

09-4896-cv
John Wiley & Sons, Inc. v. Supap Kirtsaeng

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**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

August Term, 2010

(Argued: May 19, 2010)

Decided: August 15, 2011)

Docket No. 09-4896-cv

JOHN WILEY & SONS, INC.,

Plaintiff-Appellee,

v.

SUPAP KIRTSANG, doing business as BLUECHRISTINE99,

Defendant-Appellant.

Before: CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.*

Appeal from a judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation), following a jury trial, awarding statutory damages to plaintiff publisher for copyright infringement. Defendant claims on appeal that the District Court denied him a defense under the “first sale doctrine,” 17 U.S.C. § 109(a), and erred in evidentiary rulings which, he alleges, led to the award of unduly high damages. In a case of first impression in our Court, we hold (1) that the first sale doctrine, which allows a person who buys a legally produced copyrighted work to sell or otherwise dispose of the work as he sees fit, does not apply to works manufactured outside of the United States, and (2) that the District Court did not err in its evidentiary rulings.

Affirmed.

Judge Murtha dissents in a separate opinion.

1
2
* The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

1 William Dunnegan (Laura Scileppi, *on the brief*), Dunnegan LLC,
2 New York, NY, *for plaintiff-appellee*,

3
4 SAM P. ISRAEL, New York, NY, *for defendant-appellant*,

5
6 John T. Mitchell, Interaction Law, Washington, DC, *for amici*
7 *curiae Entertainment Merchants Association and National Association of*
8 *Recording Merchandisers*,

9
10 Norman H. Levin (Aaron J. Moss, *on the brief*), Greenberg
11 Glusker Fields Claman & Machtinger LLP, Los Angeles, CA, *for*
12 *amicus curiae Costco Wholesale Corporation*,

13
14 Charles A. Weiss, Kenyon & Kenyon LLP, (Mark A. Abate,
15 Goodwin Proctor LLP, *on the brief*), New York, NY, *for amicus*
16 *curiae New York Intellectual Property Law Association. in support of*
17 *plaintiff-appellee*.

18
19 JOSÉ A. CABRANES, *Circuit Judge*:

20 The “first sale doctrine” in copyright law permits the owner of a lawfully purchased
21 copyrighted work to resell it without limitations imposed by the copyright holder.¹ The existence of the
22 doctrine dates to 1908, when the Supreme Court held that the owner of a copyright could not impose
23 price controls on sales of a copyrighted work beyond the initial sale.² Congress codified the doctrine in
24 successive Copyright Acts, beginning with the Copyright Act of 1909.³

25 The principal question presented in this appeal is whether the first sale doctrine, 17 U.S.C. §
26 109(a), applies to copyrighted works produced outside of the United States but imported and resold in
27 the United States. Under another basic copyright statute, it is ordinarily the case that “[i]mportation
28 into the United States, without the authority of the owner of copyright under [the Copyright Act], of

1 ¹ The first sale doctrine is codified at 17 U.S.C. § 109(a) which reads, in relevant part:
2

3 Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a
4 particular copy . . . lawfully made under this title, or any person authorized by such owner, is
5 entitled, without the authority of the copyright owner, to sell or otherwise dispose of the
6 possession of that copy
7

17 U.S.C. § 109(a).

² See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

1 ³ See Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909); Copyright Act of 1947, ch. 391, § 27, 61
2 Stat. 652, 660 (1947); Copyright Act of 1976, ch. 1, § 109, 90 Stat. 2541, 2548 (codified at 17 U.S.C. § 109(a)) (1976).

1 copies . . . of a work that have been acquired outside the United States is an infringement of the
2 [owner’s] exclusive right to distribute copies”⁴

3 Defendant contends, however, that individuals may import and resell books manufactured
4 abroad pursuant to 17 U.S.C. § 109(a), which provides that “the owner of a particular copy . . . lawfully
5 made under [the Copyright Act], or any person authorized by such owner, is entitled, without the
6 authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.”

7 Defendant’s claim is an issue of first impression in our Court.⁵

8 BACKGROUND

9 **A. The Parties**

10 Plaintiff-appellee John Wiley & Sons, Inc. (“plaintiff” or “Wiley”) is the publisher of academic,
11 scientific, and educational journals and books, including textbooks, for sale in domestic and
12 international markets. Wiley relies upon a wholly-owned subsidiary, John Wiley & Sons (Asia) Pte Ltd.
13 (“Wiley Asia”), to manufacture books for sale in foreign countries.⁶ While the written content of books
14 for the domestic and international markets is often similar or identical, books intended for international
15 markets can differ from the domestic version in design, supplemental content (such as accompanying
16 CD-ROMS), and the type and quality of materials used for printing, including “thinner paper and
17 different bindings, different cover and jacket designs, fewer internal ink colors, if any, [and] lower
18 quality photographs and graphics.” Joint App’x at 18. The foreign editions, moreover, are marked

⁴ 17 U.S.C. § 602(a)(1).

