

No.11-697

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In The Supreme Court of the United States

SUPAP KIRTSANG, DBA BLUECHRISTINE99,  
*Petitioner,*

v.

JOHN WILEY AND SONS, INC.,  
*Respondent.*

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On Writ of Certiorari to the United States Court of  
Appeals for the Second Circuit

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**BRIEF OF SOFTWARE AND INFORMATION  
INDUSTRY ASSOCIATION (SIIA) AS *AMICUS  
CURIAE* IN SUPPORT OF THE RESPONDENT**

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## STATEMENT OF THE INTEREST OF THE *AMICUS*<sup>1</sup>

*Amicus*, the Software & Information Industry Association (“SIIA”), is the principal, largest and oldest U.S. trade association representing software and content companies. SIIA member companies are providers of, among other things:

- software publishing, graphics, and photo editing tools;
- corporate database and data processing software;
- financial trading and investing services, news, and commodities exchanges;
- online legal information and legal research tools;
- textbooks, reference works and research periodicals;
- protection against software viruses and other threats;
- education software and online education services; and
- open source software.

SIIA has been an industry leader in addressing intellectual property issues in the software and information industries for many years.

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<sup>1</sup> No counsel for a party authored this brief in whole or in part and no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties’ letters consenting to the filing of this brief have been lodged with the Clerk.

On behalf of its members, SIIA has actively participated in legal, legislative and regulatory discussions affecting the software and information industries, especially legislative debate and revisions relating to copyright. Its views are informed by its real-world experience as: (1) both “buyers” and “sellers” in various kinds of market transactions that may be affected by this case, (2) licensors and licensees in transactions that, as SIIA urges, are not affected by the first sale doctrine, such as mass market software licensing; (3) copyright owners attempting to protect their rights and sustain their business in an increasingly challenging global electronic marketplace; and (4) users of works who must draw on the ideas and expression of others to create new expressive works. SIIA’s software and content publishers have long relied upon the courts’ consistent interpretation of the interplay between sections 109 and 602 of the Copyright Act.

## SUMMARY OF ARGUMENT

SIIA generally agrees with Respondent that the language of section 602, and the accompanying legislative history, supports its position that the U.S. Court of Appeals for the Second Circuit correctly concluded that the first sale doctrine, as codified in section 109, did not apply to foreign-made copies imported into the United States by Petitioner. While that conclusion is correct, the language that Congress used to compel it does not shimmer with clarity. Petitioner's argument in this case focuses not so much on the development of section 602(a), but instead the parade of alleged horrors that will occur if the Court interprets the Copyright Act in a manner that allows Respondent to prevent the Petitioner from importing into the United States copies intended for foreign markets in violation of section 602. As an organization that represents companies that are owners and users of copyrighted works, as well as creators of innovative new technologies and valuable digital content, *amicus* writes to emphasize three basic points.

First, there are a variety of rational and widely beneficial reasons for a copyright owner to prevent copies made for sale abroad from entering the United States. Market segmentation has many salutary effects both for copyright owners and the consumer by providing incentives for the creation of new copyrighted works (made possible by foreign exploitation), lower domestic prices, expansion and investment in U.S. companies, and employment. In addition, the laws or economics of a particular

foreign market may dictate the differences in the copies produced for that market. Nonetheless, Petitioners point to a variety of policy ailments that will allegedly afflict the copyright system if the lower court's ruling is upheld, and speculate as to the effect of affirmance. These contentions are belied both by past experience in which none of these horrors has occurred in the thirty-plus years since section 602's enactment and SIIA's members' present experience in licensing software. In either case, market segmentation serves the ends of the copyright law.

Second, copyright law does not apply extraterritorially. Unlike the copies at issue in *Quality King*, the copies in this case were not lawfully made within the borders of the United States. Section 602 constructively embargoes these goods from the United States unless they arrive with the copyright owner's approval. Upon authorized arrival, however, they can be sold and used subject to the Act's usual rights and defenses.

