No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG D/B/A Bluechristrine99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ of Certiorari to the
United States Court of Appeals
for the Second Circuit

BRIEF OF BUSINESS SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF THE *AMICUS CURIAE*

The Business Software Alliance (BSA) is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. BSA members rely on copyright protection to establish property rights in their critical assets and provide essential legal protection for their substantial investments in those assets. As a group, they hold a significant number of copyrights. Because copyright policy is vitally important to promoting the innovation that has kept the United States at the forefront of software development, BSA members have a strong stake in the proper functioning of the U.S. copyright system.

The members of the BSA include Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Intel, Intuit, McAfee, Microsoft, Minitab, Progress Software, Quest Software, Rosetta Stone, Siemens PLM, Sybase, Symantec, and The MathWorks.[1]

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[1] Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been filed with the Clerk's office.

SUMMARY OF ARGUMENT

The market for software represents one of the most powerful engines for innovation in the American economy. Indeed, the software industry is not just at the forefront of productivity in America's twenty-first century economy, but software also drives the success of America's other great industries. The health of the software industry is thus of paramount importance.

The vitality of the software industry depends in large part on strong copyright protections. One of those protections is the right to choose to either authorize or prohibit importation of software into the United States, as set forth in Section 602 of the Copyright Act. Petitioner, however, contends that the Section 602 right should be subsumed by the first sale doctrine, such that software creators would be unable to prevent the distribution of foreign versions of their software in this country. That approach threatens harmful consequences to the software industry that Congress could not have intended and that cannot be reconciled with the text, structure, or purpose of Section 602. Instead, the public good is best furthered by the innovation and creative expression that is fostered when authors are given exclusive control over authorizing or prohibiting the distribution of their works.

Specifically, as Part I explains, the market for digital goods, and software in particular, is highly dependent upon and improved by the author's right to authorize and prohibit importation. When software is sold in foreign markets, it is very often highly tailored to the particular needs of that market in terms of features, licensing, and commercial terms. Consumers and authors alike benefit from this arrangement. Consumers are able to purchase a product specifically tailored and priced to their needs, and authors are able to reap and re-invest (in both domestic and foreign markets) the benefits of selling a desirable product.

But those benefits will be materially diminished if authors are unable to prevent the resale of their work in the United States. In the first place, software authors will have little incentive to price their programs for foreign markets if they can simply be resold in the United States, and thereby undercut the price of the domestic version. Nor will they engage in the valuable process of customizing works for foreign markets, which if made available domestically would alienate American consumers who likewise demand software tailored to their needs. No one wins in that scenario. Foreign consumers will be deprived of a product that would be useful to them, and authors will have fewer resources to innovate for both domestic and foreign markets.

Moreover, the importation of digital works like software poses particularly grave policing problems. When someone imports a book into the United States, it is clear that particular copy no longer resides in the foreign market. That is not the case with software, which may continue to reside on the original purchaser's computer even as it is resold in the United States. To be sure, pirated copies are not protected by the first sale doctrine, but enforcement authorities and consumers alike may not be able to tell what is pirated in the first place. The result is that software authors again will be deprived of the fruits of their labors and be less able to invest in new creative endeavors.

As explained in Part II, not only does Petitioner's argument have disastrous policy consequences, but as a matter of statutory interpretation it employs a far less faithful reading of Section 602 than the Second Circuit's interpretation. *See infra* Part II. Petitioner's position does not so much balance the importation and first sale provisions, but read the former entirely out of existence, while putting too much weight on the latter. That result would be improper under any circumstances, but it is particularly so here given the obvious care that Congress took over decades in crafting Section 602. Accordingly, *amicus* BSA respectfully asks this Court to affirm the judgment of the Second Circuit.

ARGUMENT

I. THE EXCLUSIVE RIGHT TO CONTROL IMPORTATION IS NECESSARY FOR INNOVATIVE AND EFFICIENT MARKETS, AND IN PARTICULAR THE SOFTWARE MARKET.

A. Copyright Law Harnesses Individual Incentives To Further The Public Good.

The fundamental purpose of the Copyright Act is to implement the Constitution's mandate to promote creative works by securing to authors control over their works for limited time periods. The Act's genius is that, by so doing, the public at large benefits from the fruits of that creativity.

