Crossing Parallel Lines: The State of the First Sale Doctrine after Costco v. Omega

Maureen B. Collins

John Marshall Law School
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MAUREEN B. COLLINS* 

INTRODUCTION 

The first sale doctrine represents a compromise between the copyrights granted to the author and the ownership granted to the purchaser. The doctrine recognizes that, once a copyright owner has put his work into the stream of commerce, he loses the right to control further distribution of the work.\(^1\) In essence, the distribution right, part of the “bundle of rights” granted the copyright owner, is extinguished upon the first sale.\(^2\) This seemingly simple concept has become the subject of intricate statutory interpretation and almost existential extraterritorial concern. Nowhere was this better exemplified than in the case of Omega v. Costco.\(^3\) At issue in Omega was whether the first sale doctrine is activated when the work is manufactured abroad, and the first sale occurs abroad. Specifically, the Court considered whether the phrase “lawfully made under this Title”\(^4\) is best interpreted as requiring that the work be manufactured or created under the laws of the United States.

This article will examine the historical development and application of the first sale doctrine as applied to copyright law, the application of the doctrine in other fields of intellectual property, explore the issues raised by Omega, and address the implications of the Supreme Court’s decision in this case and those that followed.

Part I discusses both § 109(a) and § 602(a) of the Copyright Act and the policy

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* Maureen B. Collins is an Assistant Professor of Law at The John Marshall Law School in Chicago, Illinois. She extends her gratitude to Michael Eisnach for his inestimable research assistance and to The John Marshall Law School for its support of her scholarly pursuits.

1 See 17 U.S.C. § 109(a) (2006) (“[T]he owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”).

2 See id.; See id. § 106 (providing a “bundle” of rights for copyright owners.); See also, 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.12[Ba](a) (2009) (“More colloquially, once the copyright owner first sells a copy of the work, his right to control its further distribution is exhausted.”).

3 Omega, S.A. v. Costco Wholesale Corp., 541 F.3d 982 (9th Cir. 2008).

4 See id. at 985–90.
behind each section as well as what each one encompasses. Part II analyzes two recent gray market cases, *Omega v. Costco* and *Wiley v. Kirtsaeng*. Part II further examines how other countries, as well as the European Union, deal with copyright law and gray market goods. In addition, it compares the application of the first sale doctrine in copyright and patent law. Part III proposes that Congress deal with parallel imports by redefining the phrase “lawfully made under this title” instead of waiting for clarification from the Supreme Court. While the Court could settle the issue without overturning other cases, the recent decision in *Costco* suggests that it is unwilling to take this necessary step. The most recent Ninth Circuit decision in *Costco* resolves the issue by expanding the copyright misuse doctrine. While this achieves an equitable result, it does not address the underlying problem. Instead, Congress must act to clear up the ambiguity created by these inconsistent and sometimes undesirable interpretations of the Copyright Act.

**BACKGROUND**

The Copyright Act provides exclusive rights to the creator of a work so long as the work is original and in a fixed medium. Those rights include the right to distribute. They also include the right to prohibit others from importing those goods into the United States and offering them for sale without the authorization of the copyright holder. Up until fairly recently these two provisions of the Copyright Act interacted without issue. However, with the growth of a global economy and the expansion of trade agreements, copyrighted products are being produced across the globe and then imported back into this country and offered for sale. As such, the interaction of the exclusive right of distribution and its limitation, the first sale doctrine, has been brought into contrast with the right to control the importation of copyrighted goods—at least when those goods are made abroad.

*A. The Distribution Right*

Copyright law recognizes that the monopoly granted to the copyright owner is divisible into separate rights. Often referred to as a “bundle of rights,” these include the right to digitally transmit sound recordings, to copy, distribute, prepare derivative works, and publicly perform a work. Section 106(3) provides that:

Subject to sections 107 through 122, the owner of the copyright under this title has the exclusive rights . . . to distribute copies . . . of the copyrighted work to the public by sale or other transfer of

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5 17 U.S.C. 102
ownership, or by rental, lease or lending.9

Unlike the other rights, the distribution right is focused not on prohibiting reproduction but, rather, the right to control the introduction of the protected work to the public. The distribution right has been described as "a necessary supplement to the reproduction right in order to fully protect the copyright owner."10 It is this right of distribution that comes into play when considering parallel importation.

The right is not without limitation, however.11 It belies common sense to think that an owner could control the right of distribution in perpetuity. The right to control distribution extends only to the owner’s first exercise of it—when the owner puts the work into the stream of distribution, either by sale or gift.12 Once transferred, the original owner has exhausted her right to control subsequent distribution.13 Other rights, such as the right to reproduce and create derivative works, remain with the original owner.14 The first sale doctrine implicates the distribution right under 106(a) and its limitations, set forth in 109(a).

B. The First Sale Doctrine

The first sale doctrine resolves the tension resulting from the monopoly granted to the copyright owner and the general policy against restraint of trade and alienation of ownership.15 It protects the right of the copyright owner to decide how, when, and at what price to introduce her work into the public, but also protects the right of the purchaser to subsequently decide the fate of that particular copy of the work. In the absence of such a doctrine, the original owner would, technically, have the right to control downstream sales16 in perpetuity.17 The doctrine recognizes that once a first sale has been made, the copyright owner has reaped the reward to which it is entitled.18

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9 See id. § 106(3).
10 2 NIMMER, supra note 2, § 8.12[A] (describing the “gap” that would otherwise go unremedied by copyright law if the copyright owner could prevent public dissemination of a work when there was unauthorized reproduction, but not in the case where an original or authorized copies were wrongfully obtained and publicly distributed).
12 Id. In this sense, “distribution” is synonymous with “publication."; see 2 NIMMER, supra note 2 § 8.12[A].
14 See id.
15 See 2 NIMMER, supra note 2, § 8.12[A].
16 Id. § 8.12[B] (defining downstream copies as those resold by a person holding good title to the original copy sold by the copyright holder).
17 But see UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011) (holding that sending demo CDs to radio stations qualified as a sale, despite being labeled as a license, because there was no evidence that radio stations had agreed to same).
The first sale doctrine, now codified as Section 109(a) of the Copyright Revision Act of 1976,\(^{19}\) has its origins in common law. The Supreme Court first recognized the doctrine in 1908 in the case of *Bobbs-Merrill Co. v. Straus*.\(^{20}\) In *Bobbs-Merrill*, the Supreme Court considered the question of the exclusive right to “vend” under the Copyright Act of 1891.\(^{21}\) At issue was the notice attached to a book by a publisher stating that the book could not be sold for less than a dollar.\(^{22}\) Ignoring the notice, defendants bought copies of the book at wholesale and offered them to the public for eighty-nine cents. The publisher brought suit, arguing that the resale of the book was unauthorized and in violation of its exclusive right to vend the book.\(^{23}\) The Court found that “the purchaser of a book, once sold by authority of the owner of copyright, may sell it again, although he could not publish a new edition of it.”\(^{24}\) In so holding, the Court acknowledged the right of the copyright owner who purposely transfers ownership to choose the terms on which the work comes to market.\(^{25}\) It also recognized the corresponding right of the subsequent owner to dispose of that work as he wished. It “emphasized the critical distinction between statutory rights and contractual rights.”\(^{26}\) The absence of privity between the copyright owner and the subsequent purchaser and the impracticality of perpetual control over the stream of commerce were cited as reasons for the holding.\(^{27}\)

