No. 08-1423

IN THE

Supreme Court of the United States

COSTCO WHOLESALE CORPORATION,

Petitioner,

v.

OMEGA S.A.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF *AMICI CURIAE* RETAIL INDUSTRY LEADERS ASSOCIATION, NATIONAL ASSOCIATION OF CHAIN DRUG STORES, AMAZON.COM, INC., GAMESTOP CORP., MOVIE GALLERY, INC., QUALITY KING DISTRIBUTORS, INC., AND TARGET CORPORATION IN SUPPORT OF PETITIONER

SETH D. GREENSTEIN
CONSTANTINE CANNON LLP
1627 I Street N.W.
Washington, D.C. 20006
(202) 204-3500

Counsel for Amici Curiae

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QUESTION PRESENTED

Under the Copyright Act's "first sale" doctrine, codified at 17 U.S.C. § 109(a), the owner of any particular copy "lawfully made under this title" may resell that good without the authority of the copyright holder. In *Quality King Distribs., Inc.* v. *L'anza Research Int'l, Inc.*, this Court posed the question presented as "whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies," and answered it in the affirmative. *Id.*, 523 U.S. 135, 138 (1998). In the decision below, the Ninth Circuit limited *Quality King* to its facts, and held that the first sale doctrine only would apply to goods manufactured in the United States, sold abroad, and then re-imported. The question presented here is:

Whether the Ninth Circuit correctly held that the first sale doctrine does not apply to imported goods lawfully manufactured abroad by the copyright owner; in statutory terms, whether in § 109(a) the phrase "lawfully made under this title" excludes lawful copies made by the copyright owner outside the United States?

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STATEMENT OF INTEREST[1]

Retail Industry Leaders Association ("RILA"), established in 1969 as the Mass Retailing Institute, represents the interests of retailers, product manufacturers, and service suppliers. Its 600 member companies include the largest and fastest growing companies in the retail industry, and account for more than $1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

National Association of Chain Drug Stores ("NACDS") represents the largest component of pharmacy practice in the United States – retail chain community pharmacies, including chain drug stores, and supermarket and mass retail pharmacies. Founded in 1933, today NACDS membership consists of more than 170 chain community pharmacy companies operating more than 39,000 retail community pharmacies, as well as nearly 1,000 suppliers of goods and services to chain community pharmacies. Annual sales of NACDS retail members total more than $750 billion, including $250 billion in prescription medicines, over-the-counter medications, and health and beauty aids.

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[1] The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, their respective members, or their counsel made a monetary contribution to its preparation or submission.

Amazon.com, Inc. was incorporated in 1994, with its principal corporate offices located in Seattle, Washington. Amazon.com started selling books online in 1995, out of the belief that only the Internet could offer the convenience of browsing millions of book titles in a single sitting. Today, Amazon.com offers for sale via its websites in the United States and foreign countries a broad array of entertainment, electronic, and household products. Since 1999, when Amazon.com offered its e-commerce platform to other retailers and to individual sellers, hundreds of thousands of world-class retail brands and individuals have sold goods to tens of millions of customers through the Amazon.com e-commerce platform.

GameStop Corp. is the world's largest video game retailer, selling new and used video game software, hardware and accessories. The company operates over 6,200 stores in the United States and throughout the world. GameStop owns two successful e-commerce retail sites and the largest multi-platform video game publication in the United States. Headquartered in Grapevine Texas, GameStop is a Delaware company traded on the New York Stock Exchange with over 45,000 employees.

Movie Gallery, Inc. is the second largest North American home entertainment specialty retailer, with approximately 3,270 retail stores, located throughout North America that rent and sell DVDs, Blu-ray discs, video games, concessions, and entertainment-related retail items. Its eastern-based Movie Gallery and western-based Hollywood Video branded stores combine to cover urban, rural and suburban markets nationwide.

The Game Crazy branded locations are dedicated game retail departments to buy, sell and trade new and used video game hardware, software and accessories. Movie Gallery, a Delaware corporation, was incorporated in 1994.

