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Kirtsaeng v. John Wiley & Sons: How the Supreme Court Will Decide the Fate of eBay, Libraries, and Yard Sales

IP Buzz

The Supreme Court recently heard oral arguments concerning the global reach of domestic copyright law. At issue in *Kirtsaeng v. John Wiley & Sons* is the first sale doctrine, which permits the owner of a copyrighted item to resell, rent, or otherwise distribute the physical item once it has been initially purchased. The case specifically involves the interplay of the first sale doctrine with a provision of the Copyright Act making it unlawful to import copyrighted works acquired abroad without permission from the copyright owner.

The facts of the *Kirtsaeng* case illustrate the difficulty of the legal question before the Supreme Court. The petitioner in *Kirtsaeng* was a graduate student who subsidized his education by selling textbooks on eBay and other online marketplaces. He was able to earn money from the endeavor because the books were being shipped from his native Thailand, where he had enlisted his family to purchase select titles from local bookstores. Price variation between Thailand and the United States allowed the student to earn approximately \$100,000 in profits from the textbooks over the course of about one year. When the publisher learned of the scheme, it sued the student in a New York federal court for infringing its copyright in the textbooks. The student raised the first sale doctrine as a defense, arguing that the initial sale to his family members in Thailand provided a safe harbor for his activities.

To resolve the dispute, the Supreme Court must decide whether goods manufactured outside the United States are subject to the first sale doctrine, which is limited by statute to copies “lawfully made under [the Copyright Act].” On the one hand, the student has argued that the first sale doctrine applies because the textbooks were not illegally produced counterfeits, and therefore qualify as “lawfully made” copies. On the other hand, the publisher argues that nothing produced abroad can be “made under [the Copyright Act]” at all because domestic law does not apply beyond our borders.

The implications of the forthcoming decision are potentially far-reaching. Should the Court side with the publisher in *Kirtsaeng*, a wide range of downstream distribution may be jeopardized. Online marketplaces like eBay and Amazon could experience a decline in merchant activity, and rental-based entities—including public libraries and video rental stores—may need to review their inventories of copyrighted works made abroad and seek licenses where necessary. Even the most innocent of activities, such as a yard sale, may be impacted by the decision if merchandise is foreign-made.

The *Kirtsaeng* case was argued on October 29, 2012, and a decision is expected in early 2013.