This limitation on the right of distribution was codified in the Copyright Acts of 1909, 1947 and 1976.\(^{28}\) In its current form, Section 109(a) of the Copyright Act provides, in pertinent part, that:

Notwithstanding the provisions of Section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or

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\(^{19}\) 17 U.S.C. § 109(a).


\(^{21}\) *Id.* at 343.

\(^{22}\) *Id.* at 341.

\(^{23}\) *Id.*

\(^{24}\) *Id.* at 350.

\(^{25}\) *Id.* at 351; see also Pearson Educ., *supra* note 6, at 409 (“[Section 106(3)] primarily protects a copyright owner’s ability to control the terms on which her work enters the market by providing a remedy against persons who distribute copies of her work without permission.”); *Republic Graphics*, *supra* note 17, at 854..\(^{26}\)


\(^{27}\) *Id.*

\(^{28}\) 17 U.S.C. § 109(a) (2006) (originally enacted as the 1909 Copyright Act, § 41 (1909)).
otherwise dispose of the possession of that copy or phonorecord.29

This codification has been interpreted to neither modify nor limit the broad scope of the doctrine announced in Bobbs-Merrill.30 Rather, it reflects the delicate balance required to maintain the equilibrium between the rights of the copyright owner and those of the purchaser.

C. The Intersection of the First Sale Doctrine and Parallel Importation

The "import" of the first sale doctrine is evident when considering its application in the context of gray market goods. The term "gray market" refers to goods that are manufactured and sold internationally, bearing a trademark or copyright authorized under US law, and then imported back into the United States.31 Although once ubiquitous, the term gray market has fallen into disfavor in recent times.32 These circumstances are now commonly referred to as "parallel importation." Parallel importation is restricted under the Copyright Act pursuant to Section 602(a).34 Under Section 602(a):

Importation into the United States, without the authority of the owner of the copyright under this Title, of copies . . . of a work that have been acquired outside of the United States is an infringement of the exclusive right to distribute copies . . . under section 106, actionable under section 501.35

Parallel importation is restricted in order to protect the economic interests of the copyright owner. Many US copyright owners engage in a form of price discrimination, selling their goods at one price domestically and often at lower prices internationally. According to its practitioners, this discrimination represents additional costs expended in advertising and promotion, and the differing competitive environments.36

29 Id.
30 Bobbs-Merrill, supra note 19, at 350-51.
31 See Quality King, supra note 25, at 153 (defining the gray market as "the importation of foreign-manufactured goods bearing a valid United States trademark without the consent of the trademark holder.").
33 See Quality King, supra note 25, at 153.
35 Id.; Section 501(a) states that "anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122, . . . or who imports copies . . . into the United States in violation of section 602, is an infringer of the copyright." Id. § 501(a).
36 C.f. 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:46 (4th ed. 2004) (stating "[t]he designated U.S. importer is usually
For example, Apple, Inc. prices its goods differently in each country, despite selling the exact same goods at each location. Apple attributes this difference in price at least in part to the Value Added Tax (VAT)\(^3\) in many parts of the world, which is not present in the US. However, even when this is factored into the price, it is still more expensive to buy Apple products abroad.\(^3\) Textbooks present another example. International editions of textbooks, while containing much of the same content, are printed and bound with lesser supplies and paper. Thus, a substantially similar textbook is dramatically cheaper overseas than in the US. It is this discrepancy that gave rise to the dispute in Wiley.

The relationship between Sections 106(3), 109(a) and 602 raises the issue of whether the first sale doctrine presents a defense to impermissible importation. By the very terms of the statutory sections, the distribution right in Section 106(3) is granted subject to Sections 107 through 122. The first sale doctrine, codified in Section 109, falls within these designated sections. Thus, the first sale doctrine limits the right of exclusive distribution. Infringing importation under 602(a) is a violation of the distribution right in 106(3). If, by virtue of the first sale doctrine under Section 109(a), there is no violation of 106(3) then, logically, there is no violation under Section 602.\(^3\) This relationship and the application of the doctrine to imported goods generated a split in the circuits,\(^4\) and was the subject of

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\(^3\) Compare e.g., THE APPLE STORE US, www.apple.com/store (last visited Feb. 14, 2012) (listing the lowest level iPad at $499. With a 17.5% VAT the price would be $586.33), with THE APPLE STORE UK, www.apple.co.uk/store (last visited Feb. 14, 2012) (listing the iPad at £429. At the current conversion rate, this would equal $694.17, or $107.84 more, for the same product in the UK).

\(^3\) See Omega, supra note 3, at 982.

First, given that §106(3) is ‘subject to sections 107 through 122’ and §109 falls within the designated portion of the Code, §109(a) limits the exclusive distribution right in §106(3). Second, infringing importation under §602(a) is merely a subcategory of ‘infringement of the exclusive right to distribute copies . . . under section 106,’ so conduct that does not violate §106(3) cannot constitute infringement under §602(a). Finally, because conduct covered by §109(a) does not violate 106(3), and because absent a violation of §106(3) there cannot be infringement under §602(a), conduct covered by §109(a) does not violate §602(a). In short, infringement does not occur under §106(3) or §602(a) where ‘the owner of a particular copy . . . lawfully made under this Title” imports and sells that copy without the authority of the copyright owner.’

Id. at 985.