1 ⁵ District courts within our Circuit have addressed this issue. *See Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407,
2 416 (S.D.N.Y. 2009) (Holwell, *J.*) (holding “dubitante” that § 109(a) does not apply to foreign manufactured goods
3 imported into the United States); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y.
4 May 13, 2008) (Stein, *J.*) (holding that § 109(a) does not apply to foreign manufactured goods imported into the United
5 States). In addition, the Ninth Circuit recently held that § 109(a) does not apply to foreign-manufactured goods unless
6 they were previously imported and sold in the United States with the copyright holder’s permission. *See Omega S.A. v.*
7 *Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff’d by an evenly divided Court, Costco Wholesale Corp. v. Omega, S.A.*, 131 S.
8 Ct. 565 (2010).

⁶ As a standard practice, Wiley obtains from its authors the assignment of U.S. and foreign copyrights of
reproduction and distribution. The assignment of these copyrights allows Wiley to produce and distribute its works in
both domestic and foreign markets.

1 with a legend to designate that they are to be sold only in a particular country or geographic region.

2 One example of such a designation reads as follows:

3 **Authorized for sale in Europe, Asia, Africa and the Middle East Only.**

4 This book is authorized for sale in Europe, Asia, Africa and the Middle East only
5 [and] may not be exported. Exportation from or importation of this book to
6 another region without the Publisher's authorization is illegal and is a violation of
7 the Publisher's rights. The Publisher may take legal action to enforce its rights.
8 The Publisher may recover damages and costs, including but not limited to lost
9 profits and attorney's fees, in the event legal action is required.

10
11 Joint App'x at 406 (emphasis in original).

12
13 Defendant Supap Kirtsaeng ("defendant" or "Kirtsaeng") moved to the United States from
14 Thailand in 1997 to pursue an undergraduate degree in mathematics at Cornell University. According
15 to Kirtsaeng, he later moved to California to pursue a doctoral degree.

16
17 **B. The Instant Action**

18 To help subsidize the cost of his education, Kirtsaeng allegedly participated in the following
19 scheme: between 2007 and September 8, 2008, Kirtsaeng's friends and family shipped him foreign
20 edition textbooks printed abroad by Wiley Asia. In turn, Kirtsaeng sold these textbooks on commercial
21 websites such as eBay.com. Using the revenues generated from the sales, Kirtsaeng would reimburse
22 his family and friends for the costs that they incurred during the process of acquiring and shipping the
23 books and then keep any remaining profits for himself. Kirtsaeng claims that, before selling the
24 textbooks, he sought advice from friends in Thailand and consulted "Google Answers," a website
25 which allowed web users to seek research help from other web users, to ensure that he could legally
26 resell the foreign editions in the United States.

27 On September 8, 2008, Wiley filed this action against Kirtsaeng in the United States District
28 Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of
29 International Trade, sitting by designation), claiming, among other things, copyright infringement under

1 17 U.S.C. § 501,⁷ trademark infringement under 15 U.S.C. § 1114(a), and unfair competition under New
2 York state law.⁸ Wiley sought a preliminary and permanent injunction under 17 U.S.C. § 502(a),⁹ and
3 statutory damages under 17 U.S.C. § 504(c).¹⁰

4 **C. Relevant Pre-Trial Proceedings**

5 In anticipation of trial, Kirtsaeng submitted proposed jury instructions charging that the first
6 sale doctrine was a defense to copyright infringement. By Order dated October 9, 2009, the District

⁷ 17 U.S.C. § 501(a) provides, in relevant part:

Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 [of the Copyright Act] or of the author as provided in section 106A(a), or who imports copies . . . into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.

17 U.S.C. § 501(a).

Wiley holds registered United States copyrights for the American editions of the works at issue in this case. Although the foreign editions probably would not be protected by United States copyright law if infringement occurred abroad, *see Robert Stigwood Grp. Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir. 1976), the sale of the foreign editions in the United States allegedly infringes the U.S. copyrights held by Wiley on its American editions.

⁸ Wiley later abandoned its trademark and unfair competition claims.

⁹ 17 U.S.C. § 502(a) provides, in relevant part:

Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 502(a).

¹⁰ 17 U.S.C. § 504(c)(1)-(2) provides, in relevant part:

Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$750 or more than \$30,000 as the court considers just. . . . In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000.

17 U.S.C. § 504(c).

We have recently observed that “the total number of awards of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed . . . regardless of the number of infringements of those works.” *WB Music Corp. v. RTV Comm’n Grp., Inc.*, 445 F.3d 538, 540 (2d Cir. 2006) (internal quotation marks omitted).

