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*Copyright Act of 1976 — First Sale Doctrine —*  
Kirtsaeng v. John Wiley & Sons, Inc.

Once a copyright owner has transferred ownership of a copy of her good to another person, she has exhausted her right to control the distribution of that particular copy under the “first sale doctrine,” a well-established defense to copyright infringement grounded in the historic policy against restraints on alienation.<sup>1</sup> This doctrine has enabled the proliferation of secondary markets while undermining the ability of copyright owners to maintain an effective regime of price discrimination. Although the Copyright Act’s<sup>2</sup> first sale doctrine — codified in 17 U.S.C. § 109(a) — clearly applies to copyrighted works manufactured and sold in the United States, it was previously unclear whether the doctrine applied to copyrighted works manufactured abroad, sold by the U.S. copyright owner abroad, and subsequently imported into the United States. Recently, in *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>3</sup> the Supreme Court held that the first sale doctrine applies to copyrighted works lawfully made abroad.<sup>4</sup> Because copyright holders have multiple alternative avenues for circumventing the effects of the first sale doctrine, the Court’s decision will primarily impact the *means* by which copyright holders engage in price discrimination rather than the overall *level* of price discrimination. In uniformly ruling out one possible means for engaging in such practice, the Court may have placed too great a thumb on the scale in favor of alternative avenues, which may themselves be problematic.

Copyright holders possess a “bundle of rights,” including the 17 U.S.C. § 106(3) exclusive right of distribution and the 17 U.S.C. § 602(a) exclusive right to control unauthorized importation of copyrighted works.<sup>5</sup> The copyright holder’s right of distribution is limited, however, by 17 U.S.C. § 109(a), the first sale doctrine, which states: “[T]he owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of [the copy].”<sup>6</sup> The Supreme Court clarified the relationship between the copyright holder’s right of importation and the first sale doctrine in *Quality King Distributors, Inc. v. L’Anza Re-*

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<sup>1</sup> See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 349–51 (1908).

<sup>2</sup> 17 U.S.C. §§ 101–805 (2012).

<sup>3</sup> 133 S. Ct. 1351 (2013).

<sup>4</sup> *Id.* at 1355–56.

<sup>5</sup> 17 U.S.C. § 602(a) (“Importation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of [§ 106(3)].”).

<sup>6</sup> *Id.* § 109(a).

*search International, Inc.*<sup>7</sup> There, the Court held that § 109(a) limited § 602(a), such that the importation of U.S. copyrighted works did not constitute copyright infringement when the works were *manufactured in the United States*, sold by the U.S. copyright owner abroad, and subsequently imported into the United States.<sup>8</sup> However, the Court left unresolved the question of whether the first sale doctrine applied to cases involving a one-way journey — that is, to works *manufactured abroad*, sold by the U.S. copyright owner abroad, and subsequently imported into the United States.<sup>9</sup> The statute is subject to two primary interpretations: the critical five-word phrase — “lawfully made under this title” — might be read as imposing a geographical limitation, meaning that the first sale doctrine should apply only to copyrighted works made in the United States. Alternatively, that phrase might be read nongeographically, meaning that the first sale doctrine should apply to any copyrighted work made in accordance with U.S. law. Either interpretation would have significant economic ramifications.<sup>10</sup>

John Wiley & Sons, Inc. (Wiley) publishes academic textbooks on an international scale. Wiley produces both foreign and U.S. edition textbooks, with each of its foreign editions clearly stating: “This book . . . may not be exported. Exportation from or importation of this book to [an unauthorized] region without the Publisher’s authorization is illegal . . . .”<sup>11</sup> Wiley assigned its rights to reprint and publish foreign editions of its textbooks to its subsidiary John Wiley & Sons (Asia) Pte Ltd. (Wiley Asia), so that Wiley Asia could manufacture foreign versions of the textbooks for sale outside the United States.<sup>12</sup> Between 2007 and 2008, Supap Kirtsaeng, who was studying in the Unit-

<sup>7</sup> 523 U.S. 135 (1998).