\(^4\) See L’anza Research Int’l., Inc. v. Quality King Distribrs., Inc., 98 F.3d 1109, 1114 (9th Cir. 1996) (rejecting the first sale doctrine as a defense to gray market goods being imported without the copyright holder’s consent); Sebastian, supra note 17, at 1099 (holding that the first sale defense was applicable to "round trip" goods which had been manufactured in the US, sold abroad and then re-imported); Columbia Broad. Sys., Inc. v. Scorpio Music Distrib., 569 F. Supp. 47, 49 (E.D Pa. 1983) (aff’d without opinion) (holding that the first
consideration before the Supreme Court in 1998 in *Quality King*.41

**D. The Supreme Court's Decision in Quality King**

The dispute in *Quality King* centered on a domestically manufactured product, sold internationally by the copyright owner, and then resold domestically by a subsequent purchaser.42 Thus, the goods were "round trip"43 - originating in the US, sold abroad, then sold again by a subsequent purchaser in the US. At issue was whether the first sale doctrine was applicable to imported copies.

In *Quality King*, L'anza manufactured hair care products in the US, and sold them exclusively to distributors, both domestic and international,44 who had agreed to resell within strict territorial limitations, and then only to authorized retailers. L'anza’s UK distributor purchased several tons of products bearing the copyrighted label.45 It, in turn, resold the product to a distributor in Malta. The goods were purchased by Quality King from the Maltese distributor, and imported back into the US. The goods were then sold in the US at discounted prices46 to unauthorized dealers.47 Thus, the goods were manufactured in the US, sold to a foreign distributor, and then found their way back to the US.

The District Court entered summary judgment for L'anza on its claims under sections 106, 501 and 602 of the Copyright Act.48 It rejected Quality King’s argument that there was no violation based on the first sale defense.49 The Ninth Circuit affirmed the lower court’s decision, finding that Section 602(a) would be "meaningless" if it did not prohibit the unauthorized importation of copyrighted goods.50 The Supreme Court granted certiorari to resolve a conflict presented by this decision with the Third Circuit decision in *Sebastian Int'l v. Consumer Contacts (PTY) Ltd.*51

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41 *Quality King*, supra note 25, at 135.
42 Id. at 138–39.
43 See id. at 154.
44 Id. at 139 (calculating L’anza’s prices to foreign distributors at 35-40% lower than those charged to domestic distributors).
45 See id. at 139–40 (finding only the label affixed to the goods was the subject of copyright protection, not the goods themselves).
46 Id.
47 *Quality King*, supra note 25, at 139.
49 Id.
50 L’anza Research, supra note 39, at 1114.
51 Sebastian, supra note 17. The Third Circuit held that the first sale doctrine precluded a manufacturer of hair care products from stopping the importation of its products into the
Justice Stevens, writing for a unanimous court, reversed the Ninth Circuit's decision. Justice Ginsberg filed a concurring opinion. The Supreme Court held that the first sale doctrine did in fact apply to imported copies. In conducting its analysis, the Court examined the interplay between Sections 106(a), 109(a) and 602(a). The Court found it "significant" that Section 602(a) does not categorically prohibit the unauthorized importation of copyrighted materials. Noting that Section 602 establishes a violation of the right to distribute under Section 106(a), the court found that Section 602 is subject to the same limitations—the grant is curtailed by the provisions of Sections 107-120. These limitations include the first sale doctrine set out in Section 109. Concluding its statutory interpretation, the Court held that "...since that limited right [under section 106] does not encompass resales by lawful owners, the literal text of §602(a) is simply inapplicable to both domestic and foreign owners of Lanza's products who decide to import them and resell them in the United States." The Court explicitly disagreed with the Ninth Circuit's suggestion that §602(a) would be "meaningless" if not found to be distinct from the rights granted in Section 106(3), and then limited by Section 109(a), i.e., applicable only to pirated copies. In dicta, the court offered the following hypothesis:

Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights-enforceable under the Act- to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of §109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under §602(a) . . . .

U.S. after they had legally been sold. Id. at 1094. The products in question had been manufactured in the U.S., sold and shipped to distributor in South Africa, and then sold and reshipped to the U.S., prior to being opened in South Africa. Id. The products in question contained copyrighted labels, which Plaintiff used to invoke the Copyright Act. Id.

52 Quality King, supra note 25, at 135 (Ginsberg, J., concurring).
53 Id.
54 Id. at 151–53.
55 Id. at 144.
56 See id. at 143-44 (identifying the three explicit exceptions to Section 109: 1) importation authorized by the US government, for archival use; 2) a single copy in a person's luggage (the "suitcase" exemption); and 3) a copy for educational or scholarly purposes).
57 Id. at 145.
58 Id. at 148–49; Section 602(b) expressly prohibits the importation of pirated copies—unauthorized duplications which constitute a violation of the copyright owner's exclusive right to reproduce. 17 U.S.C. § 602(b) (Supp. V 2011).
59 Quality King, supra note 25, at 148.
This hypothetical would be used as the basis for subsequent interpretations of the first sale doctrine, and feature in the oral argument when the Supreme Court next considered the doctrine in Costco v. Omega.

Justice Ginsburg authored a concurrence in Quality King, which has received at least as much attention as the majority opinion. Justice Ginsburg's two sentence opinion would go on to shape much of the oral argument in the Omega case. She wrote, "[t]his case involves a "round trip" journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad." It has been suggested that this brief concurrence has influenced other courts in similar cases without regard for the fact that it holds no precedent. In fact, at the oral argument in Omega, Justice Ginsburg brought up the topic and asked what the concurrence contributed to the debate. Costco's counsel, Roy Englert, responded that it was the only time when place of manufacture was discussed by the Court, thus, showing that Quality King did not turn on the location of manufacture.

**ANALYSIS**

Since Quality King, the world economy has become more global. Trade agreements have made international trade more cost effective and lower manufacturing costs overseas have negated the additional shipping costs. As a result, goods are being made abroad with US copyright registrations. These goods are being sold overseas and then imported and sold again in the US. Because companies often price the same or very similar goods differently in every country in which they do business, it can be profitable to import goods into the US and re-sell them. Costco imported Omega watches and passed its savings on to its members. Supap Kirtsaeng had international editions of textbooks sent to him and then sold them in the US. In apparent disregard of the Quality King court, which prohibited this business model for domestically made goods, both the Second and Ninth Circuit have allowed foreign made goods to surpass this limitation. The Supreme Court considered this very issue in Costco v. Omega.