1 Court prohibited Kirtsaeng from raising this defense and rejected the applicability of the first sale
2 doctrine to foreign editions of textbooks, holding that “[t]here is no indication that the imported books
3 at issue here were manufactured pursuant to the U.S. Copyright Act . . . [and,] [t]o the contrary, the
4 textbooks introduced as evidence purport, on their face, to have been published outside of the United
5 States.”¹¹

6 On October 23, 2009 and November 3, 2009, Kirtsaeng filed motions *in limine* to preclude the
7 introduction at trial of (1) his online “PayPal” sales records, and specifically, evidence of his gross
8 revenues from the sales of the foreign editions of Wiley’s books, and (2) the profits he earned on
9 unrelated sales activities. From the bench during a pre-trial conference on November 3, 2009, the
10 District Court granted the motions in part and denied them in part. The Court explained that Wiley
11 could not introduce evidence of profits earned by Kirtsaeng from the sales of textbooks produced by
12 other publishers, but “in . . . anticipation that the net worth testimony [would indicate] that [Kirtsaeng
13 did not have] significant net worth . . . [Wiley’s counsel had the] right to inquire about additional
14 revenues and the profits therefrom and where they went in order to make sure that we had an accurate
15 record about [Kirtsaeng’s] net worth.” Joint App’x at 195. The Court further stated that Wiley’s
16 counsel “must be careful not to refer to these [unrelated] sales in any way as infringing sales, because
17 that would be entirely improper.” *Id.*

18 19 **D. Events at Trial**

20 At trial, during direct examination, Wiley’s counsel asked Kirtsaeng, “Now sir, if we were to go
21 back and look at January 1st of 2008, what were your financial assets at that point in time?”

22 The District Court sustained an objection by Kirtsaeng’s counsel and a sidebar discussion

1
2 ¹¹ See *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009) (DCP).

1 followed.

2 After the sidebar conference and a recess, the first question by Wiley’s counsel to Kirtsaeng
3 was: “Mr. Kirtsaeng, before the break we were talking about your net worth during the period of 1999,
4 correct? Excuse me. 2009.” Kirtsaeng answered “yes.” Wiley’s counsel proceeded to ask Kirtsaeng a
5 series of questions about his “net worth” in an attempt to impeach his previous statements.
6 Specifically, he attempted to enter into evidence a record of Kirtsaeng’s PayPal revenues, showing \$1.2
7 million in revenues, in contrast to Kirtsaeng’s previous testimony that he had earned only \$900,000 in
8 revenues. Joint App’x at 295-97.

9 At a second sidebar conference, during which the jury was excused from the courtroom, the
10 District Court excluded the record of the PayPal evidence as “confusing and unfairly prejudicial.” *Id.* at
11 298.

12 When the jury reentered the courtroom, Wiley’s counsel continued to ask Kirtsaeng about his
13 revenues from eBay sales. Although Kirtsaeng’s counsel immediately objected to the line of
14 questioning on the basis that it had already been “asked and answered”—an objection the District
15 Court initially sustained—the Court subsequently allowed the questioning, explaining that it was
16 uncertain whether the same questions had in fact been asked of the witness earlier in the examination.

17 At the end of the trial, the District Court charged the jury to determine whether Kirtsaeng had
18 infringed the copyrights of each of eight works and whether any such infringements had been willful.
19 The District Court explained that, under the statutory damages scheme found at 17 U.S.C. § 504(c), *see*
20 note 10, *ante*, if the jury found that Kirtsaeng had infringed Wiley’s copyright, it could award no less
21 than \$750 and no more than \$30,000 in damages for each infringed work.

22 The District Court identified two exceptions to this rule. First, the District Court instructed the
23 jury that, if it found that Wiley had proved by a preponderance of the evidence that the infringement
24 was willful, under the statutory scheme the jury had the option of awarding up to \$150,000 in damages

1 per infringed work. Second, if the jury found that Kirtsaeng had proved by a preponderance of the
2 evidence “that he was not aware and had no reason to believe that his acts constituted an infringement
3 of copyright,” the jury could choose to impose an award of statutory damages as low as \$200 per
4 infringed work. The jury ultimately found Kirtsaeng liable for willful copyright infringement of all
5 eight works and imposed damages of \$75,000 for each of the eight works.

6 Kirtsaeng filed a timely notice of appeal. He claims that (1) the District Court erred in holding
7 that the first sale doctrine was not an available defense in the circumstances presented; (2) the District
8 Court should have advised the jury of the first sale doctrine as a defense to the claim of willful
9 infringement; and (3) with respect to the jury’s assessment of statutory damages, the admission into
10 evidence of testimony regarding the amount of Kirtsaeng’s gross receipts was unduly prejudicial.

11 DISCUSSION

12 **A. The first sale doctrine does not apply to goods produced outside of the United States.**

13 *1. Standard of review*

14 The threshold question is whether, pursuant to § 109(a) of the Copyright Act, *see* note 1, *ante*,
15 the District Court correctly determined that the phrase “lawfully made under this title” does not include
16 copyrighted goods manufactured abroad.
17

18 Where the decision of a district court “presents only a legal issue of statutory interpretation . . .
19 [w]e review *de novo* whether the district court correctly interpreted the statute.”¹²

20 *2. Interpreting the First-Sale Doctrine*

21 In the Copyright Act of 1976, Congress enacted what is now 17 U.S.C. § 602(a)(1).¹³ That

¹² *Perry v. Dowling*, 95 F.3d 231, 235 (2d Cir. 1996) (citing *White v. Shalala*, 7 F.3d 296, 299 (2d Cir. 1993)).