Quality King Distributors, Inc. ("QKD") is a family-owned wholesale distributor of health, beauty and cosmetics products, located in Bellport, N.Y. Founded in 1961 in a storefront in Queens, New York, QKD has become one of the largest privately-held businesses in the tri-state area surrounding New York City. QKD's customer base includes most of the mass retail chains including drug store chains, mass discount chains, grocery chains, and independent stores. QKD ships to customers in all 48 of the contiguous states as well as the District of Columbia. Notably, QKD was the petitioner in *Quality King*, in which the Court last had occasion to address the application of the first sale doctrine of the Copyright Act to imported goods incorporating ancillary copyrighted works.

Target Corporation, headquartered in Minneapolis, Minnesota, is a leader in discount retailing, offering stylish merchandise at affordable prices. The first Target store opened in Roseville, Minnesota, in 1962, as the first mass market discount retail store opened by The Dayton Company – a company that traces its heritage back more than 115 years to the first stores opened in downtown Minneapolis by its founder, George Dayton. Today, Target operates approximately 1,700 stores in 49 states, and employs approximately 350,000 people nationwide. Through its website, Target.com, Target offers for sale and home delivery a wide variety of books, music, videos, household, and health and beauty products.

The *amici* exemplify wholesale and retail commerce in the 21st century. These *amici* and their members include suppliers, importers, purchasers, and retailers that produce, buy, and resell domestic and imported consumable and durable goods to businesses and the public. They encompass the largest retailers in the United States and the world. They reach consumers through the brick and mortar stores located in urban, suburban, and rural communities, and the largest retail presence in cyberspace. Through online retail, they enable anyone to sell goods around the country and the world. In short, the *amici* make their physical home in every community, and virtually are as close as your laptop computer.

These companies also include many of America's largest retailers of copies of copyrighted works such as books, DVDs, video games, and compact discs.

Their customers rely on these retailers for the availability of high quality goods at reasonable prices. Thus, the *amici* have an interest, directly as to themselves and indirectly on behalf of consumers, in maintaining robust interstate and international commerce guaranteed under the first sale doctrine of United States copyright law.

As product manufacturing increasingly moves offshore, a substantial percentage of the products retailers offer for sale in the United States are produced and first sold abroad and imported. The raison d'être for wholesale importers and distributors is to find their customers the best possible discount pricing on goods to be resold at retail. Retailers need confidence that lawfully-produced goods they purchase from importers and distributors can be resold in United States commerce free from claims of copyright infringement.

Similarly, consumers have the right to purchase goods at discount prices free of constraints on their property rights. A major part of the value proposition retailers offer the public is the right to lend, give away, or resell the goods they purchase. The broad availability of used books, CDs, vinyl records, and DVDs offered for resale on Amazon.com, or previously-owned video games offered by GameStop and Movie Gallery, demonstrates the economic value of the aftermarket.

The principles underlying the first sale doctrine are of vital interest to suppliers, retailers, and their customers. Therefore, in support of the proper interpretation of the first sale doctrine by the Petitioner Costco, the *amici* submit this brief to inform the Court of the potentially destructive impact of the Ninth Circuit's decision upon modern commerce, and to urge the Court to grant certiorari in this important case.

ARGUMENT

The Ninth Circuit decision, *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008) threatens the right of retailers and consumers to be free from copyright restraints upon lawfully-produced imported goods offered for resale in the United States. It rewrites the first sale statute so as to limit its scope only to goods produced in the United States, to the detriment of American businesses and consumers that benefit from discount pricing of authentic parallel imported goods. The decision contravenes the principles of the first sale doctrine as most recently articulated by the Supreme Court. Such an interpretation neither is required by nor consistent with the plain language of 17 U.S.C. § 109; and, moreover, conflicts with sound copyright policy.

For these reasons, as set forth below, the petition should be granted.

I. THIS COURT SHOULD GRANT THE PETITION TO SAFEGUARD THE FIRST SALE DOCTRINE AND PRESERVE LAWFUL COMMERCE IN GENUINE PARALLEL IMPORTED GOODS.