<sup>8</sup> *Id.* at 152–53. The Court reached this interpretation of the interplay between § 109(a) and § 602(a) by holding that § 602(a) is a species of the § 106(3) right of distribution, which is itself subject to § 109(a). *See id.* at 144–45; *see also id.* at 152 (“The 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.”).

<sup>9</sup> *See id.* at 154 (Ginsburg, J., concurring).

<sup>10</sup> On the one hand, a geographical interpretation could enable copyright owners to exert perpetual control over secondary markets, raising antitrust concerns. *See, e.g., Kirtsaeng*, 133 S. Ct. at 1363, 1371 (finding that the first sale doctrine, read nongeographically, was “consistent with antitrust laws that ordinarily forbid market divisions,” *id.* at 1371). On the other hand, a nongeographical interpretation could prevent copyright owners from engaging in price discrimination and thus hamper the development of foreign markets. *See, e.g., id.* at 1390 n.27 (Ginsburg, J., dissenting) (“[T]he ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them[,] . . . supporting education and economic development in such countries.”).

<sup>11</sup> *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at \*1 (S.D.N.Y. Oct. 19, 2009).

<sup>12</sup> *Id.* at \*2.

ed States, directed his friends and family in Thailand to ship him Wiley foreign edition textbooks manufactured abroad by Wiley Asia.<sup>13</sup> Kirtsaeng then resold the textbooks to U.S. customers on commercial websites such as eBay, reimbursing his friends and family for any expenses they incurred and keeping the profit for himself.<sup>14</sup> On September 8, 2008, Wiley filed suit against Kirtsaeng in the Southern District of New York, asserting claims for copyright infringement stemming from 17 U.S.C. § 602(a) and § 106(3), trademark infringement, and state law unfair competition.<sup>15</sup> Kirtsaeng argued, *inter alia*,<sup>16</sup> that the first sale doctrine provided him with a complete defense because his books were “lawfully made under [the Copyright Act]” and thus acquired legitimately in accordance with § 109(a).<sup>17</sup>

The district court found the first sale defense inapplicable to Kirtsaeng, holding that the works at issue were not manufactured in the United States and thus did not come within the geographical scope of the first sale doctrine.<sup>18</sup> In reaching this conclusion, the court principally relied on dicta from *Quality King*.<sup>19</sup> Instructed not to consider the first sale defense, the jury found Kirtsaeng liable for willful copyright infringement and granted Wiley’s request for statutory damages.<sup>20</sup>

The Second Circuit affirmed. Writing for the majority,<sup>21</sup> Judge Cabranes held that the first sale doctrine did not apply to copies of copyrighted works manufactured abroad.<sup>22</sup> The court relied primarily on statutory structure and *Quality King*’s “instructive *dicta*”<sup>23</sup> to support this interpretation of § 109(a). Although the Second Circuit acknowledged the textually ambiguous nature of § 109(a),<sup>24</sup> it noted that

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<sup>13</sup> *Id.*

<sup>14</sup> Kirtsaeng testified to earning \$900,000 in revenue from these sales. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 215 (2d Cir. 2011).

<sup>15</sup> *Id.* at 213–14; *Wiley*, 2009 WL 3364037, at \*2.

<sup>16</sup> The district court rejected Kirtsaeng’s standing and waiver defenses. *Wiley*, 2009 WL 3364037, at \*10.

<sup>17</sup> *See id.* at \*3 (quoting 17 U.S.C. § 109(a) (2012)).

<sup>18</sup> *See id.* at \*9.

<sup>19</sup> *Id.* at \*5–9; *see also* *Quality King Distribs., Inc., v. L’Anza Research Int’l, Inc.*, 523 U.S. 135, 148 (1998).

<sup>20</sup> *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 215 (2d Cir. 2011). The jury granted Wiley \$600,000 in statutory damages in light of its finding of willful copyright infringement. *Kirtsaeng*, 133 S. Ct. at 1357.

<sup>21</sup> Judge Cabranes was joined by Chief Judge Katzmann.

