

No. 11-697

IN THE
Supreme Court of the United States

SUPAP KIRTSANG d/b/a Bluechristine99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONER

Sam P. Israel
SAM P. ISRAEL, P.C.
One Liberty Plaza
23rd Floor
New York, NY 10006
(212) 201-5345

E. Joshua Rosenkranz
Counsel of Record
Annette L. Hurst
Lisa T. Simpson
ORRICK, HERRINGTON &
SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019
(212) 506-5000
jrosenkranz@orrick.com

Counsel for Petitioner

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	iii
INTRODUCTION	1
ARGUMENT	3
I. THE PHRASE “LAWFULLY MADE UNDER THIS TITLE” IS BEST READ TO SUPPORT A NONDISCRIMINATORY APPLICATION OF THE FIRST-SALE DEFENSE.....	3
A. The Nondiscriminatory Definition Is the Best Reading of § 109’s Text.	4
B. The Nondiscriminatory Definition Best Accommodates Identical Language Elsewhere in the Copyright Act.	7
II. WILEY’S ARGUMENTS AGAINST THE NONDISCRIMINATORY DEFINITION ARE UNPERSUASIVE.	9
A. Wiley Attributes to Congress a Purpose the Drafters Did Not Have.....	9
B. <i>Quality King</i> Supports the Nondiscriminatory Definition.....	14
C. The Nondiscriminatory Definition Accords § 602 Ample Meaning.	16

	Page
III. SEVERAL PRESUMPTIONS AND OTHER DEVICES OF STATUTORY CONSTRUCTION SUPPORT THE NON-DISCRIMINATORY DEFINITION.	20
A. Wiley Improperly Rejects Controlling Legislative Presumptions in Favor of a False Portrayal of International Norms and Congressional Acquiescence.	20
B. Other Constructions Run Afoul of the Presumption That Congress Does Not Intend to Produce Absurd Results.	24
CONCLUSION	26

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>BMG Music v. Perez</i> , 952 F.2d 318 (9th Cir. 1991).....	23
<i>Krause v. Titleserv, Inc.</i> , 402 F.3d 119 (2d Cir. 2005)	17
<i>Makarova v. United States</i> , 201 F.3d 110 (2d Cir. 2000)	5
<i>Omega S.A. v. Costco Wholesale Corp.</i> , 541 F.3d 982 (9th Cir. 2008).....	24
<i>Quality King Distribs., Inc. v. L’Anza Research Int’l, Inc.</i> , 523 U.S. 135 (1998).....	<i>passim</i>
<i>Red Baron-Franklin Park, Inc. v. Taito Corp.</i> , 1989 Copyright L. Dec. (CCH) ¶ 26,352 (E.D. Va. 1988).....	23
<i>Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.</i> , 847 F.2d 1093 (3d Cir. 1988).....	23
<i>United States v. Mendoza-Lopez</i> , 481 U.S. 828 (1987).....	23
<i>Wall v. CSX Transp., Inc.</i> , 471 F.3d 410 (2d Cir. 2006)	5
STATUTES	
16 U.S.C. § 3372	5
19 U.S.C. § 1307	5
Copyright Act of 1909, Pub. L. No. 60-349, 35 Stat. 1075	10

OTHER AUTHORITIES

- Agreement on Trade-Related Aspects of
Intellectual Property Rights, April 15,
1994, *Marrakesh Agreement Establishing
the World Trade Organization*, Annex 1C,
1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994)22
- Bryan Garner, *A Dictionary of Modern Legal
Usage* (2d ed. 2001).....4
- Burton Ong, *The Interface Between
Intellectual Property Law and Competition
Law in Singapore*, in *The Interface
Between Intellectual Property Rights and
Competition Policy* (Steven Anderman ed.,
2007).....21
- Herman Jehoram, *Prohibition of Parallel
Imports Through Intellectual Property
Rights*, 30 Int'l Rev. Intell. Prop. &
Competition L. 495 (1999)23
- Mattias Ganslandt & Keith Maskus,
*Intellectual Property Rights, Parallel
Imports and Strategic Behavior*, in
Intellectual Property, Growth and Trade
(Keith Maskus ed., 2008).....22
- Miranda Forsyth & Wariwick Rothnie,
*Parallel Imports in The Interface Between
Intellectual Property Rights and
Competition Policy* (Steven Anderman ed.,
2007).....21

	Page(s)
Theo Papadopoulos, <i>The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products</i> , 2 Ent. L. 40 (2003).....	22
WIPO, Committee on Development and Intellectual Property, <i>Interface Between Exhaustion of Intellectual Property Rights and Competition Law</i> , CDIP/4/4 Rev./Study/INF/2 (June 1, 2011).....	21