To consumers and retailers, the first sale doctrine is the Magna Carta of property rights and open commerce in copies of copyrighted works. As interpreted by this Court, the first sale doctrine ensures to businesses and individuals the right to acquire and resell goods produced by the copyright owner regardless of whether the goods first were produced in the United States or imported from abroad.

In *Quality King Distribs., Inc. v. L'anza Research Int'l Inc.*, 523 U.S. 135 (1998), this Court analyzed the interaction of §§ 106, 109, and 602 of the Copyright Act, and held the importation prohibitions of § 602(a) are "simply inapplicable" to both domestic and foreign owners of lawfully-made products imported for resale in the United States. *Id.*, 523 U.S. at 145. Upon the first sale, even unauthorized resales do not infringe the copyright owner's exclusive right to distribute. *Id.* at 143. "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." *Id.* at 152.[2]

Quality King gave full force to the first sale doctrine by placing retailer and consumer first sale rights beyond the reach of the copyright owner:

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of a copyright owner, to sell" that item.

Id., 523 U.S. at 145.

By affirming the primacy of the first sale doctrine over the importation ban, the Court granted a crucial victory to commercial businesses and consumers alike. Retailers cannot reasonably know the full provenance of each of the thousands of lawfully-produced goods they sell. Goods may be bought and resold several times

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[2] *Cf. Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109, 2115 (2008) ("[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item").

before reaching retail shelves. Commonly, retailers acquire products not directly from the manufacturers, but through exporters, importers, and trading companies who, in turn, also may not deal directly with the manufacturers. Often these sources find authentic goods abroad for lower prices, and sell them to discount retailers in the United States. As a result, consumers buy the same quality goods but at lower prices.

As an example, *amicus* QKD distributes products to the wholesale and retail trade. To provide its customers with the lowest available prices, QKD sources products in both domestic and foreign markets. QKD often sells these goods to consumers at discount prices in competition with manufacturers or "authorized" distributors that would prefer to price discriminate and charge higher prices. Those were the facts of *Quality King* – the case which QKD brought before this Court to vindicate its right to sell, under the first sale doctrine, lawfully-produced imported goods it had purchased abroad.

The value of parallel imported goods sold annually in the United States represents a multibillion-dollar benefit to American consumers.[3] *Omega* clearly would

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[3] For example, a 2008 white paper prepared for an association opposed to parallel importation estimated $58 billion annually in parallel importation activity. *See* "Effective Channel Management is Critical in Combating the Gray Market and Increasing Technology Companies' Bottom Line," http://www.agmaglobal.org/press_events/press_docs/KPMG %20AGMAGrayMarketStudyWebFinal071008.pdf

choke off parallel importations, but in fact it goes much further. It applies to any copies or phonorecords of copyrighted works, and any goods incorporating a copy of a copyrighted work, manufactured outside the United States. On its face, the Ninth Circuit decision eliminates the first sale doctrine for all items made outside the United States, *even if manufactured, imported, and sold in the United States by or with authority of the copyright owner.*

Thus, under *Omega*, every retailer and consumer is potentially at risk of copyright infringement liability for transferring possession or title to any foreign-manufactured goods – including injunctive relief, seizure and loss of inventory, statutory damages (ranging from $750 to $150,000 per work), and payment of both plaintiff's and its own litigation costs and attorney fees.[4]

The principles announced in *Quality King* relieve retailers from unknown and unknowable infringement risks that jeopardize their businesses. This Court, in the analogous context of patent exhaustion, has acknowledged the threat to free commerce from such uncertain liability, and the important role of the

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[4] *See Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994) ("the purchaser of illegally imported copies has no more authority to distribute copies than does the original importer"); *American Int'l Pictures, Inc. v. Foreman,* 576 F.2d 661, 664 (5th Cir. 1978) ("even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder").

exhaustion doctrine in securing commerce and personal property rights:

> one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. . . . *The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.*