¹³ In 2008, Congress amended the statute, resulting in the re-designation of what had been § 602(a) as § 602(a)(1). Act of October 13, 2008, Pub. L. 110-403, Title I, § 105(b)-(c)(1), 122 Stat. 4259.

1 section provides:

2 Importation into the United States, without the authority of the owner of copyright under this
3 title, of copies or phonorecords of a work that have been acquired outside the United States is
4 an infringement of the exclusive right to distribute copies or phonorecords under section 106,
5 actionable under section 501.
6

7 Even if the conduct at issue in this case is otherwise covered by this statutory language,
8 Kirtsaeng contends that he is shielded from any liability under the Copyright Act by § 109(a), *see* note 1,
9 *ante*. Again, in relevant part, that section provides: “Notwithstanding the provisions of section 106(3)
10 [of the Copyright Act], the owner of a particular copy . . . lawfully made under this title, or any person
11 authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise
12 dispose of the possession of that copy.” Section 109(a) is a codification of the longstanding “first sale
13 doctrine.”¹⁴

¹⁴ The first sale doctrine was first endorsed by the Supreme Court in the landmark 1908 case of *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908). In that case, the publishers of *The Castaway*, a popular novel, inserted the following notice after the title page of the book: “The price of this book at retail is \$1 net. No dealer is licensed to sell it at a less [sic] price, and a sale at a less [sic] price will be treated as an infringement of the copyright.” *Id.* at 341. The publishers subsequently sued a department store that had purchased copies of the books at wholesale and sold them each at retail for eighty-nine cents. The Supreme Court held:

The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it.

.....

In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.

Id. at 350.

The Supreme Court made clear that the matter before it “was purely a question of statutory construction.” *Id.* The relevant statute provided that copyright owners had “the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and *vending*” their copyrighted works. Copyright Act of 1891, § 4952, 26 Stat. 1107 (emphasis added). Congress promptly codified the holding in *Bobbs-Merrill*—which became known as the first sale doctrine—in the 1909 Copyright Act. Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909) (“[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.”).

The current version of the first sale doctrine—as codified in § 109(a)—differs in two noticeable respects from the version Congress first passed in 1909. First, under current copyright law, the exclusive right to “vend” granted to copyright holders has been replaced by the exclusive right to “distribute.” *See* § 106(3). However, the Supreme Court has indicated that, at least for purposes of the first sale doctrine, nothing of consequence turns on this alteration. *See Quality King*, 523 U.S. 135, 152 (1998). The second change is that the first sale doctrine no longer applies to “any copy of a copyrighted work,” but rather, only to any copy “lawfully made under this title.”

1 There is at least some tension between § 602(a)(1), which seemingly seeks to give copyright
2 holders broad control over the circumstances in which their copyrighted material may be imported
3 (directly or indirectly) into the United States, and § 109(a), which limits the extent to which the
4 copyright holder may limit distribution following an initial sale. The Supreme Court first had occasion
5 to address the interplay between § 602(a)(1) and § 109(a) in *Quality King Distributors, Inc. v. L'anza*
6 *Research International, Inc.*¹⁵

7 *Quality King* involved the sales practices of L'anza Research International, a California
8 corporation engaged in the business of manufacturing and selling shampoos, conditioners, and other
9 hair care products. L'anza sold its products domestically and internationally, but its prices to foreign
10 distributors were 35% to 40% lower than the prices charged to its domestic distributors. L'anza
11 brought suit against Quality King Distributors, Inc., which had purchased shipments of L'anza's
12 products from one of L'anza's foreign distributors and then re-imported the products into the United
13 States for re-sale. L'anza alleged that Quality King's actions violated its "exclusive rights under 17
14 U.S.C. §§ 106, 501 and 602 to reproduce and distribute the copyrighted material in the United States."¹⁶
15 The Supreme Court heard the case in order to decide the question of "whether the 'first sale' doctrine
16 endorsed in § 109(a) is applicable to imported copies."¹⁷

17 In a unanimous opinion, the Supreme Court held that § 109(a), operating in combination with §
18 106(3), does in fact limit the scope of § 602(a).¹⁸ However, there was a key factual difference at work in
19 *Quality King* that is of critical importance to our disposition of the instant appeal. In *Quality King*, the
20 copyrighted items in question had all been manufactured in the United States. Indeed, this important

¹⁵ 523 U.S. 135 (1998).

¹⁶ *Id.* at 140 (quotation marks omitted).

¹⁷ *Id.* at 138.

¹⁸ *Id.* at 145.