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60 Id. at 154.
61 Reply Brief for Petitioner at 11, Costco Wholesale Corp. v. Omega, S.A., 131 S. Ct. 565 (2010) (No. 08-1423) ("[c]ourts have either treated Justice Ginsburg's concurrence as the law of the land or cited the opinion below as precedent with no analysis.").
62 John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210, 221 (2d Cir. 2011) (holding that the place of manufacture determines whether the first sale doctrine can be asserted as a defense to copyright infringement); Omega, supra note 3, at 990 (holding that foreign manufactured goods are not subject to the first sale doctrine).
A. Costco v. Omega - Location, Location, Location

There was no "round trip" at issue in Costco v. Omega. Omega, a Swiss watchmaker that manufactures luxury watches, sells to a limited number of authorized dealers worldwide. Costco is an American membership-based chain of retail warehouses that sells brand name goods, often times in bulk, and usually at a substantial savings over regular retail prices. This case arose when Costco offered 117 Omega Seamaster® watches for sale in its stores in 2004. The watches were manufactured in Switzerland, offered for sale in Paraguay and Egypt and then sold to an American supplier that imported them into the US. Costco purchased the watches from that supplier once the watches had been imported. Costco offered the watches for sale in its stores for $1299, considerably less than Omega’s retail price of $1999, a practice that Costco had engaged in for many years.

In 2003, Omega registered what it called the "Omega Globe Design," its signature logo, and used the design on the back of the face of each watch it sold. The design itself is less than one-half of a centimeter in width. It is this symbol that Omega used as the basis of its copyright suit against Costco. By its own admission, Omega utilized the copyrighted design as a means of preventing parallel importation.

After the sale of 43 watches, Omega filed suit against Costco for the illegal importation and sale of the “Omega Globe Design” on the Seamaster® watches, alleging a violation of §602(a). The parties presented cross-motions for summary judgment; Costco argued that §109(a) precluded any claims under §602(a). The Central District of California found in favor of Costco without explanation. Omega appealed to the Ninth Circuit.

The Ninth Circuit reversed the district court, citing its holding in BMG Music, Inc. v. Perez, which stated that §109(a) “grant[s] first sale protection only to copies legally made and sold in the United States.” It rationale was two-fold. First, “[c]onstruing [§] 109(a) as superseding the prohibition on importation set forth in ... § 602 would render § 602 virtually meaningless.” Second,
recognizing a first-sale defense as to goods manufactured abroad would impermissibly extend the Copyright Act extraterritorially. After being denied rehearing, Costco petitioned for a writ of certiorari.

On November 8, 2010, the Supreme Court heard oral argument. The questioning signaled little about the ultimate decision in the case. Newly appointed Justice Elena Kagan did not participate in the decision as she had submitted briefs as Solicitor General when Costco petitioned the Supreme Court, leaving eight justices to adjudicate the matter. On December 13, 2010, the Court issued a per curiam opinion which stated, in full, “The judgment is affirmed by an equally divided Court.” In so doing, the Court punted the ball back to the tangle of the appellate courts.

While the Omega opinion will never be famous for its contributions to stare decisis, it is notable for its lack of guidance as to the substantive law. Per curiam opinions from the Supreme Court are rare. The Supreme Court has only issued 92 per curiam decisions in the last decade. More rare is a per curiam decision without opinion where a jurisdictional defect is not present. Of those 92 cases, only five others were decisions without opinion, like Omega. Only two of the 92 per curiam decisions were intellectual property cases, excluding Omega. Further, in the last 20 years the Court has issued only one other per curiam decision in an intellectual property case.

Each of the previous intellectual property per curiam decisions was accompanied by an opinion, albeit without precedential value. The Supreme Court's failure to clarify the interpretation of the first sale doctrine led to Second Circuit's decision in Wiley v. Kurstang.

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69 Id. See also Quality King, supra note 25, at 145 n.14 ("[T]he owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine [in the US] even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does."); Subafilms, Ltd. v. MGM-PATHE Commc'ns Co., 24 F.3d 1088, 1095-96 (9th Cir. 1994) (discussing the extraterritorial effects of the Copyright Act); Scorpio, supra note 39, at 49 (asserting the extraterritorial argument).


72 See id. (finding that 20 of the 92 per curiam cases were issued as such when certiorari was improvidently granted).

73 Id.


76 See Wiley, supra note 61, at 210. Three other district court cases upheld the right of the publisher to prevent importation of international versions of its textbooks. See also Pearson Educ., Inc. v. Arora, 717 F. Supp. 2d 374 (S.D.N.Y 2010); Pearson Educ., Inc. v.
B. After Omega, the Second Circuit Takes Up Wiley

In Wiley, a college student in the US had his family members in Thailand send him legally purchased textbooks. The student then sold the textbooks over the Internet. John Wiley & Sons, Inc., the publisher of the books, brought suit under §501. The student, now defendant, Supap Kirtsaeng, attempted to use the first sale doctrine as a complete defense. The Southern District of New York barred the application of the first sale doctrine; the Second Circuit affirmed.

The textbooks Kirtsaeng imported were not the US editions, but rather were international editions that Wiley did not offer for sale in the US. These texts were made abroad, a fact clearly marked on each edition. Each international edition also stated that the book could not be exported and that doing so would be in violation of its copyright. While Wiley admitted that the editions were generally comparable, it still contended that the editions were materially different in overall content. For instance, the US editions included multimedia additions that the international versions lacked. The physical textbook was also of lesser quality than the US edition. Finally, the price of these versions was often much lower than the US editions. This difference made an attractive business model to Kirtsaeng who operated this business in order to subsidize his college tuition.

In an October 2009 pre-trial hearing, the district court judge prohibited Kirtsaeng from raising the first sale doctrine as a defense to the §602(a) charge by striking any reference to the first sale doctrine in the proposed jury instructions. The court expressed reservations about the application of a "bright line rule" in application of §109(a), citing the dicta in Quality King as the grounds for its decision. The court looked at the legislative history of the section, finding it inconclusive. It found that persuasive policy arguments could be made for both statutory interpretations. It did suggest, however, that "[c]ustoms does not seem to

Kumar, 721 F. Supp. 2d 166 (S.D.N.Y. 2010); Pearson, supra note 6, at 407.