INTRODUCTION¹

This case is all about the definition of “lawfully made under this title.” Wiley rejects Petitioner’s nondiscriminatory reading—“made in accordance with this title”—a definition that dictionaries have embraced and that the Government advanced when this provision was previously before this Court. But what definition does Wiley endorse? Is it the Second Circuit’s pro-foreign manufacture definition (“lawfully made in the United States”) or the Ninth Circuit’s compromise definition (“manufactured on U.S. soil or manufactured abroad and then sold with the copyright owner’s approval at least once after arriving on U.S. soil”)? Discerning the answer is like figuring out whodunit in an Agatha Christie novel. Wiley’s brief leaves the reader in the dark until the very last sentence, which offers the big reveal: Wiley “believes that the better interpretation of the statutory language is” the Second Circuit’s, Resp. 56, which means that a copy made abroad is *never* subject to the first-sale defense—at any point in the stream of commerce.

Wiley hides the reveal because the choice puts it on the horns of a dilemma. On the one hand, the definition Wiley considers “better” is inconceivable as a matter of practical reality. The drafters debat-

¹ This brief will use the same abbreviations as the opening brief, see OB 3 n.2, as well as: *Copyright Law Revision Pt. 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments* (Comm. Print 1964) (“CLR-3”), and *Copyright Law Revision Pt. 5: 1964 Revision Bill with Discussions and Comments* (Comm. Print 1965) (“CLR-5”).

ing § 602(a)(1)'s importation ban never considered it; indeed, no one ever proposed it. The consequences are so far-reaching and so inconsistent with prevailing law that Congress never would have adopted it—certainly not through the roundabout maneuver of interlineating the words “under this title” into a *different* provision. On the other hand, the definition Wiley considers worse—the compromise definition—is so atextual that Wiley refuses to defend it expressly. But the analysis is so tortured that it would make a Sophist blush. So Wiley straddles the two, trying to extract the benefit of each without suffering the fatal consequences of either. After advancing the pro-foreign definition as a textual matter, Wiley spends the rest of its brief pressing arguments that could only support the compromise definition.

These arguments are unpersuasive. Wiley insists, for example, that the drafters added § 602(a)(1) to override the first-sale defense. But other than noting that this is what *some* copyright owners wanted, Wiley fails to unearth a shred of evidence in the voluminous record to support the conclusion that that is what the drafters actually did.

Wiley rejects this Court's rule that Congress does not abandon hundreds of years of common law or alter long-standing statutory rights without being clear. The rule is “nonsense” here, Wiley exclaims (at 46), because “most” nations embrace the exhaustion policy Wiley proposes. Even assuming the current policies of other countries are relevant to the construction of a U.S. statute passed 40 years ago, there is no international consensus on exhaustion.

Nearly 125 countries, unable to reach agreement, *formally declared* that they could not agree.

Finally, Wiley does not dispute the myriad bizarre consequences of its position as applied to other factual circumstances—from used bookstores to electronics and used cars to online markets. Wiley dismisses these consequences, asserting that they have not materialized over the past 30 years. But the law has been uncertain throughout: This Court has intervened twice, and until *this very case*, no court adopted the definition Wiley considers “better.” The moment that definition becomes the law of the land, however, the consequences are inevitable.

ARGUMENT

I. THE PHRASE “LAWFULLY MADE UNDER THIS TITLE” IS BEST READ TO SUPPORT A NONDISCRIMINATORY APPLICATION OF THE FIRST-SALE DEFENSE.

Wiley begins with a major concession: It agrees that § 109(a)’s first-sale defense trumps § 602(a)(1)’s importation ban. Wiley even acknowledges that this “was, indeed, the holding of this Court in *Quality King Distributors, Inc. v. L’Anza Research International, Inc.*,” namely “that the ‘literal text’ of Section 602(a)(1) is ‘simply inapplicable’ where the first-sale doctrine applies.” Resp. 14 (quoting *Quality King*, 523 U.S. 135, 145 (1998)). Yet Wiley refuses to acknowledge the consequences: Whenever the first-sale defense and the importation provision clash, the first-sale defense wins. Wiley, however, favors the

subordinate provision by seeking its *most expansive* possible reading.

Even without the thumb on the scale afforded by the first-sale doctrine's structural primacy, Petitioner's nondiscriminatory reading is superior to Wiley's reading and best accords with language elsewhere in the Copyright Act.

A. The Nondiscriminatory Definition Is the Best Reading of § 109's Text.

Petitioner's nondiscriminatory reading.

Wiley asserts that there is “no textual support” for Petitioner's nondiscriminatory reading (“made ‘in accordance with’ this title”). Resp. 11 (emphasis omitted). Experts on the English language disagree. They often define “under” to mean “in accordance with.” *E.g.*, Webster's Third New International Dictionary 2487 (2002); Bryan Garner, *A Dictionary of Modern Legal Usage* 517 (2d ed. 2001). For its part, the Government “advocated essentially that reading” in *Quality King*. U.S. Br. 13.

