

Legal Update from Brian Flagler

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After Costco v. Omega, can publishers ban foreign editions of their books from being imported into the US?

The *distribution right* is one of the exclusive rights of copyright held by the publisher of a book. However, the publisher's exclusive right to distribute copies of the book is limited by the first sale doctrine, which provides that once the publisher authorizes the sale of particular copies of the book, the publisher can no longer restrict the resale of those copies. Recent decisions have brought some clarity regarding the degree to which a copyright holder may restrict the importation of foreign editions of their works into the US.

Earlier this month, the Supreme Court issued a split 4-4 decision in *Costco Wholesale Corp. v. Omega, S.A.*, which served to affirm the decision of the Ninth Circuit Court of Appeals in the case. Split decisions have no precedential authority, but the case does suggest how the Supreme Court would rule in a future case. The Ninth Circuit had ruled for Omega, allowing Omega to ban importation of the copyrighted watches which it manufactured overseas and did not sell in the US.

In light of the Supreme Court's split decision, at least in the Ninth Circuit, a publisher which manufactures a book outside the US and does not sell that edition of the book in the US may utilize its exclusive distribution right to ban importation of copies of the book into the US. This situation varies from a previous Supreme Court decision in *Quality King Distributors v. L'anza Research Int'l* in which the court held that where a copyright holder manufactures copies of a copyrighted work in the US and exports them for sale outside the US, the copyright holder has made a "first sale" of the copies and may not thereafter ban their reimportation into the US.

In addition to not providing the clarity of precedential authority, the Costco decision left another question open. The Ninth Circuit specifically declined to decide whether a copyright holder may manufacture copies overseas, import them into the US for warehousing, export them in a sale to a foreign market, and then ban the reimportation of the copies into the US. In my view, prior Ninth

Circuit precedent indicates that publishers and other copyright holders are not likely to successfully ban such reimportation.

How does this case affect a publisher's strategy to manage the distribution of editions of their works intended for sale only outside the US? If the publisher desires to retain the right to ban importation of an edition into the US, the publisher would be wise to solely manufacture the edition overseas and to "drop ship" that edition directly to overseas accounts without importation into or warehousing in the US.



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