Keeler v. Standard Folding-Bed Co., 157 U.S. 659, 666-667 (1895) (emphasis added). Businesses need bright line rules to avoid the "disastrous or even lethal consequences" of infringement suits:

> businessmen are certainly entitled to know when they are committing an infringement. . . . But to what avail these congressional precautions if this Court, by its opinions, would subject small businessmen to the devastating uncertainties of nebulous and permissive standards of infringement under which courts could impose treble damages upon them. . . .[5]

In past cases, the Ninth Circuit acknowledged how an overbroad interpretation of § 602(a) would impose

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[5] *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 358 (1961) (Black, J., concurring).

undue burdens and financial risks against lawful commerce:

> [E]very little gift shop in America would be subject to copyright penalties for genuine goods purchased in good faith from American distributors, where unbeknownst to the gift shop proprietor, the copyright owner had attempted to arrange some different means of distribution several transactions back.

Disenos Artisticos E Industriales, S.A. v. Costco Wholesale Corp., 97 F.3d 377, 380 (9th Cir. 1996). While the *Disenos* court recognized that the "impracticality of the burden" raised troubling questions as to the correct interpretation of §§ 109 and 602, in that case it found no occasion to decide them.

The Ninth Circuit repeatedly has been faced with these same troubling questions pertaining to the copyright importation right. *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991), received almost-immediate criticism, even from the Ninth Circuit itself. As the court observed just three years later, *BMG Music* literally would give "foreign manufactured goods . . . greater copyright protection than goods manufactured in the United States" – a result it characterized as "absurd and unintended." *Parfums Givenchy, Inc.*, 38 F.3d at 482 n.8. Two years later, the court acknowledged that *BMG Music* was the target of "widespread criticism" from courts and legal scholars. *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1149-50 (9th Cir. 1996).

In the case leading to the Supreme Court decision in *Quality King*, the Ninth Circuit again conceded that legal commentators considered *BMG Music* a "flawed" decision. *L'anza Research Int'l, Inc. v. Quality King Distribs., Inc.*, 98 F.3d 1109, 1115 (9th Cir. 1996), *rev'd on other grounds*, 523 U.S. 135 (1998). And, presaging the need to resolve these issues, the Ninth Circuit reflected in *Disenos*: "The impracticality of the burden [plaintiff] would have us impose on the retailers gives us pause about whether its reading of *Parfums Givenchy* and *BMG Music* is correct." 97 F.3d at 380.

Quality King resolved these questions in favor of exhaustion. But in *Omega*, the Ninth Circuit reached the opposite conclusion. Because its prior decisions were not "clearly irreconcilable" with this Court's decision in *Quality King*, the Ninth Circuit effectively narrowed *Quality King* to its facts. *Omega*, 541 F.3d at 987-990. As a result, the decision creates substantial uncertainty among retailers and distributors, who must now weigh the consequences of selling any imported product that could have a copyrightable label, logo, or product insert – *i.e.*, virtually every product in their stores.

Omega also ignored how, as a matter of policy, a domestic manufacturing requirement burdens commerce and consumer welfare. As noted above, the "made in the U.S.A." rule absurdly applies to all copies of copyrighted works manufactured outside the United States – regardless if the copyright owner manufactured, imported into the United States, and sold the goods to a reseller or ultimate consumer. Suppose a copyright owner duplicates its DVD movie discs in Mexico, and imports and sells them in the United States.

Despite that the lawful copy was imported and sold by the copyright owner itself, under the Ninth Circuit interpretation, the first sale doctrine could not apply simply because the copy was not "lawfully made" *in* the United States. Consequently:

- Video stores that today purchase multiple copies of a movie during its initial release would no longer be able to engage in the common practice of reselling most of the copies as "previously viewed" disks for a much lower price.

- An individual consumer could watch the movie, but could not lend it to a friend, resell it online, or give it away as a present.