78 Wiley, supra note 61, at 213.
79 Id. at 215.
80 Id. at 222.
81 Id. at 213. 
82 Id.
83 Id.
84 Amended Complaint at 12, John Wiley & Sons, Inc. v. Kirtsaeng, 654 F.3d 210 (2d Cir. 2011) (No. 09-4896-cv) ("The Foreign Editions materially differ from the United States editions. The Foreign Editions have thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, lower quality photographs and graphics, and generally lower prices . . . .").
85 Id. at 214.
87 Id. at 1438; see H.R. Rep. No. 94-1476 (1976), reprinted in 1976 U.S. C.C.A.A.N. 5659, 5780-85 ("[i]n Congress, except with regard to copies irrelevant to this dispute, repealed the section of the Act pre-conditioning U.S. copyright protection on manufacture in the U.S."). Congress then banned imports of certain copyrighted materials. Some suggested that the ban only extend to 'piratical copies.'
be an appropriate agency for enforcement of private contracts."

The Second Circuit affirmed this ruling on August 15, 2011. In its opinion, the Court first engaged in a textual analysis of the phrase, "lawfully made under this Title." The opinion addresses the extraterritorial application of the Copyright Act and the presumption against such a reach of US law, despite the reach of §104(b) of the Act, which does permit such an application. Ultimately, the Court determined that a textual analysis alone could not be dispositive. Confronted with what it called the "utterly ambiguous text" of "lawfully made under this Title" the Second Circuit decided to adopt a position it found was both in line with §602(a) and the Quality King decision. Noting that the word "made" is not a term of art in the Copyright Act and that the word "under" is a chameleon," it thus concluded that, "lawfully made under this Title... refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works." In doing so, the Second Circuit relied heavily and explicitly on the dicta in Quality King.

While the Second Circuit and Omega courts relied heavily on the extraterritorial enforcement in their positions, each disregarded the fact that the Quality King court had dispensed with this issue. In Quality King, the majority stated, "protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does." It is not an application of US law beyond its borders; "It simply provides a defense to an infringement action brought in a U.S. court by a U.S. copyright holder." Thus, the reliance on that argument is misplaced.

In a global economy where any person or business can acquire goods from anywhere in the world with a few clicks of a mouse, this issue will not go as quietly into that good night as the Supreme Court Justices might have liked. It is an issue that must be dealt with directly and decisively. Less than a year from the issuance of the per curiam opinion in Omega, the Second Circuit confronted this same issue. In fact, the case was pending at the time of oral argument in Costco where the Court chose to provide no guidance. However, it was the dissent in Wiley that

87 Wiley, supra note 61, at 1439.
88 See Wiley, supra note 61.
89 Id. at 220.
90 Id. at 219 (quoting Kucana v. Holder, 130 S. Ct. 827, 835 (2010)).
91 Id. at 222.
92 Quality King, supra note 25, at 147 (noting it "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.").
93 Id. at 145 n.14.
better reflected the policy implications in play and came to a more rational interpretation of "lawfully made under this Title."

Judge Murtha's dissent reads *Quality King* as interpreting the copyright owner's right to control the importation of her work under §602(a) as derivative of the distribution right under §106(3), a right subject to the first sale doctrine. Judge Murtha points out that the statutory text does not refer to a place of manufacture asserting, "lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law."96 She states that, "A U.S. copyright owner may make her own copies or authorize another to do so. 17 U.S.C. §106(1). Thus, regardless of place of manufacture, a copy authorized by the U.S. rights holder is lawful under U.S. copyright law."97 The opinion acknowledges the holding in *Sebastian*, stating, "when Congress considered the place of manufacture to be important ... the statutory language clearly expresses that concern" and cites the language in §601(a)(1) as an example.98

In examining the policy implications of applying the first sale doctrine to foreign-manufactured goods, the dissent in *Wiley* adopted the reasoning in *Pearson* that, "Once the copyright holder has controlled the terms on which the work enters the market, i.e., the purpose of the distribution right, 'the policy favoring a copyright monopoly for authors gives to the policy opposing restraint of trade and restraints on alienation.'"99 The dissent, recognizing the transaction costs and uncertainty in the secondary market that would result from the majority's interpretation of the first sale doctrine, argues against providing an incentive for US copyright holders to manufacture their work abroad. It gives short shrift to the judicial compromise created by the Ninth Circuit in *Denbicare*,100 featured later in the *Omega* decision, which applies the first sale doctrine to copies made outside the United States only when there has been one authorized US sale.101 According to the dissent, the first sale doctrine applies to foreign-manufactured goods because neither legislative history, economic policy, nor statutory language supports a contrary interpretation. The position set forth in this dissenting opinion best reconciles the competing interests at stake while giving meaning to both sections of the Copyright Act.

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96 Wiley, supra note 61, at 226.
97 Id.
98 See generally Sebastian, supra note 17, at 1098 n.1 (stating that "Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is protected under this title is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada.").
99 Wiley, supra note 61, at 227 (Murtha, J., dissenting) (quoting Pearson, supra note 6, at 410).
100 Denbicare U.S.A. Inc. v. Toys "R" Us, Inc., 84 F.3d 1143 (9th Cir. 1996).
101 Id. at 1149–50.
C. How Do Other Countries Treat Parallel Imports?

Both Japan and Australia have modified their copyright acts to address parallel importation. The European Union (EU) allows parallel imports among member states, but not between a member state and a non-member state. The copyright statute recently enacted in China does not mention the doctrine at all. The TRIPS protocol restricts the importation of piratical goods, but does not expressly prohibit parallel importation.\(^\text{102}\)

Japan

Japan has express provisions in its copyright statute regarding first sale or exhaustion. The Japanese Copyright Act was updated in 1999 to treat the issue of parallel imports. It was codified in Article 26bis of the Act.\(^\text{103}\) The Japanese Act provides that national exhaustion happens when either a domestic or international sale of an original or copy of any work, except movies, is made.\(^\text{104}\) To be valid, the sale or transfer must be made by, or with the consent of, the copyright owner.\(^\text{105}\)

There has been one case in Japan dealing with a parallel import. In that case, authentic Disney VHS tapes were purchased in the US and imported into Japan. The VHS tapes were subsequently sold in Japan. A Tokyo District Court held that Disney retained the right of rental or lease of the tapes and the Japanese sale of them infringed that right. However, the case occurred prior to the 1999 revision. Thus, the court's reasoning was based on Art. 26 and the inexhaustible right of domestic distribution, not the importation of the tapes under Art. 26bis. Consequently, Art. 26bis has yet to be interpreted by a Japanese court.

ii. Australia

Australia has made a series of amendments to its Copyright Act of 1968 over


\(^{103}\) Japanese Copyright Act Art. 26bis, COPYRIGHT RESEARCH AND INFORMATION CENTER, http://www.cric.or.jp/cric_e/elj/elj.html.; See also CHRISTOPHER HEATH, INTERNET TRADE, DIGITAL WORKS AND PARALLEL IMPORTS, IN COPYRIGHT LAW AND THE INFORMATION SOCIETY IN ASIA 79, 80 (Christopher Heath & Kung-Chung Liu eds., 2007).