Finally, SIIA recognizes that there is a case that Congress did not consider—that of the facts of *Costco*. No one drafting or considering section 602 could have conceived that the Copyright Act would be used to thwart parallel imports in cases where a copyrighted work that lacks any independent economic value is intentionally affixed to an imported product. *Amicus* respectfully suggests that, notwithstanding the Court's dicta in *Quality King*, the fair use doctrine can provide a principled basis to distinguish the present case from cases in

which the copyright claim is being used as an artifice to prevent the importation of a functional object to which the copyrighted work happens to be attached.

## ARGUMENT

### I. CONGRESS HAD SOUND POLICY BASES FOR GRANTING COPYRIGHT OWNERS PROTECTION FROM UNAUTHORIZED PARALLEL IMPORTS

The limited rights Congress implemented in section 602 are beneficial to consumers and significant for many copyright owners. Indeed, the enormous commercial success enjoyed by *amici* such as eBay and Amazon, and the vibrancy of the U.S. market for copyrighted works, illustrate the fallacy in their speculation. The sky has neither fallen nor shown cracks.

Differentiated pricing benefits U.S. consumers in the form of newly created copyrighted works (made possible by foreign exploitation), lower domestic prices,<sup>2</sup> expansion and investment in U.S. companies, and employment. *See, e.g.*, Robert D. Anderson et al., Intellectual Property Rights and International Market Segmentation in the North

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<sup>2</sup> Differentiated global pricing often results in a larger global market for a product. The producer's fixed costs, sometimes including first production costs, then have a wider base against which to be recovered, which in turn permits the producer to lower prices in the domestic market to levels that would not otherwise be possible.

American Free Trade Area, in *Competition Policy and Intellectual Property Rights in the Knowledge Based Economy* 397, 402 (Robert Anderson & Nanc Gallini eds., 2007) (“Without market segmentation, the domestic consumer would not receive the same level of product quality and variety, service, and information that would prevail under market segmentation.”). Differentiated pricing also provides enhanced investment opportunities in and for U.S. copyright owners, and allows U.S. copyright owners to more efficiently utilize the exclusive rights granted to them under the Copyright Act. *See Parfums Givenchy v. C & C Beauty Sales*, 832 F. Supp. 1378, 1390-91 (C. D. Cal. 1993). It enhances the value of a U.S. copyright, and the incentive that the law is designed to create.

There are a variety of rational and widely beneficial reasons for a copyright owner to prevent copies made for sale abroad from entering the United States, to compete with copies made for domestic distribution. Some SIIA member companies, for example, introduce slight variations in product presentation or quality to conform to the demand in various countries. Price may be driven by multiple factors, including distribution channels and differing characteristics of regional demand curves. *See generally* William J. Baumol & Daniel G. Swanson, *The New Economy and Ubiquitous Competitive Price Discrimination: Identifying Defensible Criteria of Market Power*, 70 *Antitrust L. J.* 661, 665 (2003). Examples include test preparation materials, textbooks, and other copyrighted works, with prices based upon various

local and international factors. SIIA members rely upon section 602 to make and sell “country-specific” or “region- specific” versions of their products. For example, many textbook publishers, like Respondent, find it impractical and uneconomical to provide its “standard” product in third world countries, but can produce a slightly modified, lower-priced version to sell there.<sup>3</sup>

Moreover, SIIA members sometimes deem some version of “market segmentation” necessary to comply with the legal regimes of foreign countries or to reduce legal risk in such countries. For example, in the publishing industry, privacy and defamation laws can vary substantially from country to country. *See, e.g., Ehrenfeld v. Bin Mahfouz*, 518 F.3d 102, 104 (2d Cir. 2007) (describing “libel tourism”). The software industry faces similar concerns due to data protection and security laws that vary abroad.<sup>4</sup>

In short, Congress had multiple, rational reasons to provide copyright owners with a right to preclude certain parallel imports. The result of the Second Circuit decision furthers those policy goals,

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<sup>3</sup> Sometimes the product may be exactly the same as the domestic version. Sometimes it may have differences, such as lower quality paper, or black and white illustrations instead of color, or different typesetting.