Thus, *Omega* imposes on businesses and consumers the precise restraints against free disposition of personal property that the first sale doctrine was intended to prohibit.[6]

If § 602 is interpreted to prevent importation of goods lawfully made by the copyright owner, the retail industry can have little confidence to sell nonpiratical goods acquired from an independent exporter or importer. Indeed, despite *Quality King*, given the practical difficulties in assuring the lineage of imported goods, retailers even would be at risk to re-import goods

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[6] Although a court might infer a right to resell via an implied license, the crux of the first sale doctrine is that it applies "without the authority of the copyright owner" – even over the copyright owner's objection.

produced in the United States. Where, as here, the copyright owner places no copyright notice on the goods, retailers have no reasonable way to ascertain whether goods are protected by copyright. And the risks are all the more egregious where, as in *Omega*, the copyrighted work is ancillary to the goods consumers purchase — and irrelevant to the reasons for the purchase.

The harm to consumers is equally obvious. Where retailer competition is subjugated to copyright owner price controls, the results are fewer imported goods offered at retail, in fewer retail outlets, and artificially inflated prices to consumers. And *Omega* likewise would stifle the burgeoning aftermarket for used books, CDs, DVDs, video games, and other works subject to copyright protection.

Thus, the *amici* urge this Court to grant the petition in this case so as to again set the first sale doctrine aright.

II. PETITIONER'S CASE IS A PROPER VEHICLE TO ADDRESS THESE VITAL ISSUES.

The question presented flows directly from *Quality King*. At the time of *Quality King*, a split existed among the circuits as to the proper interpretation of §§ 106(3), 109(a), and 602 of the Copyright Act. The Ninth Circuit based its decision in *Omega* on pre-*Quality King* decisions of that court and other circuits, and limited the reach of *Quality King* itself. Thus, the prior split among the circuits remains the root cause for the petition.

Even with no direct split among the circuits, the *amici* believe this case is a proper and timely vehicle to protect the first sale doctrine.

First, this case presents a paradigmatic scenario for the Court to squarely address the issues. This same basic fact pattern – whether the first sale doctrine trumps the use of an ancillary copyrightable element to exploit the importation statute – already has been addressed once by this Court, and has been replayed numerous times in courts in other jurisdictions over the decade since *Quality King* was decided. Yet, only in rare instances will a defendant have the wherewithal to mount an appeal to the circuit courts, no less to the Supreme Court. The typical case involves suits by a major manufacturer against a small or impecunious defendant.[7] Such cases rarely, if ever, proceed past summary judgment. The threat to a small retailer far outweighs the potential profit to be gained by offering relatively small discounts on imported goods.[8] Given

[7] *Microsoft Corp. v. Intrax Group, Inc.*, No. C-07-1840, 2008 WL 4500703 (N.D. Cal. Oct. 6, 2008); *Pearson Educ., Inc. v. Liao*, No. 07-CIV-2423, 2008 WL 2073491 (S.D.N.Y. May 13, 2008); *Microsoft Corp. v. Big Boy Distribs. LLC*, 589 F. Supp. 2d 1308 (S.D. Fla. 2008); *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245 (S.D. Fla. 2006); *Lingo Corp. v. Topix, Inc.*, No. 01-CIV-2863, 2003 WL 223454 (S.D.N.Y. Jan. 31, 2003).

[8] Where parallel import cases have been litigated and lost, the impact on defendants is as unpredictable as it is significant. *See, e.g.*, *Tesco falls as Levi's court case is lost*, BRAND REPUBLIC, Nov. 20, 2001, http://www.brandrepublic.com/news/15134/tesco-falls-levis-court-case-lost (reporting the 1.1% fall in Tesco shares immediately following a loss in a parallel import case against Levi's in the European Court of Justice, Case T-415/99 *Levi Strauss v. Tesco Stores*).

these risks, many retailers would simply forego the opportunity to purchase and sell certain imported goods.

