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Brian Flagler founded Flagler Law Group in the spring of 2006 to serve the legal needs of publishers, designers, producers, and distributors of Christian media. With a combined 20+ years in the industry, we know Christian publishing. We believe that our experience handling matters for a diverse variety of Christian publishers, ministries, and other organizations **from the publishing perspective** significantly contributes to the value that we offer our clients.

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Supreme Court Rules Against Publishers On First Sale Issue

By Brian Flagler and Craig Gipson

Price differences between a book's foreign editions and its U.S. counterparts may soon be a thing of the past. A case decided by the Supreme Court on March 19 allows anyone who purchases books abroad to import and sell those books in the United States, even if such books were only manufactured and intended for foreign sale.[1]

What was the case about?

The Copyright Act grants copyright owners authority over the distribution and importation of their work. The first sale doctrine contained in the Copyright Act limits that right of distribution to only the first time a copy of the work is sold; after the first sale, the copyright owner's distribution right is "exhausted" and that copy may be resold without the copyright owner's permission. The issue at stake in this case is whether the first sale doctrine also applies to copies of a work manufactured overseas.

Supap Kirtsaeng was a Thai student who attended college and graduate school in the United States. To help subsidize his education, family and friends purchased textbooks in Thailand at cheaper international prices and shipped them to Kirtsaeng. Utilizing eBay and similar websites, Kirtsaeng sold the textbooks, reimbursed his friends and family, and according to court records, reaped a net profit of close to \$100,000. Textbook publisher John Wiley & Sons, Inc. sued Kirtsaeng, asserting a copyright infringement claim for violating the publisher's importation right. Kirtsaeng argued that John Wiley & Sons' right of distribution and right to control importation was exhausted after sale of the textbooks in Thailand – the first sale doctrine permitted him to resell the book anywhere in the world without permission from the copyright owner.

What did the court decide?

The Court essentially agreed with Kirtsaeng, finding that the purchase of the textbooks in Thailand allowed for their resale in the U.S. without the copyright owner's consent. If a book is made legally (the decision does not protect pirated copies), the first sale doctrine applies regardless of where the book was manufactured.[2] The decision also renders John Wiley & Sons' copyright language meaningless:

Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights...

Kirtsaeng is the latest step in an ongoing debate over “gray-market” products being imported into the U.S. In 2011, a divided Court split on the issue and left copyright owners without an answer [see [Costco v. Omega Legal Update](#)]. In an earlier Supreme Court decision [3], the Court ruled that the copyright owner’s right of importation is subject to the first sale doctrine. The Court applied that reasoning to *Kirtsaeng*, deciding that the first sale doctrine then applies to copies manufactured overseas.

What are the implications of the decision?

The overarching theme of the case is that geography no longer matters for purposes of the first sale doctrine. Territorial division of rights between foreign and domestic markets for the same edition of a book may become difficult if not impossible. In effect, every English edition of a work will compete against all other English editions: publishers may become wary of pricing an English edition in India differently than the U.S. when an enterprising company or individual can buy those Indian copies and sell them domestically at a profit.

There is still some good news for publishers in the digital space, however: the Court’s opinion does not reach digital products such as ebooks – at least not yet. In 2012, the European Union recognized the right of digital download owners to resell their digital products, even if those products were purchased under a license that forbid resale [see [Consumers in Europe Gain Right to Resell Digital Downloads Legal Update](#)]. The U.S. has not followed suit in recognizing a “digital first sale doctrine,” preserving copyright owners’ control over the distribution of digital products.

Could the decision be overturned?

In part of the decision, the Court hinted that Congress should act to amend the Copyright Act. As one of the Justices recognized, the issue of concern to copyright owners is the right to control importation, not domestic resale. An amended Copyright Act could quell fears of cheap foreign editions flooding the market if domestic distributors, libraries, and used bookstores were protected by the first sale doctrine but international importers were not. However, Congress may face pressure from both sides of the issue as consumer groups seek to maintain the new status quo and what they hope will be lower prices and copyright owners seek to regain control over importation. Register of Copyright Maria Pallante is already proposing that Congress enact certain reforms. As law professor James Grimmelmann noted in *Publishers Weekly*, “[l]adies and gentlemen, start your lobbyists.”[4]

[1] *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697 (March 19, 2013)

[2] Ronald Mann, *Opinion analysis: Justices reject publisher’s claims in gray-market copyright case*, SCOTUSBLOG (March 19, 2013), <http://www.scotusblog.com/2013/03/opinion-analysis-justices-reject-publishers-claims-in-gray-market-copyright-case/>

[3] *Quality King v. L’Anza Research International*, 523 U.S. 135 (1998)

[4] James Grimmelmann, *Issues in Kirtsaeng ‘Significant’*, PUBLISHERS WEEKLY (March 20, 2013)



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