Wiley protests that Petitioner “never explains how [conduct] could ‘accor[d]’ with an inapplicable statute.” Resp. 12. In ordinary English, we routinely make statements such as, “the United States acts in accordance with the Convention on the Rights of the Child.” The locution is natural, even though the convention is “inapplicable” because the United States never ratified it.

So, too, here. It makes perfect sense to speak about whether a product was made in accordance

with U.S. legal standards, even if the country of origin has *different* legal standards. Our laws routinely assess manufacturing that occurred abroad against our legal standards. For example, we embargo products made abroad in violation of U.S. norms against forced child labor, 19 U.S.C. § 1307, and products made from endangered species, 16 U.S.C. § 3372. In each circumstance, it is natural to say, “This product was not made in accordance with U.S. law,” even though U.S. law did not apply.

Wiley correctly observes that Petitioner’s “approach would lead to the ... result that a foreign-made copy could be unlawful under the applicable foreign law, yet still ‘lawfully made under’ inapplicable U.S. law.” Resp. 20. But there is nothing “bizarre” about this. *Id.* Nor is there anything strange about “argu[ing] that the textbooks at issue here were simultaneously ‘lawfully made under’ *both* the Copyright Act and foreign law.” Resp. 18. Courts routinely apply two bodies of law and find activities legal under one, both, or neither. *See, e.g., Wall v. CSX Transp., Inc.*, 471 F.3d 410, 414-15 (2d Cir. 2006) (“We now ... hold that plaintiff’s claim is viable under both New York and Pennsylvania law ...”); *Makarova v. United States*, 201 F.3d 110, 114 (2d Cir. 2000) (“[Plaintiff] was an ‘employee’ under the law of both New York and the District of Columbia.”).

Any dissonance Wiley perceives—and, indeed, its entire argument about extraterritoriality, Resp. 16-17—actually arises from its own misuse (at 12, 15) of the words “applicable” and “inapplicable.” To shut down a Chinese book factory for printing books in

violation of U.S. law would violate the presumption against extraterritoriality. U.S. law would be “inapplicable” because the conduct giving rise to the hypothetical action (printing the books) occurred abroad. Only foreign law is “applicable.”

But that is not what § 109(a) does, under Petitioner’s reading. The first-sale defense never applies to the *making* of the copies, but only to the *distribution* of those copies. Section 109(a) does not purport to govern wholly foreign distribution. It simply uses U.S. law to evaluate the copies’ *manufacture* in order to decide whether those copies can be sold, distributed, or disposed *within the United States*. U.S. law is “applicable” to that predicate question because § 109(a)’s reference to whether the making was “lawful[] ... under this title” makes it applicable. See AIPLA Br. 16-18 (Wiley’s amicus rejects Wiley’s extraterritoriality argument).

Wiley argues that if that is what Congress had intended, it would have said that the first-sale defense applies where the copy was “lawfully made under this title *had this title been applicable*.” Resp. 21. That “counterfactual inquiry” would accomplish only half the job. A counterfactual definition of the first-sale defense (“*had this title been applicable*”) would indicate that the first-sale defense is not available to U.S.-made copies (where the Act in fact *is* applicable). Thus, Wiley makes no headway by pointing out that the statute does adopt the “counterfactual inquiry” elsewhere. Resp. 21 (discussing § 602(b)).

Wiley’s reading. Wiley asserts that “‘lawfully made under this title’ is most naturally understood as referring only to copies made in conformance with the Copyright Act *where the Copyright Act is applicable.*” Resp. 15. That is not how native speakers typically speak or write English. Bruce Springsteen sang “Born in the U.S.A.,” not “Born under the U.S. Constitution,” or “Born where the U.S. Constitution is applicable.” In any event, Wiley never explains why Congress did not simply say, “made in conformance with the Copyright Act and *in the United States*” or, more simply, “lawfully made in the United States,” which, Wiley admits, is “the *consequence* of Wiley’s interpretation.” Resp. 17.

Perhaps the biggest problem with Wiley’s reading is that it grants copyright owners an unprecedented power to control downstream sales—a power that (as we demonstrate below) copyright owners never sought and the drafters and Congress never discussed. *See infra* at 9-13. Ever so gingerly, Wiley offers (but does not embrace) *someone else’s* argument for the compromise definition. Resp. 55-56 (citing Am. Library Ass’n Br. 36). But that argument, as the Second Circuit observed, “finds no support in the statutory text.” P.A. 41a.

B. The Nondiscriminatory Definition Best Accommodates Identical Language Elsewhere in the Copyright Act.

Wiley does not dispute that the six appearances of “lawfully made under this title” and the 91 appearances of the shorter phrase “under this title” all make perfect sense under Petitioner’s definition. *See*

OB 32-37. In contrast, these references make no sense under Wiley's definition. *Id.* Wiley rummages frantically through each provision in search of *some* basis on which to justify its reading. But its efforts fail.