\(^{104}\) Id.

\(^{105}\) Id.
the past 20 years. These amendments codify the country’s relatively tolerant policy
toward parallel imports. In 1990, the country began to allow the parallel
importation of books. In 1998, the government lifted a previous ban on the
parallel import of sound recordings. Between 1990 and 2000, although allowing
the parallel import of books and then sound recordings into the country, the
importer had to give the right holder a one-year monopoly period. The Act was
amended in 2000 to remove the 12-month waiting period on the import of sound
recordings and books. Finally, in 2003, the Act was amended to allow the parallel
import of computer software and electronic versions of books, periodicals, and
sheet music. The stated reason for this shift in policy and subsequent revision of
the Act was to allow Australian citizens the opportunity to purchase goods for less
from importers. Thereby, the right holder in Australia no longer has a monopoly
in the country to set the market price.

All of these amendments from 1990 to 2003 were then jointly renamed the
Copyright Amendment (Parallel Importation) Act of 2003. This Act, which
extended the previous applications, went into effect on May 13, 2003. The
extensions included §130, which together with its sub-sections, creates the
presumption that the imported material is infringing. As a result, the burden is on
the importer of the copyrighted material to prove that the material is non-
infringing.

European Union

The examination of laws within the EU is different than the examinations of
most foreign countries. Each member state has its own laws and is still a
sovereign. In the event of a conflict between a country’s law and EU law, (EU
Community Law or ECL), the Community Law prevails. The policy behind the
European Union is to provide an internal market for the free movement of goods
and services. To further that policy goal the European Community Treaty

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106 Copyright Act 1968 § 44A, COMMONWEALTH CONSOLIDATED ACTS,
107 Id. § 112D.
108 Id. § 44E.
109 Id. §44F.
110 MIRANDA FORSYTH & WARWICK ROTHNIE, PARALLEL IMPORTS AND EXHAUSTION, IN
THE INTERFACE BETWEEN INTELLECTUAL PROPERTY RIGHTS AND COMPETITION POLICY 429,
452 (Steven D. Anderman ed., 2007).
111 Copyright Act 1968 §§ 130A-C, COMMONWEALTH CONSOLIDATED ACTS,
lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:61964J0006:EN:NOT.
2004).
prohibits member nations from using their domestic laws to hinder free trade within the EU. This implies that after the first consensual sale in the European Economic Area (EEA), an area slightly broader than the EU, the intellectual property owner's rights exhaust. However, if the goods are sold outside of the EEA, no exhaustion occurs.

Thus, the ECL's copyright exhaustion statute is in accord with the barrier-free trade policy of the EU. As a result, parallel importation can occur among member states of the EU, but not between a member state and a non-member state. In *Deutsche Grammophon*, the European Court of Justice held that copyrighted works must be "distributed throughout the community," without owners preventing distribution with their exclusive rights. However, even after a sale entirely within the EEA the rental rights of the copyright do not exhaust.

With regard to more recent technology, the European Commission has found that there is no exhaustion for digital downloads of copyrighted works after a first sale. This is similar to how US law treats digital downloads. In the US, digital downloads (iTunes, Kindle books) are licenses and not first sales.

**China**

A country not noted for its strict enforcement of foreign copyrights, China recently enacted its first copyright statute. The new act does not explicitly address the issue of parallel importation or the first sale doctrine.

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115 FORSYTH & ROTHNIE, supra note 109, at 445.
116 Id.
117 Id.
119 FORSYTH & ROTHNIE, supra note 109, at 447.
120 Id. (citing Report on the implementation of the Software Directive, COM (2000), 17, (10 April 2000)).
121 See, e.g., Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111 (9th Cir. 2010) (holding that "a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restriction."); See generally, 2 NIMMER, supra note 2, § 8:12 [1] (noting that the question of whether a transfer is a "first sale" or merely a license has been litigated frequently in the context of computer software. Typically, courts will consider software licensed rather than sold; thus nullifying the first sale defense in an infringement claim. Id.
Japan, Australia and the EU have all dealt with parallel imports in their respective copyright acts; the US must do the same. Given the vacuum in guidance by the Supreme Court, legislative action is the only way to dispel the ambiguity in the phrase “lawfully made under this Title.”

D. How Do Other Intellectual Property Law Regimes Treat the First Sale Doctrine?

Patent Law

Like copyright law, patent protection exists to grant the creator a reward, in this case, a monopoly. The first sale doctrine, or the exhaustion of rights doctrine as it is more typically known in patent law, does not differentiate based on place of manufacture. "Under the Patent Act, one who, ‘without authority . . . offers to sell . . . within the US or imports into the US any patented invention during the term of the patent . . . infringes that patent.” The question of who can authorize such a sale is oft litigated in this context, but the issue of place of manufacture is not a source of controversy as it is in copyright law. Instead, it is the place of first sale that is likely to determine whether exhaustion has occurred. The Patent Act identifies the circumstances under which parallel importation can occur, avoiding entirely the varied and tortuous interpretations inspired by the language of the Copyright Act.

Both patent and copyright laws have their foundation in the United States Constitution. The Supreme Court has taken the opportunity in the past to coordinate doctrines in copyright and patent law; for example, finding in MGM Studios v. Grokster that secondary liability existed in copyright law based, in part, on patent law's application of this theory. Given the similarity in the source of authority and the consistency in the policies underlying of the two regimes, it makes sense to look to patent law for direction on the exhaustion of rights doctrine.