<sup>22</sup> *Wiley*, 654 F.3d at 224. The Second Circuit also held that (1) the district court’s jury instructions did not rise to the level of plain error, *id.* at 222–23, and (2) the admission of evidence about Kirtsaeng’s gross revenue did not constitute “error or an abuse of discretion,” *id.* at 224; *see also* 223–24.

<sup>23</sup> *Id.* at 218.

<sup>24</sup> *Id.* at 220 (“The relevant text is simply unclear. ‘[L]awfully made under this title’ could plausibly be interpreted to mean [at least three distinct] things . . . .” (first alteration in original) (quoting 17 U.S.C. § 109(a))).

§ 602(a) was “obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work” and that a nongeographical interpretation of § 109(a) would effectively negate this provision.<sup>25</sup>

Judge Murtha dissented, asserting: “[T]he first sale defense should apply to . . . a work that enjoys United States copyright protection wherever manufactured.”<sup>26</sup> Judge Murtha defended his nongeographical interpretation of § 109(a) by pointing to the absence of a reference to place of manufacture in the text of § 109(a), the broad common law policy against restraints on alienation from which the first sale doctrine evolved, and economic policies favoring this interpretation.<sup>27</sup>

The Supreme Court reversed and remanded. Writing for the majority, Justice Breyer<sup>28</sup> held that “the ‘first sale’ doctrine applies to copies of a copyrighted work lawfully made abroad,”<sup>29</sup> thereby resolving a circuit split.<sup>30</sup> The Court reasoned that the language of § 109(a) favored a nongeographical interpretation because “under” could logically mean “in accordance with” and because such an interpretation “provides each word of the [phrase ‘lawfully made under this title’] with a distinct purpose.”<sup>31</sup> The Court further found that both the “historical and contemporary statutory context” showed that Congress intended for the law to apply without geographical restriction.<sup>32</sup> In addition, the Court reasoned that an important canon of construction — a presumption that “Congress intended to retain the substance

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<sup>25</sup> *Id.* at 221.

<sup>26</sup> *Id.* at 225 (Murtha, J., dissenting).

<sup>27</sup> *Id.* at 225–29.

<sup>28</sup> Justice Breyer was joined by Chief Justice Roberts and Justices Thomas, Alito, Sotomayor, and Kagan.

<sup>29</sup> *Kirtsaeng*, 133 S. Ct. at 1355–56.

<sup>30</sup> Compare *Wiley*, 654 F.3d at 221 (holding that the first sale doctrine did not apply to copies manufactured abroad), with *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 986, 990 (9th Cir. 2008) (holding that the first sale doctrine applied to copies manufactured abroad to the extent the copies were first sold in the United States).

<sup>31</sup> *Kirtsaeng*, 133 S. Ct. at 1358. The Court further observed that other sections of the Copyright Act, particularly § 104, supported this nongeographical reading. *Id.* at 1359. By contrast, the Court noted that a geographical interpretation of § 109(a) “bristles with linguistic difficulties.” *Id.* at 1358.

<sup>32</sup> *Id.* at 1360 (reasoning that, in changing the language of § 109(a), Congress did not “implicitly introduce[] a geographical limitation that previously was lacking”); *id.* at 1361–62 (reasoning that other provisions of the current copyright statute supported a nongeographical interpretation). Moreover, the Court noted that application of the geographical interpretation to other provisions of the copyright statute with similar language would produce “surprising consequences,” such as forcing a teacher to obtain authorization from the relevant copyright owner before displaying a film that was lawfully made abroad. *Id.* at 1362.

of the common law” in a statute covering an issue formerly governed by the common law — favored a nongeographical interpretation.<sup>33</sup>