<sup>4</sup> *See generally, e.g.*, EU Directive 95/46/EC of the European Parliament and the Council of 24 October 1995 on the Protection of Individuals with Regard to the Processing of Personal Data and the Free Movement of Such Data, 1995 O.J. L 281, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31995L0046:en:HTML>.

and Congress had good reasons to enact section 602's prohibition.

Nonetheless, Petitioner and his *amici* predict dire consequences for users of works if section 602 is held to apply to importations of works manufactured outside the United States. These arguments overlook one of the foundational tenets of the copyright law. "[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge." *Eldred v. Ashcroft*, 537 U.S. 186, 213 n.18 (2003) (emphasis in original) (citing *American Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 27 (S.D.N.Y. 1992), *aff'd*, 60 F.3d 913 (2d Cir. 1994)). Petitioner's "demagogic effort to undermine the publishers' rights by tarring them as wealthy profiteers carries no force in copyright analysis, which does not begrudge copyright profits." *Texaco*, 802 F. Supp. at 27. Profit maximization is a feature of the copyright system, not a bug.

Kirtsaeng and his *amici* claim that if the first sale doctrine is not interpreted to now apply to foreign-made copies, secondary markets for copyrighted works will virtually disappear. There is no tangible basis for this suggestion. No SIIA member has moved manufacturing operations abroad in response to the Court's holding in *L'anza v. Quality King*, 523 U.S. 135 (1998), or affirmance of the Ninth Circuit's decision in *Costco v. Omega*, 541 F.3d 982 (9th Cir. 2010), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2011). Throughout its



extensive, ongoing copyright enforcement activities, SIIA is aware of no instance in which a U.S. reseller was sued over a legitimate copy that had been made overseas and imported *with* the copyright owner's authorization. Thus, there is simply no sound reason for changing the rules that have been in effect for thirty years. *See, e.g., CBS, Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983) (first sale doctrine does not protect unauthorized import of foreign made copies), *aff'd*, 738 F.2d 424 (3d Cir. 1984).

## **II. THE SOFTWARE LICENSING PARADIGM DEMONSTRATES THE BENEFITS TO CONSUMERS AND INDUSTRY OF MARKET SEGMENTATION**

For several decades, the software industry has relied on a licensing model for the distribution, maintenance, and updating of its software products and services to and for its customers.<sup>5</sup> Today,

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<sup>5</sup> The benefits of section 109 inure only to the “owner of a particular copy” and not one who obtains it by other means, such as under a license. *See, e.g., Quality King*, 523 U.S. at 146–47. This requirement has long exempted various categories of copyrighted works, such as many mass-marketed software products, from the first sale doctrine and the essential steps doctrine of section 117. *See, e.g., Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111-14 (9th Cir. 2010), *cert. denied*, 132 S. Ct. 105 (2011); *Cincom Systems, Inc. v. Novelis Corp.*, 581 F.3d 431 (6th Cir. 2009) (software transaction was a license with a non-transfer provision, so subsequent acquiring entity infringed when it used the software); *Wall Data Inc. v. Los Angeles County Sheriff's Dep't*, 447 F.3d 769 (9th Cir. 2006) (software distributed under shrink-wrap license,

licenses govern most software transactions, and the software and information industry has grown to over \$500 billion in annual revenues. See Software & Information Industry Association, Software and Information: Driving the Knowledge Economy (January 24, 2008) at 7-8, <http://www.siiia.net/estore/globecon-08.pdf>. The software and information industry is one of the largest employers in the United States, and is projected to add two million more jobs by 2016. See U.S. Bureau of Labor Statistics, National Industry Specific Occupational Employment and Wage Estimates, <http://www.bls.gov/oes/current/oessrci.htm#51> (last modified Oct. 24, 2007).