1 fact provided the basis for Justice Ginsburg’s brief concurring opinion, in which she explained: “This
2 case involves a ‘round trip’ journey, travel of the copies in question from the United States to places
3 abroad, then back again. I join the Court’s opinion recognizing that we do not today resolve cases in
4 which the allegedly infringing imports were manufactured abroad.”¹⁹

5 Although the majority opinion did not directly address the question of whether § 109(a) can
6 apply to items manufactured abroad, the opinion contains instructive *dicta* that guides our disposition of
7 the issue. In particular, the Court took pains to explain ways in which § 109(a) and § 602(a) do, and do
8 not, overlap. As the Court stated: “[A]lthough both the first sale doctrine embodied in § 109(a) and the
9 exceptions in § 602(a) may be applicable in some situations, the former does not subsume the latter;
10 those provisions retain significant independent meaning.”²⁰ For instance, § 602(a) “encompasses copies
11 that are not subject to the first sale doctrine—e.g., copies that are lawfully made under the law of
12 another country[.]”²¹ The Court even pondered the following hypothetical:

13 If the author of [a] work gave the exclusive United States distribution
14 rights—enforceable under the Act—to the publisher of the United States edition
15 and the exclusive British distribution rights to the publisher of the British
16 edition, . . . presumably only those made by the publisher of the U.S. edition
17 would be ‘lawfully made under this title’ within the meaning of § 109(a). The
18 first sale doctrine would not provide the publisher of the British edition who
19 decided to sell in the American market with a defense to an action under § 602(a)
20 (or, for that matter, to an action under § 106(3), if there was a distribution of the
21 copies).²²

22 In these passages, the Court suggests that copyrighted material manufactured abroad cannot be subject
23 to the first sale doctrine contained in § 109(a).
24

25 The Supreme Court recently seemed poised to transform this *dicta* into holding when it granted

¹⁹ *Id.* at 154 (Ginsburg, J., concurring).

²⁰ *Id.* at 148-49 (majority opinion).

²¹ *Id.* at 148.

²² *Id.*

1 a writ of *certiorari* to review the Ninth Circuit’s decision in *Omega S.A. v. Costco Wholesale Corp.*²³ That
2 case involved the importation into the United States of Omega-brand watches by unidentified third
3 parties without the permission of Omega; the watches were ultimately purchased and resold by Costco
4 Wholesale Corporation. The Ninth Circuit maintained its well-settled position that § 109(a) does not
5 apply to items manufactured outside of the United States unless they were previously imported and
6 sold in the United States with the copyright holder’s permission.²⁴ After hearing oral argument, an
7 equally divided Supreme Court (with Justice Kagan recused) was obliged to affirm the judgment
8 rendered by the Ninth Circuit.²⁵

9 Without further guidance from the Supreme Court, we now consider the extent to which the
10 protections set forth in § 109(a) may apply to items manufactured abroad. In doing so, we rely on the
11 text of § 109(a), the structure of the Copyright Act, and the Supreme Court’s opinion in *Quality King*.

12 3. Textual Analysis

13 We start, of course, by turning to the statutory language enacted by Congress. “Statutory
14 interpretation always begins with the plain language of the statute, assuming the statute is
15 unambiguous.”²⁶ In the instant case, we are principally called upon to give meaning to the phrase
16 “lawfully made under this title” contained in § 109(a).²⁷

²³ 541 F.3d 982 (9th Cir. 2008).

²⁴ *Id.* at 990.

²⁵ *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

²⁶ *Universal Church v. Geltzer*, 463 F.3d 218, 223 (2d Cir. 2006).

²⁷ Again, § 109(a), in relevant part, provides:

Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy . . . 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

17 U.S.C. § 109(a).

1 In arriving at a satisfactory textual interpretation of the statutory language at issue, we focus
2 primarily on the words “made” and “under,” but this task is complicated by two factors: (1) the word
3 “made” is not a term of art in the Copyright Act,²⁸ and (2) “[t]he word ‘under’ is [a] chameleon” and
4 courts “must draw its meaning from its context.”²⁹ Wiley contends that we must interpret “lawfully
5 made under this title” to mean “lawfully made in the United States.” This view of the law—which was
6 also adopted by the United States in its *amicus* brief before the Supreme Court in *Costco*³⁰—is certainly
7 consistent with the text of § 109(a).³¹ It is also the logical consequence, Wiley submits, of the general
8 presumption against the extraterritorial application of statutes,³² a presumption which we have
9 specifically applied to the copyright laws.³³ Wiley argues that Title 17 only applies in the United States,
10 and thus, copyrighted items can only be “made” under that title if they were physically made in this
11 country.

12 But the extraterritorial application of Title 17 is more complicated than Wiley allows, since
13 certain provisions in Title 17 explicitly take account of activity occurring abroad. Most
14 notably, § 104(b)(2) provides that “[t]he works specified by sections 102 and 103, when published, *are*
15 *subject to protection under this title* if the work is first published in the United States *or in a foreign nation* that,

²⁸ A simple and authoritative dictionary definition of “made” is “artificially produced by a manufacturing process.” *Webster’s Third New International Dictionary* 1356 (1976).

²⁹ *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010).

³⁰ Brief for the United States as *Amici Curiae* in Support of Respondent, at 5, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423).