The Court next reasoned that, as a policy matter, a geographical interpretation “would fail to further basic constitutional copyright objectives”<sup>34</sup> of “promot[ing] the Progress of Science and useful Arts,”<sup>35</sup> relying, inter alia, on the testimony of librarians, used-book dealers, retailers, and museum directors. The Court was persuaded that a geographical interpretation would erode valuable secondary markets — for example, the market for used books — as those individuals dealing in such markets would be forced to figure out the manufacturing origin of all their copyrighted works and then, depending on the outcome, find and obtain permission from all the relevant copyright owners.<sup>36</sup> The Court notably dismissed the dissent’s argument that economic price discrimination policy favored a geographical interpretation, asserting: “[W]e can find no basic principle of copyright law that suggests that publishers are especially entitled to [the right to divide foreign and domestic markets].”<sup>37</sup>

Justice Kagan, joined by Justice Alito, concurred. Justice Kagan acknowledged that the Court’s decision “diminish[ed]” the scope of § 602(a),<sup>38</sup> but she emphasized that this outcome should primarily be attributed to the Court’s analysis in *Quality King*, and that if Congress objected to this result, it should adopt the solution the Court rejected in that case.<sup>39</sup>

Justice Ginsburg dissented.<sup>40</sup> She first argued that § 109(a) was “most sensibly read” as referring to the place of a copy’s creation or manufacture<sup>41</sup> given the common meaning of “under,”<sup>42</sup> the presumption against extraterritoriality of U.S. copyright law, and the absurdity of the hypothetical consequences feared by the majority.<sup>43</sup> She further

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<sup>33</sup> *Id.* at 1363 (quoting *Samantar v. Yousuf*, 130 S. Ct. 2278, 2289 n.13 (2010)) (internal quotation marks omitted). The Court discussed the common law vintage of the first sale doctrine, with an emphasis on its rationale of ensuring freedom from restraints on alienation. *Id.*

<sup>34</sup> *Id.* at 1364.

<sup>35</sup> *Id.* (alteration in original) (quoting U.S. CONST. art. 1, § 8, cl. 8).

<sup>36</sup> *Id.* As another example, the Court suggested that a geographical interpretation “would prevent the resale of . . . a car[] without the permission of the holder of each copyright on each piece of copyrighted automobile software.” *Id.* at 1365.

<sup>37</sup> *Id.* at 1370. The majority also dismissed the dissent’s other arguments related to precedent, statutory structure, legislative history, and international exhaustion. *Id.* at 1367–71.

<sup>38</sup> *Id.* at 1372 (Kagan, J., concurring).

<sup>39</sup> *Id.* at 1372–73 (noting that the decision limited § 602(a) “to a fairly esoteric set of applications,” *id.* at 1372).

<sup>40</sup> Justice Ginsburg was joined by Justice Kennedy in full and Justice Scalia in part.

<sup>41</sup> *Kirtsaeng*, 133 S. Ct. at 1376 (Ginsburg, J., dissenting).

<sup>42</sup> *Id.* at 1376–77.

<sup>43</sup> *Id.* at 1377. Justice Ginsburg also argued that the majority’s interpretation called for a counterfactual inquiry into whether a copy’s manufacture would have complied with U.S. copyright had U.S. copyright law been applicable. *Id.*

argued that a nongeographical interpretation would raise serious statutory structure concerns, “reduc[ing] § 602(a)(1) to insignificance”<sup>44</sup> and “overwhelm[ing]” its narrowly delineated exceptions.<sup>45</sup> Like the lower courts, Justice Ginsburg found the dicta in *Quality King* that supported a geographical interpretation to be persuasive.<sup>46</sup> Finally, Justice Ginsburg argued that, as a policy matter, the Court’s decision not only had the negative effect of restricting market segmentation, but also placed the United States “at the vanguard of the movement for ‘international exhaustion’ of copyrights.”<sup>47</sup>

Where there is a particularly high risk and cost of decisional error as in *Kirtsaeng*, the Court may often “do the least harm” by minimizing the practical impact of its decision.<sup>48</sup> In this case, because copyright holders have multiple alternative avenues for circumventing the effects of the first sale doctrine, the Court’s decision will primarily impact the method by which copyright holders engage in price discrimination rather than the overall magnitude of price discrimination. In categorically ruling out the possibility of engaging in price discrimination by means of controlling one-way parallel importation, however, the Court may have unduly incentivized copyright holders to pursue other methods of price discrimination, which may themselves raise a different but related set of problems.