The software licensing model permits a wider range of users to access and use software. A publisher need not reduce or degrade the function of its product in order to provide it at a reduced price appropriate for a particular market of users. Rather, the publisher can simply vary the rights of using it. So, for example, a publisher may offer a fully functional “academic” version of its product to students at a deeply reduced price, but the rights granted do not permit use for commercial purposes. See, e.g., *ProCD, Inc., v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (“Instead of tinkering with the product . . . [software companies] turned to the institution of contract.”); *id.* at 1455 (“Terms and conditions offered by contract reflect private ordering, essential to the efficient functioning of

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so not owned by the user); *DSC Commc’ns Corp. v. Pulse Commc’ns, Inc.*, 170 F.3d 1354, 1362 (Fed. Cir. 1999).

markets.”). Similarly, “OEM licenses” bundle software with or installed upon specific hardware, such as a scanner or desktop computer, and require the software to be used and distributed only with that hardware. Often, the hardware manufacturer was granted a deep discount as part of the OEM license terms. Another example is “site licenses,” which are defined by some geographic restriction on use, such as a specific company, area, or even department or floors of a building. *See, e.g.,* Software & Information Industry Association & LicenseLogic LLC, Certified Software Manager Student Manual (SIIA Publications 2004) at 4:1–4:52.<sup>6</sup>

Preventing grey market infringement is but one effect of some licenses, albeit an important one. For example, illegal online “resale” of licensed academic and original equipment manufacturer (OEM) software on sites such as eBay is a very significant problem and may jeopardize the future availability of discounted software to those markets. *See Vernor*, 621 F.3d at 1114-15. But more importantly, the ongoing rights and responsibilities in licenses provide a critical level of clarity and expectations to licensors and licensees in the

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<sup>6</sup> Licenses also are the foundation of open source software development and distribution. *See, e.g., Jacobsen v. Katzer*, 535 F.3d 1373, 1378 (Fed. Cir. 2008) (“Open source software licenses, or ‘public licenses,’ are used by artists, authors, educators, software developers, and scientists who wish to create collaborative projects and to dedicate certain works to the public.”); GNU General Public License, Preamble, <http://www.fsf.org/licenses/licenses/gpl.html> (November 14, 2009).

software and information industries.

Although neither licenses nor software are at issue in this case, SIIA believes that the practical operation of the software licensing market is instructive. As software providers are able to offer similar but differently priced goods to markets through licensing terms, they also undertake similar practices to segment markets geographically. Section 602 reflects a similar recognition that market segmentation (and the benefits that can be had by copyright owners and consumers alike by offering different works in different markets) preserves and enhances the economic incentives to create new works and to disseminate existing works more widely and in new ways. That result is neither absurd nor apocalyptic, but entirely consistent with the copyright law's promotion of "Science and useful Arts." U.S. Const., Art. 1, § 8 cl. 8. *See* The Federalist No. 43 ("The public good fully coincides...with the claims of individuals.") (Madison). When viewed through this lens, the legislative history of section 602 compels the conclusion that Petitioner's activity is an infringement.

### **III. THE FIRST SALE DOCTRINE DOES NOT APPLY TO COPIES LAWFULLY MADE IN FOREIGN JURISDICTIONS THAT ARE IMPORTED INTO THE UNITED STATES WITHOUT AUTHORIZATION**

Section 109 does not apply to copies made under the law of foreign jurisdictions that are then

imported into the United States in violation of section 602. Petitioner argues that such an interpretation: (1) renders all the normal copyright defenses inapplicable; and (2) encourages the foreign manufacture of works. (See Pet. Br. at 23). Petitioner's contentions are incorrect.

The copyright law does not apply extraterritorially. See *Subafilms v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (en banc). For example, an allegation that a defendant located in the United States who merely directed the infringement of a particular work to take place abroad is generally insufficient to support a copyright infringement claim under the laws of the United States because no infringing act occurred within U.S. borders. See *id.* at 1094.<sup>7</sup> United States law treats a copyright owner who has authorized production of copies of his work abroad the same as the defendant here. For both the copyright owner and the purchaser, the fact that one party has authorized production of copies of a work abroad and the other has purchased the copy abroad is a non-event under U.S. law because the production of copies occurs outside the borders of the United States.