³¹ The Supreme Court has previously defined “under” to mean “subject to” and “governed by.” *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (defining the meaning of the word “under” in the Equal Access to Justice Act).

³² See *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010) (“It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.” (quotation marks omitted)).

³³ See, e.g., *Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) (“It is well established that copyright laws generally do not have extraterritorial application.”).

1 on the date of first publication, is a treaty party[.]”³⁴ Indeed, because § 104(b)(2) provides that copyright
2 protection can apply to works published in foreign nations, it is possible to interpret § 109(a)’s “lawfully
3 made under this title” language to mean, in effect, “any work that is subject to protection under this
4 title.”

5 There are other reasons why a textual analysis alone is not sufficient to support Wiley’s
6 preferred reading of § 109(a). Most obviously, if Congress had intended the first sale doctrine—at least
7 as codified by § 109(a)—to apply only to works made in the United States, it could have easily written
8 the statute to say precisely that.³⁵ Moreover, “lawfully made under this title” appears in other
9 provisions of Title 17 where it is at least arguable that Congress intended this language to apply to
10 works manufactured outside of the United States. For instance, § 1006(a)(1) of the Audio Home
11 Recording Act provides for applicable royalty payments to be made to “any interested copyright party
12 whose musical work or sound recording has been embodied in a digital musical recording or an analog
13 musical recording lawfully made under this title that has been distributed”³⁶ It is the view of the
14 U.S. Copyright Office that distribution of royalty payments under this Act is not limited to those
15 recordings manufactured in the United States.³⁷

16 But while a textual reading of § 109(a) does not compel the result favored by Wiley, it does not
17 foreclose it either. The relevant text is simply unclear. “[L]awfully made under this title” could

³⁴ 17 U.S.C. § 104(b)(2) (emphasis added). *Quality King* also explained how certain provisions of Title 17 might apply to activity occurring abroad. 523 U.S. 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 an action in a United States court 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.”)

³⁵ At oral argument before the Supreme Court in *Costco*, the United States tried to argue that its interpretation of § 109(a) (which, again, is also Wiley’s) is not perfectly interchangeable with “lawfully made in the United States,” “because at least in theory, it would be possible for the creation of a copy to entail a violation of environmental laws, workplace safety laws, minimum wage laws, et cetera.” Transcript of Oral Argument at 38, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423). This argument, while clever, is unpersuasive.

³⁶ 17 U.S.C. § 1006(a)(1)(A).

³⁷ See *Digital Audio Recording Technology (DART) Factsheet on Filing Claims for Royalty Distribution*, U.S. Copyright Office, <http://www.copyright.gov/carp/dartfact.html> (last visited June 23, 2011).

1 plausibly be interpreted to mean any number of things, including: (1) “manufactured in the United
2 States,” (2) “any work made that is subject to protection under this title,” or (3) “lawfully made under
3 this title had this title been applicable.”³⁸

4 4. *Section 602(a)(1) and Quality King*

5 Confronted with an utterly ambiguous text, we think it best to adopt an interpretation of §
6 109(a) that best comports with both § 602(a)(1) and the Supreme Court’s opinion in *Quality King*.³⁹

7 Section 602(a)(1) prohibits the importation into the United States of copyrighted works
8 acquired abroad without the authorization of the copyright holder. This provision is obviously
9 intended to allow copyright holders some flexibility to divide or treat differently the international and
10 domestic markets for the particular copyrighted item. If the first sale doctrine codified in § 109(a) only
11 applies to copyrighted copies manufactured domestically, copyright holders would still have a free
12 hand—subject, of course, to other relevant exceptions enumerated in Title 17, such as those in §§ 107,
13 108, and 602(a)(3)—to control the circumstances in which copies manufactured abroad could be legally
14 imported into the United States. On the other hand, the mandate of § 602(a)(1)—that “[i]mportation
15 into the United States, without the authority of the owner of copyright under [the Copyright Act], of
16 copies . . . of a work that have been acquired outside the United States is an infringement of the
17 [owner’s] exclusive right to distribute copies”—would have no force in the vast majority of cases if the
18 first sale doctrine was interpreted to apply to every work manufactured abroad that was either made

³⁸ *Kirtsaeng* would prevail if we adopted either of the latter two definitions, but these definitions, like Wiley’s, are at best merely consistent with a textual reading of § 109(a). To further complicate the matter, both of these possible formulations are explicitly employed elsewhere in Title 17. See 17 U.S.C. § 401 (“Whenever a *work protected under this title* is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section may be placed on publicly distributed copies from which the work can be visually perceived” (emphasis added)); 17 U.S.C. § 602(b) (“In a case where the making of the copies and phonorecords would have constituted an infringement of copyright *if this title had been applicable*, their importation is prohibited.” (emphasis added)). Once again, if Congress had intended § 109(a) to reflect either one of those formulations, it could have employed their language with precision.

³⁹ See *David v. Mich. Dep’t of Treasury*, 489 U.S. 803, 809 (1989) (“It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.”).

