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Copyright's Gray Market, Redux

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In an earlier entry in this series, I discussed an important issue in copyright law – whether the first sale doctrine applies to goods manufactured abroad. The Supreme Court was set to decide the issue in *Costco v. Omega*, but the Court split 4-4 and so left the matter unresolved.

Now the issue is back before the Supreme Court, in a case for which *certiorari* was granted this month: *Kirtsaeng v. John Wiley & Sons*. Supap Kirtsaeng is a native of Thailand who moved to the United States to attend college. To subsidize his tuition, he began importing textbooks that John Wiley & Sons published in Asia for the Asian market (thus the designation "gray-market goods"). Because the Asian textbooks are somewhat different from the versions Wiley publishes in the United States – and are sold for considerably less – Wiley sued to stop Kirtsaeng's enterprise.

As with the shampoo and the watches discussed in my other essay, the textbooks here are not pirated goods; they were made under a license from the copyright owner and legally purchased from an authorized distributor in Asia. The question, however, is whether they were "lawfully made under this title," as the Copyright Act requires for the first sale doctrine to apply. If they were, then Kirtsaeng's importation is legal. If they are not, it isn't.

Why is it that this term, "lawfully made under this title," has come to matter so much? On its face, it does not indicate that the geographic site of manufacture should be determinative. The answer lies in an arcane tangle of federal copyright statutes and the three related questions they create.

Start with 17 U.S.C. § 602(a), which says the unlicensed importation of works that were acquired outside the United States infringes the copyright owner's exclusive right to distribute. It makes no mention of the first sale doctrine. But that exclusive right to distribute itself is defined in 17 U.S.C. § 106(3), which is in turn limited by the first sale doctrine in 17 U.S.C. § 109.

So the first question is which of these two provisions trumped the other. Section 602(a) says that unauthorized importation of copyrighted works was a violation of the right to distribute, but Section 109(a) says that the right to distribute does not include any right to control distributions that occur after the first sale. In the 1998 case of*Quality King Distributors v. L'anza Research*, the Supreme Court answered this question, holding that Section 602(a) is subject to Section 106(3), and that Section 106(3) is in turn subject to the first sale doctrine in Section 109(a).

That answer leads to the second question: When would Section 602(a) ever apply? When copies are illegally made in another country? Nope. As it turns out, there is yet another statute, 17 U.S.C. § 602(b), that explicitly covers that conduct. So in order to preserve some meaning for Section 602(a), the Court said that it applies "to a category of copies that are neither piratical nor 'lawfully made under this title'" – namely "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country."

The Court thereby resolved the *Quality King* dispute without robbing Section 602(a) of all meaning. But in doing so, it set up the third question: When copies are indeed "lawfully made," but under some other country's copyright law rather than under U.S. law, then does the first sale

doctrine allow their importation and resale in the United States? That is the question that was to be addressed in *Costco v. Omega* and will now be addressed in *Kirtsaeng*.

As previously discussed, the issue is arcane but the practical stakes are high. Can the Supreme Court find a way out of the statutory tangle without seriously restricting the free flow of lawfully made goods? It seems to have painted itself into a corner. On the other hand, in a term in which the Court has ruled that the government has the power to strip-search citizens arrested for driving with a noisy muffler, yet is poised to rule that the government lacks the power to require its citizens to buy health insurance, perhaps anything can happen.