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<sup>7</sup> See also, e.g., 4 Nimmer on Copyright § 17.02, at 17-19 (2009) (“[C]opyright laws do not have any extraterritorial operation.”). International copyright treaties similarly treat the “lawfulness” of making a reproduction as the province of the nation in which it occurred. See, e.g., Berne Convention for the Protection of Literary and Artistic Works, art. V (Sept. 28, 1979) (“Protection in the country of origin is governed by domestic law.”).

The question then becomes what happens when the purchaser wishes to bring the work into the United States for non-exempted purposes. Section 602 states:

[i]mportation 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 under section 106, actionable under section 501.

17 U.S.C. § 602(a).

Section 109, however, provides:

[n]otwithstanding 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.

17 U.S.C. § 109(a).

When read with section 109, section 602 creates a constructive embargo against certain copies lawfully made under foreign copyright laws. “[A]n “embargo” is an import regulation that takes

the form of a governmental prohibition on imports, regardless of any exceptions it may contain and regardless of its ultimate purpose -- just as quotas, tariffs, and conditions on importation are identifiable forms of import regulation regardless of their exceptions and purposes.” *K Mart v. Cartier*, 485 U.S. 176, 195 (1988) (Scalia, J., dissenting). Put another way, proper application of section 109’s phrase “lawfully made under this title” pre-supposes that the copy is lawfully present in the United States in the first place.<sup>8</sup> The copies at issue in this case have *never* been present within the borders of the United States legally. U.S. copyright law simply never reaches them—in the same way that it also does not reach infringing copies made abroad. Such copies are not “lawfully made under this title.”

Thus, unlike the labels in *Quality King*, which were manufactured in the United States, the books in this case were not “lawfully made under this title,” and do not become eligible for the application of section 109 unless and until their presence on U.S. soil is authorized. “If none of the three exemptions [contained in 602(a)(3)] applies, any unauthorized importer of copies or phonorecords acquired abroad could be sued for damages and enjoined from making any use of them, even before any public distribution in this country has taken

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<sup>8</sup> For example, lacking the resources to examine every import into the United States, the Customs Service may permit goods entry into the United States on a conditional basis, and penalize the importer for failing to abide by existing law. See 19 C.F.R. § 151.2(a)(2); see *United States v. Toshoku America, Inc.*, 879 F.2d 815, 819 (Fed. Cir. 1989).

place.” H. Rep. No. 94-1476, at 170 (1976).

Understood as a limited embargo, the text of the Act makes perfect sense. What happens in Thailand stays in Thailand; only when the copies lawfully enter the United States does the first sale doctrine potentially apply. Once imported into the United States with the copyright owner’s authorization, these copies are exactly the same as any other copies located in the United States. Upon sale, section 109 exhausts the distribution right, and the rest of the Act’s defenses and privileges are available as needed.

**A. The Surrounding Context In The Copyright Act Support Affirmance of the Result in this Case**

Petitioner and its *amici* argue that “lawfully made under this title” means simply that the copy would have been lawful if United States copyright law applied. But if Congress had meant that, it knew exactly how to make that distinction – it did so in a different part of section 602. Section 602(b) prohibits importing piratical copies when the making of the copies “would have constituted an infringement of copyright *if this title had been applicable*,” 17 U.S.C. § 602(b) (emphasis added). *See also* 19 C.F.R. § 133.42. Congress’ use in subsection (a) of the different phrase “under this title,” must mean something different. *See, e.g., Russello v. United States*, 464 U.S. 16, 23 (1983) (“[W]here Congress includes particular language in one section of a statute but omits it in another



section of the same Act, it is generally presumed that Congress act[ed] intentionally and purposely. . . We refrain from concluding here that the differing language in the two subsections has the same meaning in each.” (citations omitted)). Thus, “under this title” cannot mean *if* U.S. law applied to the making of the copy. It means U.S. law *did* apply to the making of the copy.<sup>9</sup>