Second, the cumulative impact of price discrimination to consumers and the economy is enormous. Unless the decision is reversed, the drain on consumers and the American economy could reach billions of dollars in higher prices for goods that could have been purchased more cheaply through parallel importation. That impact will become more pervasive, and more costly, given the rapid growth of commerce in new parallel imports and used imported goods via online retail and resale. According to figures in the United States Department of Commerce 2009 Statistical Abstract, online retail sales in 2006 totaled more than $106.5 billion, and constituted approximately 2.7% of all retail sales in the United States.[9] By 2012, the Abstract projects online retail sales to reach more than $334.7 billion.[10] The *amici* thus are concerned the erroneous holding of the Ninth Circuit could short-circuit the growth of online commerce, disrupting the myriad daily online transactions of corporate retailers and individual online sellers.

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[9] http://www.census.gov/compendia/statab/tables/09s1013.pdf

[10] http://www.census.gov/compendia/statab/tables/09s1015.pdf Statistics from eBay, Inc. further illustrate the growth, velocity and significance of online commerce. *See* eBay, Inc., *eBay Marketplaces Fast Facts at a Glance,* March 31, 2009, http://files.shareholder.com/downloads/EBAYPRESS/661446397x0x223370/C99E1580-C708-46FA-A1B5-3FB94A64ABB2/eBayMarketplacesFastFacts.pdf

Third, the Ninth Circuit's erroneous holding already is taking hold across the country.[11] If this Court does not address the issues at this time, potential plaintiffs may become increasingly emboldened to exploit the shrinking scope of the first sale doctrine so as to attack otherwise lawful parallel imports.

Thus, the *amici* respectfully submit that this case presents a timely, representative case to address the issue.

III. THE NINTH CIRCUIT'S INJECTION OF A DOMESTIC MANUFACTURING REQUIREMENT INTO SECTION 109 IS ERRONEOUS AS A MATTER OF LAW.

The petition concerns the proper interpretation of five words – "lawfully made under this title" – in § 109 of the Copyright Act. Under that codification of the first sale doctrine, transfer of title to a copy of a work exhausts the intangible copyright interest in further distribution of the tangible article, such that the owner of a copy is entitled to sell or otherwise dispose of it without the authorization of the copyright owner; indeed, even over the copyright owner's objection.[12]

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[11] *See Microsoft Corp. v. Intrax Group, Inc.*; *Microsoft Corp. v. Big Boy Distribs. LLC.*

[12] Section 109, entitled "Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord," provides in pertinent part:

> (a) Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord

(Cont'd)

Thus, as the Court held in *Quality King*, the first sale doctrine limits, for the benefit of the public and domestic commerce, the right of a United States copyright owner to prohibit importation into the United States under § 602(b). Goods purchased abroad that are "lawfully made under this title" can be freely imported into the United States, and sold and resold, without infringing any copyright.

Under the plain language of § 106, which governs whether a copy has been "lawfully made," a reproduction is lawful if made by or under the authorization of the United States copyright owner.[13] Nowhere does § 106 require that the copy also be made in the United States.

Thus, under the language of the statute, the place of manufacture does not matter. Any item lawfully made by or with the authority of the United States copyright

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(Cont'd)

> 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.

[13] Section 106 provides, in pertinent part:

> Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> (1) to reproduce the copyrighted work in copies or phonorecords; . . . .

owner is made "under this title" and, under *Quality King*, the first sale doctrine applies.

The Ninth Circuit ignored these principles and instead restricted *Quality King* to its facts. The Panel viewed *Quality King* as affirming the scope of the first sale statute only in context of a "round trip" importation of goods first manufactured in the United States. *Omega*, 541 F.3d at 987. However, in even its most narrow recitation of the question presented, this Court indicated its intention in *Quality King* to articulate a principle of law, not just a determination on the facts: "More narrowly, the question is whether the 'first sale' doctrine endorsed in §109(a) is applicable to imported copies." *Quality King*, 523 U.S. at 138. Thus, this Court characterized its own decision as resolving a general legal principle: that the first sale doctrine does apply to imported lawfully-made copies of a copyrighted work. The Ninth Circuit opinion cannot be squared with §109(a) and *Quality King*.