As to § 109(c), for example, Wiley does not contest that its interpretation would mean that the owner of a café could buy two identical photos of Niagara Falls from the same store, but could display one and not the other on his café walls, depending on where it was printed. OB 34. "That is true as far as it goes," Wiley concedes. Resp. 29. But that is pretty much as far as Wiley goes. Wiley does not explain why the result is sensible.

Wiley pursues the same tack with § 110. Wiley does not explain why Congress would have thought it sensible to allow a teacher to play for her class a record of the New York Philharmonic if the record was pressed in the United States, but not if the same record on the same retail rack was pressed in Asia. *See* OB 34-35. The best it can muster is the demurrer that this is "not an 'absurd' outcome." Resp. 32 (citation omitted).

While Congress might not have imagined some of the other absurd applications, *see* Resp. 53-55, it certainly could have imagined these.

II. WILEY'S ARGUMENTS AGAINST THE NONDISCRIMINATORY DEFINITION ARE UNPERSUASIVE.

At this point, Wiley's brief takes an abrupt turn. Having urged the pro-foreign definition as a matter of statutory text, the brief essentially abandons that "better" reading and defends the compromise position. This defense fails.

A. Wiley Attributes to Congress a Purpose the Drafters Did Not Have.

The dominant theme in Wiley's brief is that "the purpose of" Congress's "change[s] in law [in 1976] was to permit copyright owners to segment international markets for their works" by "prevent[ing] foreign copies from being imported and competing with domestic ones." Resp. 11. At every turn, Wiley insists with increasing certitude that that was "a central policy judgment made by Congress in 1976." Resp. 43; *see* Resp. 6, 9, 10, 13, 30, 42, 46. But there is no evidence that either Congress or the drafters embraced that goal.

Legislative history of § 602(a)(1). Wiley cannot identify a single statement by a member of Congress or snippet from a committee report to show that the importation prohibition was designed to grant copyright owners the power to prevent anyone who legally purchases a product abroad from importing it into the country. Wiley cites only the compilation of testimony and discussion among a panel of copyright experts whom the Librarian of Congress enlisted to reexamine the copyright laws in the dec-

ade before the bill was first introduced. And Wiley does not even suggest that any panelist, industry representative, or government official so much as mused about the possibility that a copyright owner would have the eternal downstream control that Wiley's "better interpretation" grants. Rather, Wiley grasps for the compromise position. But even that Wiley achieves only by selectively cobbling together exchanges between *industry witnesses*, panelists, and Copyright Office lawyers. A faithful review of the panel discussions reveals that the drafters *rejected* Wiley's approach. Costco Br. 17-24.

There is no doubt that copyright owners wanted to amend the importation provision, which at the time prohibited only importation of "piratical copies of any work copyrighted in the United States." Copyright Act of 1909, Pub. L. No. 60-349, § 30, 35 Stat. 1075, 1082. But copyright owners had clashing views of international distribution problems and solutions. *See* Costco Br. 18-19 (discussing some of the other concerns). Some railed about works "publi[shed] in a country where there is no copyright protection of any sort." CLR-2 at 213 (statement of Mr. Diamond). Such copies were not necessarily piratical, because they were perfectly legal where made, but they cut deeply into copyright owners' profits. For example, the panelists discussed a notorious circumstance when Russia's Ministry of Culture authorized reproduction of the works of Sir Arthur Conan Doyle in blatant violation of U.S. copyright norms. *See* CLR-2 at 190 (statement of Mr. Dubin). The movie industry in particular decried the problem of "legitimate" works that enter the market as rentals, but "[t]hey're stolen" and then improperly

imported, *id.* (statement of Mr. Sargoy). Wiley ignores these varied concerns, pretending that the drive to change the importation rules revolved only around one concern voiced by a couple of publishers—a concern about the situation where a publisher who tried to divide markets finds that goods sold abroad find their way into U.S. markets. Resp. 40.

Eventually, in 1964, the Copyright Office proposed adding a new importation provision—similar to § 602(a)(1), but very different in one crucial respect discussed below. *See* CLR-3 at 32; *infra* at 13 (redline comparison). This provision addressed several of the supplicants’ pressing concerns, including the lawless state and stolen movies. *See* Costco Br. 20. But the Copyright Office never came close to saying that this provision was directed at helping publishers enforce divided markets—much less that it negated the first-sale defense.

In fact, in the entire compilation of the panel’s deliberations and subsequent legislative history, there is exactly one conversation about the interplay between the importation provision (as then written) and the first-sale doctrine—and it was inconclusive at best. The conversation happened in 1964 (12 years before the Act passed). An industry supplicant (Irving Karp, representing the Authors League of America) and the Copyright Office’s General Counsel (Abraham Goldman) were discussing the relationship between the newly proposed importation provision and the first-sale defense:

Karp. If a German jobber lawfully buys copies from a German publisher, *are we not*

running into the problem of restricting his transfer of his lawfully obtained copies?

