Omega S.A., 131 S.Ct. (2010), an evenly split Court affirmed without opinion.

Wiley does not, and need not, decide what happens should firms first publish abroad and then import for domestic sales, but the opinion resolves the issue by implication. Thus, Judge Murtha, for lack of clear Supreme Court endorsement in *Costco*, rejects “the Ninth Circuit's imperfect solution” noted above. 654 F.3d at 228.

Yet resolution of the ultimate question requires interpreting congressional, not Supreme Court, intent. Absent relevant distinctions between patent and copyright law, it is difficult to understand why Congress would not, if squarely facing the issue, endorse the long established approach of *Boesch* for non-pirated books and other media.

That approach seems less compelling, however, for merchandise distant from central copyright law objectives. In that regard, it is difficult to think of better examples than Omega's watches and L'anza's hair care products. Manufacturers can often halt domestic sales of their foreign-made goods on the basis of trademark law. *See, e.g.,* Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA, Co.112 F.3d 1296 (5th Cir. 1997). When that is not possible, is the public interest well served by having copyright law advance the same end?

Note: Extended discussion of this case with students in a copyright seminar, and particularly with Leslie Long, a fan of Judge Murtha's opinion, were helpful.