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## Four Ways in Which *Kirtsaeng* Might Be Undone

Prof. James Gibson, University of Richmond School of Law

April 29, 2013

In my [previous entry](#) in this series, I discussed the Supreme Court's long-awaited decision in *Kirtsaeng v. John Wiley & Sons*, involving the unauthorized resale in the United States of textbooks purchased overseas. Indeed, the *Kirtsaeng* case and the issue it presented have been a popular subject of IP Issues commentary; before the Supreme Court ruling, I wrote on the issue [here](#) and [here](#), and Randy Picker had some commentary both [before](#) and [after](#) the opinion came down.

You can read those earlier entries for the details, but the outcome of the case is clear: U.S. copyright law does not prohibit the buyer of any lawfully made good from reselling it, even if the good was made abroad, and even if the owner of the copyright in the good objects to the resale.

In this essay, I will look at the various ways in which the *Kirtsaeng* decision might be undone. Copyright owners don't like the decision, but how can they get around it? How might they reassert control over the downstream distribution of their goods? There are four possibilities.

First, Congress may take action. In *Kirtsaeng*, the Court was simply interpreting federal statutes, which means that Congress can change the case's outcome simply by changing the relevant statutes. As the Court said, "Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide." Indeed, the statutory interpretation morass goes back 15 years, to the Court's 1998 decision in *Quality King v. L'Anza Research*. In a "don't blame us" concurrence, Justices Kagan and Alito noted that *Quality King* (decided before either Kagan or Alito was appointed) was the Court's first foray into the morass of first sale, resale, and copyright. As Justice Kagan wrote, "if Congress views the shrinking of [17 U.S.C.] § 602(a)(1) as a problem, it should recognize *Quality King* – not our decision today – as the culprit."

Is a legislative fix likely? That's an open question. Congress has certainly done it before; in 2006, after the Supreme Court interpreted a trademark statute in a way unfavorable to rightsholders, [Congress changed the statute](#) to produce the opposite result. Since the *Kirtsaeng* ruling has come down, at least one congressman has [highlighted the issue](#) as worthy of discussion. Certainly any comprehensive copyright reform, like that for which [U.S. Register of Copyright Maria Pallante has been calling](#), would address the *Kirtsaeng* issue.

The second way in which the *Kirtsaeng* decision might be undone involves copyright owners turning to the U.S. Trade Representative and the international treaty-making process. Several important intellectual property reforms have arrived in Washington as part of treaty obligations, rather than beginning their legislative life in Congress. Perhaps most famous are the [anti-circumvention provisions](#) of the 1998 Digital Millennium Copyright Act. As Jessica Litman has revealed in her book *Digital Copyright*, those provisions began as an idea in a Clinton Administration white paper, but they met resistance on Capitol Hill. In response, the administration shifted its focus to international venues, eventually getting the provisions inserted into the 1996 [WIPO Copyright Treaty](#). From that treaty they made their way into the domestic law of the United States and almost 100 other countries.

Indeed, once copyright restrictions find a home in one international agreement, they often spread to others. That's how the international copyright system tends to work generally, and there are two reasons to believe that it might happen in the case of the *Kirtsaeng* issue. First, the positions that the leading industrialized countries have taken in international negotiations have long been very friendly to the interests of copyright owners, who will now be pressing to win through trade negotiations what they could not win in the Supreme Court. Second, representatives of the developing world might be persuaded that gray-market restrictions would reduce arbitrage and thus lead to copyrighted goods being available more cheaply in their countries. After all, publishers sued Kirtsaeng because he was buying books in Thailand (where publishers sold them cheaply) and reselling them in the United States (where publishers sold them at higher prices); he was therefore able to make a profit even while undercutting the publishers' higher U.S. prices. The Supreme Court held this arbitrage to be perfectly legal, which arguably means that publishers will no longer sell cheaply abroad. Developing nations might see that as an unwelcome development, and they might be unwilling to rely on the gray market to fill the hole that the publishers leave.

So far, however, no treaty has incorporated restrictions on gray-market sales. [Article 6 of TRIPS](#) states that "nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights." ("Exhaustion" is another word for the idea that intellectual property law gives its rightsholders no control over downstream distribution of their goods.) Similar provisions are found in the [WIPO Copyright Treaty](#) and [WIPO Performances and Phonograms Treaty](#). Even the Anti-Counterfeiting Trade Agreement, which has been criticized for taking an aggressive, pro-copyright-owner stance, explicitly excludes gray-market issues from its ["Border Measures" provisions](#).

But now we have the Trans-Pacific Partnership, a free trade agreement currently being negotiated by 11 Pacific Rim nations, including the United States, Australia, Canada, Malaysia, Mexico, and Singapore. A [leaked version](#) of a U.S. proposal included a provision that would force TPPA signatories to give certain copyright owners the right to restrict the unauthorized importation of their goods, even if those goods were made with the owners' permission. The provision does not apply to all copyrighted works, and it is silent regarding downstream resale of the goods once imported, but if included in the final treaty it would represent a foot in the door for gray-market restrictions.

The third way in which *Kirtsaeng* might be undone is through contract: Sellers of copyrighted goods may require buyers to contract away any ownership and resale rights. At first blush, this may seem far-fetched, but it is already the status quo in the world of software. For example, several cases (*e.g.*, [Vernor v. Autodesk](#) and [Microsoft v. Harmony](#)) have held that the software industry's licensing agreements render the first sale doctrine inapplicable, because the customer is not an "owner" of the program. And if the first customer has no title, neither does any customer who gets the good from that customer; each downstream distribution is infringing.

There is no reason that this same approach would not work in copyright industries other than software. If, say, a book is only available with a shrink-wrap contract attached, and that contract characterizes the transaction as a license, not a sale, then the software cases would tell us that the "buyer" of the book would not be an "owner" of the book, and therefore would not have the right to resell it. And when one considers that all copyrighted goods – including books – are

becoming increasingly digitized, it becomes even easier to contemplate importing the software licensing model.

Finally, copyright owners may undo *Kirtsaeng* through extralegal means: technological protection measures (“TPMs”). As copyrighted goods become more digital, it becomes easier to prohibit copying and distribution using technology, regardless of whether such copying or distribution would be illegal. The movie industry has been controlling the gray market for years using TPMs like [Macrovision](#) and [CSS](#); that’s why a DVD you buy in Europe can’t play on American DVD players. So if publishers do not want their books resold, they can convert them to e-books and achieve technologically what they could not achieve in the Supreme Court. No TPM is hack-proof, of course, but the aforementioned anti-circumvention provisions make such hacking illegal, both in the United States and abroad. And in any event, the need to hack around the TPM increases users’ costs and therefore diminishes their inclination to exercise the first-sale rights that *Kirtsaeng* gave them.

These four means of undoing *Kirtsaeng* are hardly unique to this one case. As the foregoing discussion has demonstrated, they are all tried-and-true methods that copyright owners have employed before. Will they be called on again? We shall wait and see.

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