Goldman. I would suppose that the whole answer depends on whether the distribution that would take place in the United States would itself constitute an infringement of copyright. *When you apply this rule about the effect of the first sale of a copy exhausting the right to control the further distribution of that copy, your question would be whether this represents a sale of the copy that does exhaust the right.*

Karp. You are right, Abe.

Goldman. *This could vary from one situation to another, I guess.* I should guess, for example, that if a book publisher transports copies to a wholesaler, this is not yet the kind of transaction that exhausts the right to control disposition.

CLR-4 at 210-11 (emphasis added).

Mr. Goldman captured the bottom line, when he confessed he “was not sure this ha[d] been thought through.” CLR-4 at 206. Ultimately, Mr. Goldman tabled the discussion, observing that “[t]here are too many issues as to what rights are involved and too many controversies as to whether this is or is not in violation.” CLR-4 at 212. The Librarian of Congress then “suggest[ed] that pretty obviously further study is needed, and that we let this go over and see if we

can come up with an acceptable solution.” CLR-4 at 215.

That “further study” yielded a critical change. One reason for the confusion among the panelists was that the draft provision did not specify whether the first-sale defense or the importation provision had primacy. But the next draft of the importation prohibition solved the confusion by giving primacy to the first-sale defense. The change was accomplished by inserting the reference to § 106. *See* Costco Br. 22-23 (explaining the significance of the change). The following redline shows the change:

Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the ~~exclusive right to distribute copies or records~~ **copyright** under this title, constitute an infringement of ~~copyright~~ **the exclusive right to distribute copies or phonorecords under section [106], actionable under section [501]**.

Comparing CLR-5 at 25 *with* CLR-3 at 32. This was an elegant solution. It preserved the concessions in the draft that were already granted to copyright owners, but rejected their pleas for more in a way that was subtle enough to avoid reopening the entire discussion.

Legislative history of § 109(a). Wiley’s effort to divine a purpose from the legislative history cannot stop with the legislative history of § 602(a)(1),

because Wiley insists that the critical language that grants the power it seeks comes from § 109(a). But Wiley punts on the legislative history of that section. Wiley says nothing about the plain evidence that Congress tweaked the operative language in that section to achieve the two purposes discussed in our opening brief. OB 52-53. And Wiley tacitly concedes that nothing in the legislative history or the panel discussions suggests that the changes *also* achieved a third—and completely distinct—purpose of limiting the first-sale doctrine to domestic-made goods.

This is an important point: The precise language was hammered out and debated over the course of two decades. In those extensive debates, no one ever suggested that the language limits the first-sale defense to copies made in the United States.

B. *Quality King* Supports the Nondiscriminatory Definition.

Wiley tacitly concedes most of what Petitioner has said about the holding and core logic of *Quality King*, see OB 38-39—most notably, that this Court’s *holding* was the first-sale doctrine applies to imported copies and that § 602(a) is “simply inapplicable” “even if the first sale occurred abroad,” 523 U.S. at 145 n.14. Yet, Wiley asserts, without a hint of irony, that it is Petitioner who “attempts to dismiss *Quality King*” and “tries to distinguish [it].” Resp. 19. What Wiley really means is that Petitioner disagrees with Wiley’s interpretation of *two sentences* plucked from part IV of the opinion, *after* the Court announces its holding and explains its reasoning. That part is where the Court rebuts challenges to its reasoning.

One of those challenges was “that § 602(a) is superfluous” under the Court’s reading. 523 U.S. at 146. This Court held that “[t]here are *several* flaws in this argument.” *Id.* at 146 (emphasis added). Wiley’s key passages do not arise until this Court addresses the third “flaw”:

Third, § 602(a) applies to a category of copies that are neither piratical nor “lawfully made under this title.” That category encompasses copies that were “lawfully made” not under the United States Copyright Act, but instead, under the law of some other country.

Id. at 147.

Wiley’s first instance of cherry-picking lies in drawing an inference from the latter sentence: “This Court’s opinion recognized that copies may be made either ‘under the United States Copyright Act,’ or ‘under the law of some other country,’ but not ‘under’ both.” Resp. 18. But that is not what that sentence says or implies. Rather, the Court was simply noting that *some* copies may be lawfully made under one country’s law but not under another’s, i.e., the “category” actually exists. It does not say that copies can be lawfully made under the law of one country only.