Similarly, the appellate court attributed too great weight to the two-sentence concurrence of Justice Ginsberg (limiting her affirmative vote to the facts of the case). Had the concurrence represented the views of the unanimous Court, it could have been incorporated in the unanimous opinion. Had it represented the views of any other Justice, her concurrence could have been joined by one or more Justices. With utmost respect, a concurrence by a single justice should not be presumed to represent the views of an otherwise unanimous Court. That is particularly true where the Court's own articulation of the question decided in *Quality King* had a broader scope.

Omega voiced concern that a plain meaning interpretation would result in an extraterritorial application of United States copyright law. But contrary to the Panel's view, copyright law is not applied extraterritorially when applied to a domestic copyright owner, like Omega, over whom the court clearly had jurisdiction. Because the act of manufacturing occurred under the protection of § 106 of the Copyright Act, it rendered the copies "lawfully made" under §109.

These facts contrast with the extraterritorial concerns discussed by this Court in *Quality King*; *i.e.*, where a domestic copyright owner separately assigned book publication rights to British and United States publishers under their countries' respective laws. 523 U.S. at 148. In that scenario, first sale of a book made under British copyright law could not exhaust the importation right in the United States.[14] Here, however, the domestic copyright owner itself produced the watches with the copyrighted logo. Because that manufacture was lawful under the Copyright Act, these lawfully-made copies also could lawfully be imported.

In sum, the Ninth Circuit decision finds no support in the language of § 109(a) or the Copyright Act, and runs contrary to the broader principles enunciated by this Court in *Quality King*. The Court should grant the petition.

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[14] *Cf. Boesch v. Graeff,* 133 U.S. 697 (1890) (importation of foreign lamps, lawfully made in Germany by manufacturer other than the patent holder, infringed rights of United States patent assignee).

IV. COPYRIGHT POLICY SUPPORTS THE APPLICATION OF THE FIRST SALE DOCTRINE TO GOODS LAWFULLY MADE ABROAD.

Amici and their members collectively sell annually hundreds of millions of copyrighted books, compact discs, DVDs, and video games. For copies of copyrighted works manufactured and sold at retail in the United States, it is a relatively simple matter to ensure that the copies offered for sale are authentic and not infringing. Less obvious is where the goods were manufactured, and how they were first acquired and resold (often more than once) before reaching the retailer's shelves or webpages.

Hundreds of thousands of other products sold by the *amici* members include material ancillary to the purchased goods, such as product labels or package inserts. As is the case with the watches at issue here, the goods themselves neither are purchased for their copyrighted content nor are intrinsically identifiable as copies of copyrighted works. Given the low threshold for copyright protection, as a cursory search through the online records of the U.S. Copyright Office demonstrates, copyright registrations routinely are granted for packaging, logos, labels, and product inserts for everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals. The consumer's interest is in the goods, not whether the packaging is an expressive copyrighted work.

The concern of the *amici* is not that these registrations are issued, but rather how these registrations can be and, as in this case, have been leveraged improperly to achieve commercial aims unrelated to any intrinsic value of copyrighted expression that purportedly is the object of protection. In *Quality King*, the plaintiff used a copyright on a label of hair care products to attack discount-priced competition from lawfully-made re-imported products. Other product manufacturers have sought to exploit copyright registration of essentially functional items as a means to stifle low-priced competition from sales of authentic parallel-imported goods. *See, e.g.*, *Denbicare U.S.A. Inc.* (packaging for reusable diapers); *Parfums Givenchy* (box for perfume).

Omega had designs to leverage the power of copyright law to prevent otherwise lawful parallel importation and to price discriminate between foreign and domestic retail sales — not to obtain a return on the copyrighted work itself. Omega admits it engraves the globe symbol on its watches to serve a policing function, not an aesthetic purpose. It is an enforcement tool against discount sellers of parallel imported goods. Thus, Omega's use of the globe is palpably no different than a non-copyrightable holographic seal on a compact disc or DVD movie.