1 “subject to protection under Title 17,” or “consistent with the requirements of Title 17 had Title 17
2 been applicable.”⁴⁰ This reading of the Copyright Act militates in favor of finding that § 109(a) only
3 applies to domestically manufactured works. While the Ninth Circuit in *Omega* held that §109(a) also
4 applies to foreign-produced works sold in the United States with the permission of the copyright
5 holder, that holding relied on Ninth Circuit precedents not adopted by other courts of appeals.
6 Accordingly, while perhaps a close call, we think that, in light of its necessary interplay with § 602(a)(1),
7 § 109(a) is best interpreted as applying only to works manufactured domestically.

8 In adopting this view, we are comforted by the fact that our interpretation of § 109(a) is one
9 that the Justices appear to have had in mind when deciding *Quality King*. There, the Court reasoned,
10 admittedly in *dicta*, that § 602(a)(1) had a broader scope than § 109(a) because, at least in part, §
11 602(a)(1) “applies to a category of copies that are neither piratical nor ‘lawfully made under this title.’
12 That category encompasses copies that were ‘lawfully made’ not under the United States Copyright Act,
13 but instead, under the law of some other country.”⁴¹ This last sentence indicates that, in the Court’s
14 view, works “lawfully made” under the laws of a foreign country—though perhaps not produced *in*
15 *violation* of any United States laws—are not necessarily “lawfully made” insofar as that phrase is used in
16 § 109(a) of our Copyright Act.⁴²

17 Applying these principles to the facts of this case, we conclude that the District Court correctly
18 decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a) since all the

⁴⁰ Under Kirtsaeng’s definition, § 602(a)(1) would only permit U.S. copyright holders to control the importation of their works into the United States when (i) the individual importing the work does not legally “own” the copy in question, or (ii) the work in question was produced in a country where United States copyright is not protected. While these remaining categories would ensure that § 602(a)(1) would not be rendered useless, copyright holders would have little control over the importation of their works under Kirtsaeng’s theory. Specifically, in order to exclude certain copies from entering the United States, copyright holders would be required either to (i) not sell their goods, or (ii) produce them in countries that may not honor their copyright in the first place.

⁴¹ 523 U.S. at 147.

⁴² This interpretation seems to be confirmed by language later in the opinion explaining that § 602(a) has a broader scope than § 109(a) “because it encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country[.]” *Id.* at 148.

1 books in question were manufactured outside of the United States.⁴³ In sum, we hold that the phrase
2 “lawfully made under this Title” in § 109(a) refers specifically and exclusively to works that are made in
3 territories in which the Copyright Act is law, and not to foreign-manufactured works.⁴⁴

4 We freely acknowledge that this is a particularly difficult question of statutory construction in
5 light of the ambiguous language of § 109(a), but our holding is supported by the structure of Title 17 as
6 well as the Supreme Court’s opinion in *Quality King*. If we have misunderstood Congressional purpose
7 in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen
8 by Congress or which Congress now finds unpalatable, Congress is of course able to correct our
9 judgment.

11 **B. The District Court did not err in its instructions to the jury.**

12 “We review jury instructions *de novo*, and reverse only when the charge, viewed as a whole,
13 constitutes prejudicial error.”⁴⁵ Kirtsaeng claims that the District Court erred by rejecting proposed
14 jury instructions that acknowledged that the applicability of the first sale doctrine to foreign-produced

⁴³ We do note, however, that while all the books in question were printed abroad, they all bore American copyright notices. The same was true of the watches at issue in *Costco*. See *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983 (9th Cir. 2008). One difference between the two cases is that at least two of the foreign editions at issue in the instant case contain explicit warnings invoking Title 17. For example, the back cover of *Fundamentals of Heat and Mass Transfer* (Sixth Edition) states: “No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act” Joint App’x at 387. Since this book was “[p]rinted in Asia,” and prohibited from ever being imported into the United States, we are admittedly somewhat puzzled as to why Title 17 is invoked. Nevertheless, to the extent Title 17 governs at all, we have no reason to conclude that every provision, including § 109(a), applies to the manufacture of works made abroad.

⁴⁴ Kirtsaeng argues that this holding is undesirable as a matter of public policy because it may permit a plaintiff to vitiate the first sale doctrine by “manufactur[ing] *all* of its volumes overseas only to then ship them into the U.S. for domestic sales.” Defendant-Appellant’s Br. at 21. Phrased differently, it is argued that any such decision may allow a copyright holder to completely control the resale of its product in the United States by producing its goods abroad and then immediately importing them for initial distribution. In this sense, the copyright holder would arguably enjoy the proverbial “best of both worlds” because, in theory, the consumer could not rely on the first sale doctrine to re-sell the imported work. In other words, the copyright holder would have an incentive to “outsource” publication to foreign locations to circumvent the availability of the first sale doctrine as a defense for consumers wishing to re-sell their works in the domestic market. The result might be that American manufacturing would contract along with the protections of the first sale doctrine. Kirtsaeng argues that this could not possibly have been Congress’s intent. We acknowledge the force of this concern, but it does not affect or alter our interpretation of the Copyright Act.