The second sentence Wiley singles out—the illustration about the publisher who divides the U.S. and British markets—is addressed in our opening brief. OB 40-42. We will just add that this sentence was part of the same discussion of how § 602(a)(1)

retains vitality even under a robust reading of the first-sale defense. It was not, as Wiley insists, about proving that a copy cannot be “lawfully made” under the law of two different countries. Resp. 18, 20. Moreover, the Court did not consider this hypothetical especially important to its analysis. The Court noted that the legislative history reflected numerous similar illustrations. It was certainly not treating the sentence—which the court of appeals accurately described as “dicta,” P.A. 17a—as an axiom that overrode the Court’s holding and everything else the Court said.

When all is said and done, the scorecard on *Quality King* is decidedly lopsided. Petitioner has in its favor *Quality King*’s holding, its core logic about the structure of the statute, its conclusion about the relative scope of the first-sale defense and § 602(a)(1), and its omission of any suggestion that the result had anything to do with the place of manufacture—none of which Wiley disputes, distinguishes, or explains. On Wiley’s side of the ledger is a weak inference drawn from one sentence and dicta in another sentence giving the “presume[ed]” basis for a result in a hypothetical not before the Court, 523 U.S. at 147—both of which appear in the third tier of a rebuttal.

C. The Nondiscriminatory Definition Accords § 602 Ample Meaning.

Wiley admits that Petitioner’s reading of the first-sale defense does not sap § 602(a)(1) of *all* meaning. Resp. 25. It argues only that none of the remaining applications of the provision are “mean-

ingful.” Resp. 23-25. Here, again, Wiley’s argument is premised largely on its ipse dixit (rebutted above) as to what Congress intended. *See supra* at 9-13; OB 46; Resp. 26. And here, again, Wiley ignores entire swaths of *Quality King*. Thus, for example, Wiley asserts that “Kirtsaeng ... strives to identify *some* category of cases that would remain actionable under Section 602(a)(1) notwithstanding his interpretation of Section 109.” Resp. 23. But it fails to acknowledge that Petitioner was mainly reciting *this Court’s* three “reasons” why § 602(a)(1) “retain[s] significant independent meaning” under the more robust interpretation of the first-sale doctrine, 523 U.S. at 149, and that *Quality King* explicitly addressed and rejected most of Wiley’s efforts to diminish each of the examples.

Let us begin with the scenario discussed immediately above—the rogue distributor who violates the terms of its contractual agreement and distributes to unauthorized locations. Wiley concedes that under Petitioner’s definition, § 602(a)(1) provides a *copyright* weapon against such rogue foreign distributors. *See* OB 43; Resp. 23-24. And Wiley does not dispute that the copyright weapon is superior in many material ways to a contract remedy. *See* OB 41.

Wiley’s only response is that the distributor can “easily circumvent[]” any copyright liability “[b]y selling the copies abroad—whether to an individual purchaser or even to a separately incorporated distributor.” Resp. 23-24. If the distributor makes a sham sale with no economic justification other than to evade copyright liability, the attempted circumvention will fail. *Cf. Krause v. Titleserv, Inc.*, 402

F.3d 119, 124 (2d Cir. 2005) (crediting practical “incidents of ownership” over formal possession of title in determining copyright ownership). If the distributor makes an arm’s-length sale abroad to someone who imports into the United States, it is true that the copyright owner would have no copyright claim against the importer (although the copyright owner could certainly structure the contract to prohibit, or at least inhibit, such a sale). But that is not a circumvention; it is a consequence of Congress’s decision not to block imports by the downstream merchants once the copyright owner has authorized a sale and pocketed the bargained-for price.

Contrary to Wiley’s assertion, addressing rogue distributors is not the “only” (or even “primar[y]”) purpose of § 602(a)(1). Resp. 8-9. This Court and Petitioner have mentioned at least three others. See OB 43-46. One is *Quality King*’s observation that “the first-sale doctrine would not provide a defense to a § 602(a)[(1)] action against any non-owner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.” 523 U.S. at 146-47 (discussed at OB 44). Wiley concedes “[t]hat is true.” Resp. 25. It just muses that “[o]ne might reasonably wonder” whether that happens frequently enough to matter. Resp. 25 (citation, internal quotation marks, and alterations omitted). One does not have to wonder, because *Quality King* held that it happens often enough to matter. 523 U.S. at 146-47. Moreover, Wiley does not dispute that this scenario was one of two reasons Congress gave for editing § 109(a) to the current formulation, “lawfully made under this title.” See OB 52-53; *supra* at 14. In fact, as discussed above, it was the most serious com-

plaint lodged by moviemakers who routinely found their rented films stolen abroad and sold in the United States.

Similarly, Petitioner supplied numerous examples of copies that would be legal in the place of manufacture, but nevertheless not “lawfully made under this title.” See OB 45-46. Wiley does not dispute that every one of these is a valid example of a situation where § 602(a)(1) applies. More broadly, § 602(a)(1) plainly addresses the problem of copies pouring out of states with minimal or no copyright protection. See *supra* at 10-11. Wiley argues (at 24) that these are all irrelevant because § 602(b)—which covers copies the making of which “would have constituted an infringement of copyright if this title had been applicable”—independently prohibits their importation. But this Court already rejected that argument, observing that “enforcement of § 602(b) is vested in the Customs Service,” whereas § 602(a)(1) “provide[s] the copyright holder with a private remedy against the importer.” *Quality King*, 523 U.S. at 146.