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123 U.S. CONST. art. I, § 8, cl. 7.
127 35. U.S.C. 271(a)
Trademark Law

Section 42 of the Lanham Act prohibits the importation of any copy or simulation of a registered trademark. This would seem to suggest that parallel importation is sufficiently prohibited. In response to a US Court of Appeals decision widely seen as undermining protection from parallel importation, Congress enacted §526 of the Tariff Act of 1930, which prohibits importation into the US, any merchandise of foreign manufacture if it bears a registered trademark owned by a US citizen or corporation. The Supreme Court interpreted the customs provision in Knart v. Cartier so as to permit otherwise legal parallel imports to continue under §526. However, the right to prevent importation still exists if the goods are materially different from those authorized for sale in the US such that consumer confusion would result. After all, the prevention of consumer confusion is the primary goal of trademark protection. While trademark law takes a broader view of the first sale doctrine, or perhaps a narrower view of when rights are exhausted, this view is consistent with the underlying purpose of the trademark statute, a purpose far different from copyright law.

PROPOSAL
CONGRESSIONAL ACTION IS THE BEST SOLUTION

The expansion of global commerce and trade makes the resolution of this issue even more critical. The Supreme Court could, of course, take up this issue again with nine voting members. Until such time, the interpretation of the text of "lawfully made under this Title" is rife with speculation and inconsistency. In the

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130 15 U.S.C. § 1124 (2006) ("no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer ... which shall copy or simulate a trademark registered in accordance with the provisions of [the Lanham Act] ... shall be admitted to entry at any customhouse of the United States.")
134 Id. at 185–87 (holding that Section 526 allowed trademark owners another option to halt imports but that the embargo in the Section was not a mandatory method of enforcement).
135 See id.
136 See generally McCarthy, supra note 36, § 29:46, at 2 (stating that trademark law is premised not in providing protection to the owner of the mark but rather ensuring that the public is able to determine the source of their goods).
unlikely event that the Court should choose to address this issue again so quickly, the Court should adopt the position reflected in the *Wiley* dissent. This position recognizes the economic implications involved in this issue and trims the broad rights that the Second and Ninth Circuit have conferred to copyright holders—rights that could never have been intended to be granted to them. Reversing both *Omega* and *Wiley* would not take a monumental effort or create the need to overturn past decisions. Both holdings find their footing in the dicta and concurrence of *Quality King*; neither of which is binding authority. However, given the ambiguity in the Copyright Act over the term “lawfully made under this Title,” the branch of government that drafted this section in the first place is best suited to rectify the situation.

The *Wiley* dissent is the best judicial interpretation to date. It allows both §109(a) and §602(a) to operate, does not diminish either section and does not confer greater rights to foreign made goods, which could have never been the intent of Congress. Both the *Wiley* court and the plaintiff in *Omega* reasoned that if the first sale doctrine were to apply to foreign made goods it would leave no room for §602(a) to operate and that it could not have been Congress’ intent to eliminate this portion of the Copyright Act. However, as pointed out in Judge Murtha’s dissent, §602(a) will still apply to pirated copies and unsold goods. Under the reasoning in the dissent, domestic and foreign manufactures would stand on equal footing with regard to the first sale doctrine and the remaining sections of the Act would still be viable.

Although such a sensible and balanced reading by the Court would resolve the matter, the most desirable means of change is for Congress to restate or explicitly define “lawfully made under this Title.” The phrase “lawfully made

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137 See also 2 NIMMER, supra note 2, at §§8:12.

With two cases briefed and argued over the course of a dozen years, the matter remains as murky as ever after the latest 2010 ruling. The filed remains as contested as ever. Perhaps Congress will yet decide to intervene in order to clarify the interrelationship of copyright law’s importation right with its first sale doctrine. Since Nimmer’s remarks, a third case, *Kirstaeng*, has been briefed and argued before the court.

The Supreme Court granted certiorari in *Omega*. Given that the case arose in a posture of true foreign manufacture, rather than the “round trip” that characterized *Quality King*, the hope arose that resolution would finally come to this tortured realm. But the case instead produced only more confusion, when the justices divided four to four, and thus ended up affirming the Ninth Circuit’s ruling by default. That 2010 affirmation, if anything, casts more doubt than reassurance on the correctness of *Omega*’s reasoning. Although four justices found its logic convincing enough to affirm, an equal number were willing to take the step of reversing. The foundation for Scorpio and its line must therefore be regarded as wobbly. With two cases briefed and argued to the Supreme Court over the course of a dozen years, the matter remains as murky as ever after the latest 2010 ruling.

Emblematic of the turmoil is a later Second Circuit case plowing the same field. The majority followed the Scorpio approach to hold that books manufactured abroad and sold in
under this Title” is used eight times in the Act. In fact, it is used more times in sections not pertaining to this debate than it is used in the sections that do. This question of interpretation is thus larger than any of these cases or the parallel importation issue, as any final interpretation of the phrase by the Supreme Court will be used in those other sections, such as §§110 and 114. Thus, it is best for Congress to either explain the meaning of this phrase or to amend its wording. The legislative solution is a simple one which would bring the definitions in this section in line with other sections of the Act, make the copyright policy on first sale consistent with other intellectual property regimes, and bring US copyright law in synch with similar, competitive jurisdictions. If Congress fails to act, there is a distinct possibility that an interpretation, which prefers foreign made goods over domestically, made ones, could prevail. Certainly such a result is not what Congress intended originally, nor one that it is likely to endorse in today's economic climate.

B. Is this the Purpose of Copyright Law?

A fundamental question remains: Is this how copyright law should be used? In Wiley the good in question was a clearly a copyrighted work, an educational textbook. However, in Omega the basis for protection was not the watch as a whole that Omega registered with the Copyright Office, but a symbol on the rear of the watch's face was less than a centimeter in diameter. This miniscule symbol was used to control the import of the entire device. In effect, Omega used its

the European or Asian market could not be validly imported into the United States. It rejected the plaintiff's textual reading that "lawfully made under this title" can mean only works "lawfully made in the United States." But, after considering a variety of sources, it ultimately construed the "utterly ambiguous text" of the statute as being "best interpreted as applying only to copies manufactured domestically." But the dissent disagreed, and would apply the first sale defense to works wherever manufactured. Because the U.S. copyright holder authorized its subsidiary to produce the subject volumes abroad, this view would allow their importation into the United States. In sum, the field remains as contested as ever. Perhaps Congress will yet decide to intervene in order to clarify the interrelationship of copyright law's importation right with its first sale doctrine.