*Kirtsaeng* implicated a host of complex economic, social, and public policy considerations for which the Court lacked sufficient information. Perhaps sensing the particular difficulties posed by this case, both the majority and the dissent predicted a real-world “parade of horrors” should the other side’s view prevail.<sup>49</sup> This polarization is

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<sup>44</sup> *Id.* at 1378.

<sup>45</sup> *Id.* at 1379; *see also id.* at 1378–83 (drawing on the legislative history of § 602(a) for further support).

<sup>46</sup> *Id.* at 1375–76.

<sup>47</sup> *Id.* at 1373. Under a regime of international exhaustion, “the authorized distribution of a particular copy [of a copyrighted work] anywhere in the world exhausts [or nullifies] the copyright owner’s distribution right everywhere with respect to that copy.” *Id.* at 1383–84. For a discussion of the foreign policy concerns underlying international exhaustion, *see id.* at 1383–85 (arguing that international exhaustion “risks undermining the United States’s credibility” because of the U.S. government’s exhortation to its trading partners “to refrain from adopting . . . regimes that could benefit consumers within their borders [at the expense of] intellectual-property producers in the United States,” *id.* at 1385).

<sup>48</sup> For a pragmatic theory of judicial action that takes into account the risk and hazards of decisional error, *see* Cass R. Sunstein, *The Supreme Court, 1995 Term — Foreword: Leaving Things Undecided*, 110 HARV. L. REV. 4, 6–7 (1996) (justifying “decisional minimalism” — the phenomenon of “leaving as much as possible undecided,” *id.* at 6 — as a “democracy-forcing” measure, *id.* at 7).

<sup>49</sup> The majority observed: “[W]e believe that the practical problems . . . are too serious, too extensive, and too likely to come about for us to dismiss them . . .” *Kirtsaeng*, 133 S. Ct. at 1367. The dissent similarly stressed policy considerations by quickly dismissing the majority’s “parade

hardly surprising given that reasonable people differ along each of the decision's multiple dimensions. For instance, some argue that national exhaustion facilitates anticompetitive behavior<sup>50</sup> and *decreases* overall welfare by generally limiting access to copyrighted works,<sup>51</sup> while others argue that national exhaustion incentivizes the creation of new copyrightable works<sup>52</sup> and *increases* overall welfare by enhancing access to copyrighted works in developing countries.<sup>53</sup> Similarly, some argue that national exhaustion furthers U.S. policy goals by promoting a consistent international trade stance<sup>54</sup> while others argue that national exhaustion undermines U.S. policy goals by inducing U.S. companies to move their manufacturing abroad, even when it would be cheapest to manufacture copies of copyrighted works in a single U.S. facility and then ship some of those copies overseas.<sup>55</sup> The particular issue in *Kirtsaeng* thus stands at the center of multiple contentious and empirical debates<sup>56</sup> involving a range of critical issues about which the Court lacked sufficient information.<sup>57</sup>

of horrors" as "imaginary," *id.* at 1373 (Ginsburg, J., dissenting), and placing its own practical concerns front and center, *see id.* at 1385.

<sup>50</sup> *See, e.g.*, Brief for the United States as Amicus Curiae Supporting Respondent at 26, *Kirtsaeng*, 133 S. Ct. 1351 (No. 11-697) ("[T]he application of Section 602(a)(1) to [consumer goods] raises distinct policy concerns that are best addressed under legal theories, such as the [antitrust] doctrine of copyright misuse, that are specifically targeted at that alleged abuse."). *But see* Ryan L. Vinelli, Note, *Bringing Down the Walls: How Technology Is Being Used to Thwart Parallel Importers amid the International Confusion Concerning Exhaustion of Rights*, 17 CARDOZO J. INT'L & COMP. L. 135, 142-43 (noting that, in some instances, price discrimination "increases competition by giving businesses more tools with which to compete," by "facilitat[ing] entry of companies into new and lower-priced markets," *id.* at 142, and by enabling companies "to [recoup] large development costs," *id.* at 143).