Section 501 further states that anyone who violates the exclusive rights of the copyright owner “or who imports copies or phonorecords into the United States in violation of section 602,” is an infringer of the copyright or right of the author, as the case may be. 17 U.S.C. § 501(a). Although the Court found this language probative, but ultimately unpersuasive on the facts of *Quality King*, see 523 U.S. at 149, *amicus* respectfully suggests that it is far more probative on these facts. Moreover, *amicus*’s interpretation is necessary to avoid internal redundancy within section 602 itself. Sections 602(a)(2) and 602(b) both provide remedies in the case of piratical goods that would appear to subsume section 602(a)(1) if that provision only covered piratical (unauthorized) copies. And

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<sup>9</sup> Section 104 of the Copyright Act is consistent, specifying when a U.S. copyright exists “under this title.” 17 U.S.C. § 104. Section 104 speaks only in terms of “works” subject to title 17, not a “copy” or “copies,” the term used in both sections 602 and 109. The question of the U.S. law’s application to a “work” pre-supposes proper territorial application of the Copyright Act. Whether a “work” is subject to protection under title 17, and whether a *copy* triggers the Act’s operation are two entirely separate issues.

limiting section 602 to piratical copies also would render moot the various exceptions within section 602, such as the “baggage exception” for travelers bringing back personal copies of a work. *See* 17 U.S.C. §602(a)(3)(B). Such exceptions would be unnecessary, as the user simply could assert the first sale doctrine.<sup>10</sup>

**B. The Legislative History Of Section 602 Confirms That The First Sale Doctrine Is Not A Defense To Unauthorized Importation Of Copies Made Abroad**

The legislative history of section 602 confirms that Congress enacted the statute to deal with the problem of parallel imports, not simply the importation of piratical works. *See, e.g.*, 4 William F. Patry, *Patry on Copyright* § 13:42 (2010) at 13-89 (Congress intended section 602 “to grant a U.S. distributor an exclusive right to distribute copies of the work in the United States.”). Petitioner argues that its interpretation preserves some role of parallel importation; for example, if works were lawfully

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<sup>10</sup> Section 109(e) is not to the contrary. That section only deals with sections 106(4) (performance) and (5) (display), respectively. The decision that the Computer Software Rental Amendments Act of 1990, Tit. VIII of the Judicial Improvements Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089, 5134 (Dec. 1, 1990) overruled would have banned the unauthorized performance or display of *any* video game, including those made and sold in the United States. *See Red Baron v. Taito Corp.*, 883 F.2d 275, 281 (4th Cir. 1989), Section 109(e) merely ensures that when such works have lawfully entered the United States, they may be used in the manner customarily expected.

made pursuant to a compulsory license that U.S. law does not recognize. (Pet. Br. 45). There is no credible evidence that section 602 was intended to apply so narrowly.

The Copyright Act of 1976 resulted from an exhaustive revision process lasting well over a decade. During one of the many on-the-record discussions held by the Copyright Office during the course of that revision, publishing and music industry representatives noted that the then-existing draft revision would not cover copies of a book or song licensed for manufacture abroad, sold and then imported. *See* Staff of the House Comm. on the Judiciary, 88th Cong., 1st. Sess., Copyright Law Revision, Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 212-15, 232, 235, 327 (Comm. Print 1963). In response, the Copyright Office drafted alternatives that prevented unauthorized importation, but differed in the duty of the Customs Bureau to enforce it. Preliminary Draft for Revised U.S. Copyright Law (Part 3) (1963), Alternatives A and B, *reprinted in* 5 The Kaminstein Legislative History Project (Alan Latman and James Lightstone eds.) 420-21 (“Kaminstein”); S. 3008, 88th Cong., § 44 (1964), *reprinted in* 5 Kaminstein at 427. The panel discussions of those alternatives engendered dispute over the proper role of the Customs Bureau, but did not challenge the fundamental premise of the draft. *See* Staff of the House Comm. on the Judiciary, 88th Cong., 2d. Sess., Copyright Law Revision, Part 4, Further Discussions and Comments on Preliminary Draft for