See 2 Nimmer, supra note 2, §§8.12, at n.10 (neither the Uniform Commercial Code nor common law uses the place of manufacture as a basis for determining the validity of the sale of goods).

Wiley, supra note 61, at 214 (acknowledging the preference for this very action: "If we have misunderstood Congressional purpose in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen by Congress or which Congress now finds unpalatable, Congress is of course able to correct our judgment.").
trademark as a copyright in order to control the sale of the entire good. This manipulation of the Copyright Act could not be what was intended in extending a monopoly to creators of an original work.

The Copyright Misuse Doctrine should not be misused to remedy this ambiguity

The Omega v. Costco saga did not, in fact, end in the Supreme Court. Subsequent to the Supreme Court decision, the district court heard Costco’s motion for summary judgment on the grounds of copyright misuse, considering these same policy concerns. The copyright misuse doctrine “prevents copyright holders from leveraging their limited monopoly to allow them to control areas outside of their monopoly.” The doctrine was first recognized in the copyright context in Lasercomb America, Inc. v. Reynolds. Its application in this context has not met with universal acclaim.

Copyright misuse occurs when a “copyright is being used in a manner that violates the public policy embodied in the grant of copyright.” It is a catch all remedy of sorts for uses that violate the spirit, if not the letter, of the law. Typically, the doctrine is applied in circumstances that also suggest a violation of anti-trust law. Most recently, the doctrine has played an integral part in litigation over tying arrangements proposed by software manufacturers. Some, although not all courts, have been willing to apply the misuse doctrine outside of the anti-trust doctrine when a compelling public interest is at stake.

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141 A & M Records, Inc. v. Napster, 239 F. 3d 1004, 1026 (9th Cir. 2001).
142 Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 979 (4th Cir. 1990).
143 See 2 NIMMER, supra note 2, § 13.09, at 3.
144 Reynolds, supra note 140, at 978. See also Omega, supra note 94, at 2-3 (holding that Omega’s admitted use of its “globe design” to have import control over its watches was copyright misuse).
145 Napster, supra note 139, at 1026–27 (rejecting Defendant’s attempted use of the misuse defense). Defendant alleged that the record company plaintiff “colluded to ‘use their copyrights to extend their control to online distributions.’” Id. at 1026; Reynolds, supra note 140, at 979 (holding that a clause in Plaintiff’s software license prohibiting a licensee from creating similar software to be misuse). See also NIMMER, supra note 2, § 13.09, at 3.
146 See MYD Indus., LLC v. Blizzard Entm’t, 629 F.3d 928 (9th Cir. 2010); Assessment Techs. of WI, LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003); See also Michael Meurer, Copyright Law and Price Discrimination, 23 CARDOZO L. REV. 55 (2001); See generally 4 NIMMER, supra note 2, § 13.09.
147 See e.g., Blizzard, supra note 144, at 935; Storage Tech. Corp. v. Custom Hardware Eng’g & Consulting, Inc., 431 F.3d 1374, 1377 (Fed. Cir. 2005).
148 E.g., Reynolds, supra note 140, at 976 ("[w]e are of the view, however, that since copyright and patent law serve parallel public interests, a "misuse" defense should apply to infringement actions brought to vindicate either right."); See Brett Frischmann & Dan Moylan, The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software, 15 BERKELEY TECH. & L. J. 865 (2000).
On November 9, 2011, the district court sided with Costco, holding that "Omega used the defensive shield of copyright law as an offensive sword." The court expanded the Ninth Circuit's application of the copyright misuse doctrine in applying it to a situation that involved neither tying nor a restrictive license. Acknowledging that the doctrine has been limited to such circumstances, the court found that "this is not to say that copyright misuse could not exist in other situations." It justified the expanded application of the doctrine on the grounds that "the broad definitions in Lasercomb, Practice Management and A & M Records deliberately chose a broad definition so that the rule could be applied to new situations as they arose." The court stated that "[I]f the contrary were true then those courts would have made a tying arrangement or a licensing agreement a necessary element of copyright misuse." Suggesting the possibility that the doctrine might continue to be expanded, the court reiterated the Ninth Circuit's position in a recent copyright misuse case stating that "...copyright misuse is an equitable defense to copyright infringement, the contours of which are still being defined."

Given this expanded application of the doctrine, and Omega's own admission that the purpose of the Globe Design was for purposes of controlling importation, the court found that "Omega misused its copyright of the Omega Globe Design by leveraging its limited monopoly in being able to control the importation of that design to control the importation of Seamaster® watches." Omega's efforts to suggest that the design had a separate aesthetic purpose that would defend against any accusation of misuse fell on unsympathetic ears.

Presuming that this opinion represents the last leg of the litigation between the two parties, the end result here is a good one. It was arrived at, however, in the wrong way. No expansion of the copyright misuse doctrine was necessary. What was required instead was a clarification of the underlying language in the Copyright Act that was at the heart of this dispute in the first place.

**ii. Defendants should not bear the burden of these "offensive" actions**

No matter what the Supreme Court or Congress does about parallel

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149 Once again, the circumstances at issue seemed to inspire judicial brevity. Despite an expansion of a controversial doctrine, the court's opinion in the case is a mere four pages long.
150 Omega, supra note 3.
151 Id. at 2.
152 Id.
153 Id. (citing Blizzard, supra note 144, at 941 n.13).
154 Blizzard, supra note 144, at 941, n.13 (declining to address the application of copyright misuse in this case, finding infringement on alternative grounds).
155 Omega, supra note 3, at 2.
156 Id. at 2.
importation, this type of "offensive" action undermines both the purposes and integrity of the Copyright and Lanham Acts. By using the Copyright Act as an end run around the Lanham Act, manufacturers like Omega erode the integrity of both statutes. This "creative" legal strategy should not be rewarded with recognition by the Supreme Court, nor by the employment of the Customs service to enforce it. Defendants like Costco should not have to bear the burden of litigating such offensive actions, in both meanings of the term.

CONCLUSION

The Supreme Court abdicated its power to direct the application of the first sale doctrine when it issued its *per curium* opinion in *Omega* without opinion. The economic realities of the marketplace, colored by technological advances, make a resolution of this matter imperative. Congress must act to delineate what it did not clearly define in the first place. The logic and language of the Copyright Act dictate that such a clarification recognize the exhaustion of the copyright owner's rights with the first sale of the good, regardless of the place of manufacture.
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–Jennifer Wai-Shing Maguire