<sup>51</sup> *See, e.g.*, *Kirtsaeng*, 133 S. Ct. at 1364-65 (noting that U.S. readers have benefited from used books for ages and that a geographical interpretation would "injure a large portion of the used-book business," *id.* at 1365, not to mention the library business).

<sup>52</sup> *See id.* at 1384 (Ginsburg, J., dissenting).

<sup>53</sup> *See supra* note 10; *cf.* Catalin Cosovanu, *Piracy, Price Discrimination, and Development: The Software Sector in Eastern Europe and Other Emerging Markets*, 31 AIPLA Q.J. 165, 199 (2003) ("[T]he adoption of regional exhaustion in the European Union led to an increase in the price of pharmaceuticals in poorer EU countries, and even made some of these products unavailable").

<sup>54</sup> Brief for United States as Amicus Curiae Supporting Respondent, *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (No. 96-1470), 1997 WL 588864, at \*22 (arguing that the United States has consistently "taken the position in international trade negotiations that domestic copyright owners should . . . have the right to prevent the unauthorized importation of copies of their work sold abroad").

<sup>55</sup> *See* Daniela Alvarado, Note, *Seamaster-ing the First Sale Doctrine: A Tripartite Framework for Navigating the Applicability of Section 109(a) to Gray Market Goods*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 885, 904, 911 (2012).

<sup>56</sup> *See* William W. Fisher III, *When Should We Permit Differential Pricing of Information?*, 55 UCLA L. REV. 1, 37 (2007) (concluding that all the major theories of copyright law "suggest[] that price discrimination is good in some setting[s] and bad in others" given the "myriad variables" involved).

<sup>57</sup> *Cf.* *Gen. Motors Corp. v. Tracy*, 519 U.S. 278, 308 (1997) ("[T]he Court is institutionally unsuited to gather the facts upon which economic predictions can be made, and professionally un-

Although *Kirtsaeng* would not be considered a minimalist decision in the classical sense,<sup>58</sup> it has significant minimalist and nonminimalist implications, which are important in light of the uniquely complex nature of the issues in *Kirtsaeng*. As Professor Cass Sunstein observed, the Court should be most conscious of the practical implications of its decisions when dealing with problems of high complexity and changing technology because it “may [either] be ineffective or create serious problems even if [its] answers are right.”<sup>59</sup> Put differently, the extent to which the Court should defer to Congress — or seek to create the right conditions for congressional intervention by effectively remaining silent — is directly related to the risk and costs of decisional error.

*Kirtsaeng* will likely have the unintended minimalist effect of producing the least disruption to the status quo as measured by the overall level of price discrimination. To preserve companies’ ability to engage in price discrimination, lawyers have already begun to advise them to shift from a “sale model” to a “licensing model” in the wake of *Kirtsaeng*,<sup>60</sup> and Wiley itself has since made significant strides in that direction.<sup>61</sup> Copyright holders will likely now pursue several alternative means of controlling distribution, such as (1) seeking greater refuge in contract law by placing limits on foreign distributors and end users;<sup>62</sup> (2) developing technological protection measures that make ar-

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trained to make them.”); *id.* at 315 (Stevens, J., dissenting) (observing that “speculation about the ‘real-world economic effects’ . . . is beyond our institutional competence” (quoting *id.* at 309 (majority opinion))).

<sup>58</sup> According to Professor Sunstein, minimalist decisions have the following hallmarks: narrowness in the sense of applying to a limited number of cases and shallowness in the sense of lacking clear and profound theoretical justification. See Sunstein, *supra* note 48, at 15–21. Against these metrics, *Kirtsaeng* is not a particularly minimalist opinion, as the holding applies widely to copyright holders — both foreign and domestic — and was bolstered by many clear and profound justifications, albeit of a policy nature.