Revised U.S. Copyright Law 207-14 (Comm. Print 1964) (“Discussions, Part 4”). In addition, during these same discussions, witnesses suggested that the breadth of the import ban would prevent libraries and others from being able to import these works, which resulted in Congress adding exemptions to the legislation to address that concern. *Compare* Discussions, Part 4, at 205 (testimony urging lawful importation for libraries and the blind); *id.* at 299 (American Library Association requesting exemption for all research purpose due to issues with “variant editions”). Ultimately, Congress settled on language that barred importation of non-piratical copies, exempted importation of those copies by certain nonprofit institutions, and omitted any enforcement role for the Customs Bureau. H.R. 4347, 89th Cong., §602(a) (1965) exempting “importation for scholarly, educational or religious purposes and not for private gain”), *reprinted in* 5 Kaminstein at 428. Congress subsequently narrowed the exemptions in 1966 to those currently in the law<sup>11</sup> and, after some technical changes in 1969, they continued in their current form until enactment. *See* H.R. 4347, 89th Cong., §602 (1966), *reprinted in* 5 Kaminstein at 432

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<sup>11</sup> For example, after objections by the motion picture industry to the breadth of the exemptions to section 602 afforded educational institutions, Congress narrowed the exemptions to their current general scope, and excluded audiovisual works from the scope of the importation ban except for “archival use.” *Compare* House Comm. On the Judiciary, Subcomm. No. 3, Hearings on H.R. 4347, H.R. 5680, H.R. 6831, and H.R. 6835, Part 2, at 1043, 1064-65 (objections of motion picture industry) with H.R. 4347, 89th Cong. 2d Sess. (1966) (as reported by the House Committee on the Judiciary), *reprinted in* 5 Kaminstein at 432.

(marking emergence of baggage exceptions); S. 543, 91st Cong., (1969), *reprinted in* 5 Kaminstein at 439.

Throughout that development, the Register of Copyright consistently maintained that section 602 was intended to address foreign copies that were made with the authorization of the copyright owner but authorized only for distribution abroad, and “if sold in the United States would be sold in contravention of the rights of the copyright owner who holds the *exclusive* right to sell copies in the United States.” House Comm. on the Judiciary, 88th Cong., 2d Sess., Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft 28, 32 (Comm. Print Sept. 1964) (emphasis supplied); *see also* Staff of the House Comm. on the Judiciary, 89th Cong., 1st Sess., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 149-50 (Comm. Print 1965) (stating that the new provision would apply, for example, where “the copyright owner had authorized the making of copies in a foreign country for distribution only in that country”, and explaining that it applied to “copies . . . lawfully made but distribution in the United States would violate the exclusive rights of the U.S. copyright owner.” ). The report language accompanying the legislation consistently reflects that interpretation. *See* H. Rep. No. 89-2237, at 42 (1966); H. Rep. No. 90-83, at 138 (1967); S. Rep. No. 93-983, at 200 (1974); H. Rep. No. 94-1476, at 170 (1976).

Thus, while *amicus* is conscious of the admonition that the use of legislative history at times resembles “looking over a crowd and picking out your friends,” Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 Iowa L. Rev. 195, 214 (1983), the legislative record lacks any convincing support for Petitioners’ suggestion that Congress intended to limit section 602 solely to the artificial categories of works made under a compulsory license, or those subject to a shorter term. (See Pet. Br. at 45 (giving these examples)).<sup>12</sup> Moreover if Petitioner’s argument was valid, there would have been no need to enact exemptions for libraries under section 602(b) to account for importation of such contrived classes of copies. Instead, the development of section 602 demonstrates that Congress intended to constructively exclude authorized copies made abroad from entry into the United States.