In the end, Wiley is left only with a more general argument that this Court’s narrowing of § 602(a)(1) is inconsistent with the seemingly “broad language” Congress chose. Resp. 26. But Wiley overlooks how complicated it would be for Congress to draft a statute expressly enumerating every area in which § 602(a)(1) survives the first-sale defense. It took this Court over a thousand words to capture just the three examples it gave. See *Quality King*, 523 U.S. at 146-47. It took Petitioner almost two thousand words between the opening brief and this brief to do

the same. It is perfectly reasonable—indeed, preferable—for Congress to define the reach of § 602(a)(1) by saying it covers everything that § 109(a) does not, rather than anticipating and specifically defining each application.

III. SEVERAL PRESUMPTIONS AND OTHER DEVICES OF STATUTORY CONSTRUCTION SUPPORT THE NONDISCRIMINATORY DEFINITION.

A. Wiley Improperly Rejects Controlling Legislative Presumptions in Favor of a False Portrayal of International Norms and Congressional Acquiescence.

Wiley scarcely acknowledges the presumptions that Congress would not depart from four centuries of common law or change long-standing statutory rights without saying so clearly. OB 49. Wiley merely dismisses them as “nonsense” in light of the putative exhaustion approach of other nations, Resp. 46, and declares that Congress has acquiesced in Wiley’s definition, Resp. 35. Wiley is wrong on both accounts.

International norms. Wiley claims that national exhaustion—where a sale in a given country exhausts only that country’s copyright—is the norm around the world. As a preliminary matter, there is no reason why other nations’ policies should guide this Court’s interpretation of a U.S. statute—especially in an area like copyright where the United States has led.

In any event, Wiley’s depiction of an international consensus is demonstrably wrong. Again, let us begin with Wiley’s “better” pro-foreign definition. Wiley cites not a single nation (and we are aware of none) that gives the owner of a foreign-made good the perpetual power to control all downstream sales. Now *that* is an exhaustion regime that “not a single country in the world has adopted.” Resp. 46 (citation omitted).

With regard to exhaustion regimes that countries *have* adopted, the only consensus is that there is no consensus. As the World Intellectual Property Organization observed as recently as 2011, “To what extent countries may decide whether the first sale of an IP protected article in a foreign jurisdiction amounts to a first sale of that IP protected article in its own territory for the purposes of limiting the rights of the owner is a matter that *has not attracted consensus*” WIPO, Committee on Development and Intellectual Property, *Interface Between Exhaustion of Intellectual Property Rights and Competition Law*, CDIP/4/4 Rev./Study/INF/2 (June 1, 2011) (emphasis added). Some nations have adopted the policy that Wiley’s backup, atextual compromise would yield—a regime of national exhaustion. But Wiley does not dispute that dozens upon dozens of nations have flatly *rejected* it. In New Zealand and Singapore, for example, the default rule is international exhaustion, under which the copyright is exhausted upon the first authorized sale *anywhere*. See Burton Ong, *The Interface Between Intellectual Property Law and Competition Law in Singapore*, in *The Interface Between Intellectual Property Rights and Competition Policy* 384-85 (Steven Anderman ed.,

2007); Miranda Forsyth & Warwick Rothnie, *Parallel Imports*, in *The Interface*, *supra*, at 453. And all 30 countries in the European Economic Area (EEA) reject national exhaustion in favor of a model of regional exhaustion within the EEA. Forsyth & Rothnie, *supra*, at 445-47.

Indeed, nearly two decades ago, the nations of the world formally “agreed to disagree” on the subject. Theo Papadopoulos, *The First-Sale Doctrine in International Intellectual Property Law: Trade in Copyright Related Entertainment Products*, 2 Ent. L. 40, 53 (2003). In 1994, almost 125 nations met to negotiate the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the auspices of the World Trade Organization. “Despite lengthy negotiations, it proved impossible in the deliberations leading to the TRIPS Agreement ... to reach a global consensus on exhaustion policy.” Mattias Ganslandt & Keith Maskus, *Intellectual Property Rights, Parallel Imports and Strategic Behavior*, in *Intellectual Property, Growth and Trade* 269 (Keith Maskus ed., 2008). The resulting international agreement declares: “[N]othing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.” Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, *Marrakesh Agreement Establishing the World Trade Organization*, Annex 1C, art. 6, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

Finally, even if Wiley had shown a current trend in the direction of national exhaustion, it has not even tried to demonstrate any such consensus in 1976. Tellingly, the authorities it cites were all pub-

lished in the past decade. Resp. 45-46. One can scour the panel discussions and legislative history leading up to the passage of the Act and find not a single reference to an international norm—or even a trend—in favor of national exhaustion. Indeed, the phrases “international exhaustion” and “national exhaustion” do not even appear in the drafting history of the 1976 Act, because the explicit debate between them had only begun to crystallize around that time. See Herman Jehoram, *Prohibition of Parallel Imports Through Intellectual Property Rights*, 30 Int’l Rev. Intell. Prop. & Competition L. 495, 497-500 (1999).