<sup>59</sup> *Id.* at 8. Justice Kagan appears to have been the most cognizant of the high risk and costs of error in *Kirtsaeng*, as she openly invited Congress to revisit the Court’s jurisprudence in this area. See *Kirtsaeng*, 133 S. Ct. at 1373 (Kagan, J., concurring).

<sup>60</sup> See, e.g., Maslon Edelman Borman & Brand, LLP, *Legal Alert: Supreme Court Ruling Profoundly Impacts U.S. Copyright Owners*, MASLON (April 2, 2013), [http://graphics.maslon.com/email/2013\\_LegalAlerts/2013\\_IP\\_Changes\\_US\\_Copyright\\_Policy/LA\\_USCopyrightChanges\\_web.html](http://graphics.maslon.com/email/2013_LegalAlerts/2013_IP_Changes_US_Copyright_Policy/LA_USCopyrightChanges_web.html); see also Clark D. Asay, *Kirtsaeng and the First-Sale Doctrine’s Digital Problem*, 66 STAN. L. REV. ONLINE 17, 18 (2013) (questioning the significance of *Kirtsaeng* given the “pace of digitization”).

<sup>61</sup> The CEO of Wiley asserted that its recent acquisition of Deltak, a digital program provider, would “provide[] Wiley with a new institutional sales channel” and “move[] [Wiley] well along the path towards digital content and services.” See Business Wire via The Motley Fool, *John Wiley & Sons, Inc. Reports Fourth Quarter and Fiscal Year 2013 Results*, DAILY FIN. (June 18, 2013, 8:36 AM), <http://www.dailyfinance.com/2013/06/18/john-wiley-sons-inc-reports-fourth-quarter-and-fis>.

<sup>62</sup> See Michael Stockalper, Comment, *Is There a Foreign “Right” of Price Discrimination Under United States Copyright Law? An Examination of the First-Sale Doctrine as Applied to Gray-Market Goods*, 20 DEPAUL J. ART, TECH. & INTELL. PROP. L. 513, 543 (2010) (noting that a producer can establish terms with foreign distributors preventing them from selling to U.S. retail-



bitrage more difficult, which may be legally reinforced through the Digital Millennium Copyright Act;<sup>63</sup> (3) seeking greater refuge in trademark and tariff laws, which prohibit some types of parallel importation;<sup>64</sup> and (4) shifting wholesale from selling goods in a physical marketplace to selling them in a digital marketplace, where some courts have interpreted the first sale doctrine in a manner adverse to the development of digital secondary markets.<sup>65</sup> Thus, from an economic standpoint, companies may simply alter their business strategies in order to safeguard their ability to engage in price discrimination.

By contrast, the impact of the dissent's interpretation would likely have been farther reaching: more copyright holders would have relied on copyright law to control the distribution of their products, and secondary markets would likely have shrunk to the extent those markets relied on copyrighted goods manufactured abroad. Unlike copyright holders under the majority scenario, secondary market dealers under this scenario would *not* have had reliable alternative means of circumventing the effects of an adverse ruling.<sup>66</sup> The impact of the dissent's interpretation in terms of affecting the overall level and efficacy of price discrimination would thus have been more pronounced than the impact of the majority's interpretation.

Although *Kirtsaeng* may not have made price discrimination more likely in general, it did change the means by which copyright holders engage in price discrimination by completely foreclosing one possible avenue, a nonminimal move that may have significant unintended implications. For instance, the effect of licensing models — that is, “con-

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ers); see also Asay, *supra* note 60, at 18–20 (describing producers' impetus to designate end users “licensees” as opposed to “owners,” *id.* at 19, thereby foreclosing the first sale defense, which does not apply to licensees).

<sup>63</sup> Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.). See generally Peter K. Yu, *Region Codes and the Territorial Mess*, 30 CARDOZO ARTS & ENT. L.J. 187 (2012) (discussing the deployment of regional technology-based restrictions like DVD coding and the role of the Digital Millennium Copyright Act in preventing individuals and companies from circumventing this technology).