The first sale doctrine plays a fundamental role to secure the rights to sell at retail in the United States and to dispose thereafter of lawfully-made goods legally acquired abroad. In today's global and online economy, it is impossible to overstate the potential disruptive impact on commerce if companies cannot import and sell goods lawfully made abroad consistent with United

States copyright law, and consumers cannot transfer ownership of their property.

Moreover, a domestic manufacturing requirement creates perverse incentives for United States copyright owners to produce all copies of their copyrighted works outside the United States. The impact of such a holding could be particularly far-reaching in cases, such as this, where a copyrighted symbol, label, or package design can be applied to virtually any goods offered for sale in the United States.[15] No copyright or public policy would be served by the potential losses of jobs and tax revenue, or the manifest disadvantages to consumer and commercial interests.

Applying the first sale doctrine only to domestically-produced goods also unfairly advantages foreign owners

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[15] Producers of copyrighted works also have attempted, in the past and present, to preserve their ability to price discriminate despite the first sale doctrine. Amidst the controversy leading to this Court's decision in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), motion picture producers sought unsuccessfully to amend § 109 to prevent commercial rental of videotapes by independent rental businesses. H.R. 5707, 97th Cong. (1982). *See* Peter S. Menell, *The Property Rights Movement's Embrace of Intellectual Property: True Love or Doomed Relationship?*, Paper 36 (2007), eScholarship Repository, Berkeley Center for Law and Technology, *http://repositories.cdlib.org/bclt/lts/36.* Recently, Redbox Automated Retail, LLC, which provides kiosks for $1 discount DVD rentals, sued a motion picture studio for restricting certain distributors from supplying them with DVD discs. *See Redbox Automated Retail, LLC v. Universal Studios Home Entm't., LLC,* Case 1:08-cv-00766-UNA (D. Del. filed Oct. 10, 2008).

of United States copyrights over United States copyright holders. In *Parfums Givenchy,* the Ninth Circuit considered commentators' justifiable critiques of the "absurd and unintended" and "undesirable" results from *BMG Music,* which would have accorded first sale protection "only to copies legally made and sold in the United States." 38 F.3d at 482 n.8, *citing BMG Music*, 952 F.2d at 319. The Ninth Circuit concluded that denying first sale rights to foreign made goods would contravene both the language of the statute and public policy:

> This would mean that foreign manufactured goods would receive greater copyright protection than goods manufactured in the United States because the copyright holder would retain control over the distribution of the foreign manufactured copies even after the copies have been lawfully sold in the United States. We agree that such a result would be untenable, and that nothing in the legislative history or text of § 602 supports such an interpretation.

Id.

Moreover, under *Omega* any purchaser of a foreign-produced copyrighted work – even if made with the express authority of the copyright owner – could lose the right to dispose of the property in any manner by resale, gift, or lending, without being branded an infringer.

No copyright policy is served by preventing importation and resale of goods that have been lawfully produced by or with the copyright owner's authorization. While a copyright owner is entitled to a payment for its creative expression, it receives that royalty incentive from the first sale of a copy of its copyrighted work. Omega, as holder of the United States copyright, authorized the sale to the first purchaser. Under § 109 it exhausted fully its copyright interest in further disposition of those goods.

Finally, in that regard there can be no contention that parallel importation deprived Omega of the full reward for its copyright. The copy of the copyrighted work at issue in this case is a half-centimeter engraving on the underside of the watch, potentially visible only when one is not wearing it. Such is hardly the stuff of which "bling" is made. The $700 surcharge by Omega over the Costco price results from price discrimination, not a royalty for the intrinsic copyright value of the globe symbol. Indeed, Omega admits it engraved the symbol on the watch for its sole benefit as a tool for enforcement, not for ornamentation or expression. No copyright policy supports leveraging a copyright solely to effectuate price discrimination.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

SETH D. GREENSTEIN
CONSTANTINE CANNON LLP
1627 I Street N.W.
Washington, D.C. 20006
(202) 204-3500

Counsel for Amici Curiae