⁴⁵ *United States v. Amato*, 540 F.3d 153, 164 (2d Cir. 2008).

1 goods was an unresolved question in the federal courts. Specifically, Kirtsaeng argues that he was
2 prejudiced by the Court’s failure to charge that the first sale doctrine was an unsettled area of law
3 because the charge was essential to his argument that he had performed pre-sale internet research
4 regarding the legality of his sales and therefore had not “willfully” infringed the copyrights.

5 It is undisputed that Kirtsaeng’s counsel did not object to the final jury instructions during trial.
6 “[F]ailure to object to a jury instruction . . . prior to the jury retiring results in a waiver of that
7 objection.”⁴⁶ Nonetheless, under Federal Rule of Civil Procedure 51(d)(2), we “may consider a plain
8 error in the instruction that has not been preserved as required [under Rule 51] if the error affects
9 substantial rights.”

10 “To constitute plain error, a court’s action must contravene an established rule of law.”⁴⁷
11 Kirtsaeng does not meet his burden under this stringent standard. Although the District Court was
12 free to permit the jury to consider the unsettled state of the law in determining whether Kirtsaeng’s
13 conduct was willful,⁴⁸ we can find no binding authority for the proposition that it was required to do
14 so.⁴⁹ Furthermore, Kirtsaeng was provided ample opportunity to introduce evidence at trial and to
15 argue to the jury that his internet research had led him to believe that his conduct was not unlawful.
16 Accordingly, we cannot conclude that the District Court plainly erred in declining to give Kirtsaeng’s
17 proposed instruction.

⁴⁶ *Jarvis v. Ford Motor Co.*, 283 F.3d 33, 57 (2d Cir. 2002) (quotation marks omitted); *see also* Fed. R. Civ. P. 51.

⁴⁷ *Lavin-McEleny v. Marist Coll.*, 239 F.3d 476, 483 (2d Cir. 2001).

⁴⁸ *See N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (holding that infringement is “willful” for the purpose of awarding enhanced statutory damages only if the defendant had “knowledge that [his] actions constitute[d] an infringement” or if the defendant exhibited “reckless disregard of the copyright holder’s rights” (quotation marks omitted)); *cf. LNC Ims., Inc. v. First Fid. Bank, N.A.*, 173 F.3d 454, 468 (2d Cir. 1999) (holding that the jury was properly instructed to consider the unsettled state of the law in determining whether the defendants’ actions were prudent).

⁴⁹ *But cf., e.g., Hearst Corp. v. Stark*, 639 F. Supp. 970, 980 (N.D. Cal. 1986) (holding that there could be no finding of willful copyright infringement as a matter of law where the wrongfulness of the defendant’s actions depended on an unsettled question of law).

1 **C. The District Court did not err in allowing into evidence the amount of defendant’s gross**
2 **revenues.**

3 Kirtsaeng argues that admission of evidence regarding his gross revenues prejudiced him by
4 confusing the jury as to the amount of damages that should have been awarded to Wiley. He suggests
5 that the majority of his revenues came from the sale of other publishers’ used volumes, many of which
6 were produced in the United States, and claims that because of the evidence of revenues that the judge
7 permitted to be presented to the jury, he was inappropriately forced to pay high statutory damages.

8 To determine whether evidence of the amount of defendant’s gross revenues was properly
9 admitted, ordinarily we first determine the appropriate standard of review. As stated above, where a
10 party does not contemporaneously object to an evidentiary ruling, that party must demonstrate that the
11 District Court committed “plain error.”⁵⁰ However, even if a proper objection was asserted in a timely
12 fashion, we accord “considerable deference to a district court’s decision to admit . . . evidence”
13 pursuant to Federal Rule of Evidence 403(b)⁵¹ and will reverse a district court’s evidentiary ruling only
14 if it constitutes an abuse of discretion.⁵² When we review a district court’s “judgment regarding the
15 admissibility of a particular piece of evidence under [Federal Rule of Evidence] 403, we generally
16 maximize its probative value and minimize its prejudicial effect.”⁵³ Here, however, we need not reach
17 the question of whether Kirtsaeng’s counsel properly objected to the admission of evidence regarding
18 his gross revenues because we hold that admission of the evidence by the District Court was not error
19 or an abuse of discretion, and certainly not plain error.

⁵⁰ Fed. R. Civ. P. 51(d)(2).

⁵¹ *SEC v. DiBella*, 587 F.3d 553, 571 (2d Cir. 2009) (quotation marks omitted). Rule 403(b) provides: “Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.” Fed. R. Evid. 403(b).

⁵² *DiBella*, 587 F.3d at 571; *cf. Sims v. Blot*, 534 F.3d 117, 132 (2d Cir. 2008) (explaining the term of art “abuse of discretion”).

⁵³ *United States v. Downing*, 297 F.3d 52, 59 (2d Cir. 2002) (quotation marks omitted).