<sup>64</sup> See Stockalper, *supra* note 62, at 539–42 (noting that under trademark law if a company sufficiently differentiates its U.S. and foreign products it may be able to prevent parallel importation under a consumer confusion theory).

<sup>65</sup> See, e.g., *Capitol Records, LLC v. ReDigi Inc.*, No. 12 Civ. 95, 2013 WL 1286134, at \*5 (S.D.N.Y. Mar. 30, 2013) (holding that the first sale doctrine does not apply to transfers of digital works when the transferred file is a copy of the original, which is usually the case in a digital context).

<sup>66</sup> The dissent principally argued that secondary market dealers could find alternative protection in the doctrines of implied license and fair use. See *Kirtsaeng*, 133 S. Ct. at 1389 (Ginsburg, J., dissenting). However, the dissent — perhaps recognizing the limited nature of these alternative remedies — tellingly emphasized the *prior* “absence of such lawsuits,” *id.* at 1390, against secondary market dealers as evidence that these dealers need not worry about the impact of a geographical ruling, see *id.* at 1389–90. But see *id.* at 1366 (majority opinion) (“[T]he fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor.”).

ditional sales” models — on total welfare is often unclear.<sup>67</sup> As in the case of *Kirtsaeng*, the answer most likely varies: in some circumstances price discrimination by means of licensing may constitute a net positive while in others it may not.<sup>68</sup> From a practical perspective, then, Justice Kagan may have proposed the most minimalist course of action in her concurrence. Justice Kagan invited the Court to overrule *Quality King*, a move that would have protected the ability of copyright holders to engage in market segmentation while ensuring that the Copyright Act target only *unauthorized* importers, which, in turn, would have protected valuable secondary markets.<sup>69</sup> In other words, *Kirtsaeng* would be liable for his actions under copyright law, but not the downstream libraries and used-book stores that happen to recirculate *Kirtsaeng*’s foreign editions. While overruling precedent is generally inconsistent with judicial minimalism,<sup>70</sup> in this case such a compromise may have been the most neutral in terms of its impact on the means by which copyright holders engage in, as well as the overall level of, price discrimination.

Ideally, given the complexities involved in *Kirtsaeng*, Congress would make context-specific determinations about the appropriateness of the first sale doctrine as opposed to articulating a categorical rule of international exhaustion or national exhaustion. Seeing as it is ill equipped to weigh the competing considerations that animate *Kirtsaeng* and calibrate the means available within the broader economic domain of first sale to achieve statutory and constitutional goals, the Court may seek to do the least harm by minimizing rather than amplifying the effects of its decision in the absence of such congressional determination. In this respect, the Court only partially succeeded, as it likely minimized the effects of its decision on price discrimination overall while amplifying the effects of its decision on the means by which companies engage in price discrimination.

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<sup>67</sup> Compare, e.g., Robert W. Gomulkiewicz, *Enforcement of Open Source Software Licenses: The MDY Trio’s Inconvenient Complications*, 14 YALE J.L. & TECH. 106, 110 (2011) (“[O]pen source licensing is one of the most valuable software licensing practices that benefits from a policy that upholds licensing as a transaction model. . . . [It] has become a widely used method of creative collaboration that serves to advance the arts and sciences . . . .” (quoting *Jacobsen v. Katzer*, 535 F.3d 1373, 1378 (Fed. Cir. 2008))), with Brian W. Carver, *Why License Agreements Do Not Control Copy Ownership: First Sales and Essential Copies*, 25 BERKELEY TECH. L.J. 1887, 1890 (2010) (arguing that Congress did not intend to “have . . . as part of its larger effort to craft a balanced” copyright law “boilerplate [end-user license agreements] that purport to restrict statutory rights [that users of copyrighted works] have grown accustomed to”).

<sup>68</sup> See Fisher, *supra* note 56, at 37.

<sup>69</sup> See *Kirtsaeng*, 133 S. Ct. at 1372–73 (Kagan, J., concurring).

<sup>70</sup> See Sunstein, *supra* note 48, at 7.