Congressional “acquiescence.” Equally flawed is Wiley’s assertion that Congress has acquiesced in a purported “consensus view among the lower courts that the first-sale doctrine does not apply to copies manufactured abroad.” Resp. 35. This notion of congressional acquiescence applies only to unbroken and uniform judicial interpretation. See *United States v. Mendoza-Lopez*, 481 U.S. 828, 835 (1987). Wiley certainly cannot prove that there is or ever was a consensus in favor of its “better interpretation,” which no court ever adopted until the Second Circuit did in this very case.

Nor does Congress’s silence support the atextual compromise position. It was not until 1991—15 years after the passage of the 1976 Act—that the Ninth Circuit first announced that § 602(a)(1) trumped the first-sale defense. See *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991). By then, the Third Circuit had already indicated discomfort with that position. *Sebastian Int’l, Inc. v. Consumer*

Contacts (PTY) Ltd., 847 F.2d 1093, 1098 n.1 (3d Cir. 1988). Outside the Ninth Circuit (where *BMG* was not the law), the district courts were split. See *Red Baron-Franklin Park, Inc. v. Taito Corp.*, 1989 Copyright L. Dec. (CCH) ¶ 26,352 (E.D. Va. 1988) (listing and joining courts rejecting that position). Within seven years, *Quality King* unanimously *rejected* the Ninth Circuit’s position without ever indicating that the rule would be different for foreign-made copies. Not until 2008 did the Ninth Circuit, in *Costco*, revive its earlier view. See *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 990 (9th Cir. 2008). That very first departure from *Quality King* led this Court to grant certiorari—and then split 4-4. No member of Congress surveying this judicial roller coaster could have concluded that the courts had articulated a clear and uniform view.

B. Other Constructions Run Afoul of the Presumption That Congress Does Not Intend to Produce Absurd Results.

Petitioner and his amici have presented numerous straightforward applications of Wiley’s pro-foreign definition to other fact scenarios—to used books and products, to any product with a printed label, to electronics with software, to movie rentals, etc. OB 56-59; see *Arbitech* Br. 12-19; *Entm’t Merch. Ass’n* Br. 32-34; *Powell’s Books* Br. 8-10; *Retail Litig. Ctr.* Br. 21-25. Wiley does not dispute that those are, indeed, the direct interpretive consequences of its pro-foreign definition. Resp. 51-52.

Wiley’s main response is that “[i]f Kirtsaeng were correct that Wiley’s interpretation of Section

109(a) would cause such dire consequences, those consequences would *already* have occurred in response to 30 years of judicial decisions.” *Id.* In light of the judicial roller coaster discussed above, *see supra* at 23-24, there was never *any* 30-year “consensus,” as Wiley asserts, Resp. 51. More to the point, not a single court had ever suggested the pro-foreign definition that, as Wiley acknowledges, causes most of the mischief. Resp. 35-36. If this Court embraces either reading as the law of the land—but especially if it embraces the pro-foreign definition—these consequences will follow as night follows day.

Wiley makes the same mistake in noting that Petitioner has presented no “example of a copyright holder locating its manufacturing operations overseas in an attempt to impose restrictions on resale in the domestic market.” Resp. 52. But it compounds the mistake by ignoring practical reality. Anyone who reads the newspapers knows that manufacturers *are* shipping jobs overseas—sometimes by building facilities, usually by shifting their business to foreign manufacturers, without incurring the “substantial costs of building manufacturing facilities” abroad. Resp. 52. There are already innumerable reasons for them to do so. For many copyright owners, an unprecedented weapon that destroys secondary markets will tip the scales. But only the dumbest of copyright owners would declare, “We hired the overseas manufacturer to avail ourselves of the manufacturer’s Holy Grail.” The evidence Wiley demands will never materialize until the harm is done.

CONCLUSION

For these reasons, this Court should reverse the judgment of the court of appeals.

Respectfully submitted,

Sam P. Israel
SAM P. ISRAEL, P.C.
One Liberty Plaza
23rd Floor
New York, NY 10006
(212) 201-5345

E. Joshua Rosenkranz
Counsel of Record
Annette L. Hurst
Lisa T. Simpson
ORRICK, HERRINGTON &
SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019
(212) 506-5000
jrosenkranz@orrick.com

Counsel for Petitioner

October 1, 2012