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<sup>12</sup> Congress enacted the 1976 revision with a weather eye on U.S. accession to the Berne Convention, see, e.g., H. Rep. No. 94-1476, at 135 (1976) (noting without amending term to life of the author plus fifty years, adherence to Berne Convention would not be possible). As this Court is well aware, see *Eldred*, 537 U.S. at 195-96 & n.2, the term of U.S. protection had been extended several times during the before and during the revision to reach the Berne standard. Thus, as the United States not only had a *shorter* term than most of the copyright producing world but also had a series of formalities that could cut copyright protection short, see generally *Golan v. Ashcroft*, 132 S. Ct. 873, 882 n.11 (2012), Petitioner’s suggestion that Congress was concerned over countries with shorter terms importing copies of public domain works into the United States is implausible.

#### IV. THE COPYRIGHT ACT CONTAINS THE FLEXIBILITY TO DEAL WITH UNFORESEEN APPLICATIONS OF SECTION 602

In the same way that Congress did not intend to cabin section 602's application to copies from countries with a shorter term or compulsory licenses, the legislative record provides no evidence that it intended its application to situations where a trademark owner adds a copyrightable insignia or label on goods to protect against their parallel importation into the United States. *E.g.*, *Costco, supra*; *Quality King*, 523 U.S. at 153 (citing *K Mart v. Cartier*, 486 U.S. 281 (1988)). *Amicus* SIIA believes that the better way to address the concern raised by these cases is through the fair use defense contained in section 107 of the Act.

Although the Court in dicta suggested that fair use might not be available to the importer who infringed under this circumstance, *Quality King*, 523 U.S. at 150. SIIA respectfully suggests that that is not the case.<sup>13</sup> Fair use is at its core an “equitable rule of reason,” H. Rep. No. 94-1476, at 65 (1976) (cited in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 (1984), designed to take into account the facts of each case. The flexible and fact-specific nature of the defense renders it fully capable of taking into account the practical reality that people do not buy a watch because of an insignia on the back or buy shampoo because of the wording of

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<sup>13</sup> The Court in *Quality King* did not explore in the applicability of the fair use defense in any depth and, given the result in that case, it had no need to explore it.

the instructions. This reality would likely influence a court's determination of the fourth fair use factor: "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107 (4).

The fair use doctrine requires that a market for a work be "traditional, reasonable, or likely to be developed" when examining and assessing the effect that a secondary use of a copyrighted work may have on the potential market for or value of that work. *Texaco*, 60 F.3d at 930. In the case of products such as shampoo and watches, there is no economic value severable from the product to which the work is affixed, and no actual or potential market that can be harmed. For example, there is likely no separate licensing market for shampoo labels as the expressive work – the label – has no economic value severable from the product. *See A.V. ex rel. Vanderhye v. iParadigms*, 562 F.3d 630, 643-44 (4th Cir. 2009) (finding fair use of entire student paper in a for-profit anti-plagiarism database because of the lack of any separate existing licensing market for the student papers).

Congress imported this important policy distinction into other parts of the Copyright Act. For instance, the software rental provisions of the Act prohibit the renting of computer programs but the ban does not extend to computer programs in clocks and similar devices. *See* 17 U.S.C. § 109(b)(1)(B) (permitting the rental of software contained in certain limited purpose devices). Similarly, article 11 of the Agreement on Trade Related Aspects of



Intellectual Property Rights (TRIPS), Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U. N. T. S. 154, requires the United States and other signatories to ban software rental unless the software is not the “essential object” of the rental. The “essential object” language allows TRIPS signatories to lease cars and other useful articles without running afoul of their obligation to prohibit software rental. Such cases are readily distinguishable from the facts of this one or ones involving copies of traditional copyrighted works, where the expressive work itself is the essential object of the unauthorized importation, or where the work as a whole qualifies for protection. *Cf.* 17 U.S.C. § 101 (defining sculptural work).

In short, although SIIA arrives at the same destination by a different path, the Second Circuit reached the correct result in the decision below. Finding infringement in this context neither creates the parade of horrors that Petitioner envisions, nor threatens the traditional functions of title 17’s defenses. Instead, it ensures the copyright owner’s rights to exclusive distribution, and preserves essential financial incentives for authors to create.

## CONCLUSION

The judgment of the court of appeals  
should be affirmed.

Respectfully submitted,

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