To provide authors with necessary incentives to create new works – works that provide significant benefits to the public at large – the Copyright Act grants authors specified rights with respect to the results of their creative endeavors. "The rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985); *see also Fox Film Corp. v. Doyal*, 286 U.S. 123, 127-128 (1932) ("A copyright, like a patent, is 'at once the equivalent given by the public for benefits bestowed by the genius and meditations and skill of individuals, and the incentive to further efforts for the same important objects.'") (quoting *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 328 (1858)).

By recognizing that individual incentives serve the public good, copyright, patent, and intellectual property law generally, strike "a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *see also Stewart v. Abend*, 495 U.S. 207, 228 (1990) (The Copyright Act "creates a balance between the artist's right to control the work during the term of the copyright protection and the public's need for access to creative works.").

To achieve this balance, Congress has deliberately and carefully enacted a regime that harnesses individual incentives to benefit the public good. To this end, "copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights *will redound to the public benefit* by resulting in the proliferation of knowledge. . . . The profit motive is the engine that ensures the progress of science." *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) (quoting *Am. Geophysical Un. v. Texaco, Inc.*, 802 F. Supp. 1, 27 (S.D.N.Y. 1992), *aff'd*, 60 F.3d 913 (2d Cir. 1994) (ellipses in original)) (emphasis in original). In other words, "[r]ewarding authors for their creative labor and 'promot[ing] . . . Progress' are thus complementary; as James Madison observed, in copyright '[t]he public good fully coincides . . . with the claims of individuals.'" *Id.* (quoting The Federalist No. 43, 272 (C. Rossiter ed. 1961)) (alternations in original)).

Consistent with the above, Congress has granted to authors certain exclusive controls over the fruits of authorship. In particular, Section 106 of the Act confers on the copyright owner the exclusive rights of reproduction, distribution, public performance, and public display, as well as the creation of derivative works. *See* 17 U.S.C. § 106. And while these rights are not wholly absolute, *see e.g.,* fair use, they reflect a copyright regime in which, in the main, Congress has chosen to further the goals of copyright by "establishing a marketable right to the use of one's expression" and thereby "suppl[ying] the economic incentive to create and disseminate ideas." *Harper & Row*, 471 U.S. at 558.

It is against this backdrop that the Court must assess the scope of Section 602, which by its terms provides copyright owners the exclusive right to control the importation of their works into this country. The question in this case is whether the first sale doctrine recognized in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 351 (1908), and codified in 17 U.S.C. § 109, extinguishes an author's right to control importation of copyrighted works, when copies of those works are originally made and sold overseas. With no shortage of hyperbole, and notwithstanding the fact that no Court of Appeals has ever held in favor of his position, Petitioner suggests that this Court must hold that the first sale doctrine supersedes Section 602(a)'s importation right lest dire consequences for the American economy result. *E.g.*, Pet'r Br. at 57-61 (asserting that "[e]ven cherished American traditions, such as flea markets [and] garage sales" will be lost if the judgment below is affirmed).

Petitioner fails to consider the economic consequences of his position on industries that customize their products for a global marketplace, such as the software industry. If Section 602 is read as Petitioner suggests, industries such as this will lose the very incentives for creativity and innovation that Congress intended to foster.

B. The Public Good Is Furthered When Creators Of Software Have The Right To Control The Importation Of Their Works.

Section 602 and its relationship to the first sale doctrine have a special resonance for authors in one particular market in which American creativity flourishes: the market for software. For digital works, which comprise an ever-increasing percentage of copyrighted material, and especially for software, the right to control importation is paramount to ensuring that those works will be made available to the public. The right to exclude from American distribution software tailored to foreign markets affords enormous benefits to authors and the public alike. Construing the first sale doctrine to supersede the right to exclude could lead to dramatic curtailment of these benefits and impose a host of harms on software creators and consumers.

1. More than most types of creative works, and even more than most types of digital works, software is customized to respond to the particularities of foreign markets. This customization takes place along two dimensions: the tailoring of licensing terms and conditions, including setting price terms consistent with local market conditions, and the localization of features.

The first important aspect of localization is tailored commercial terms, which ensure that software is priced optimally and packaged with optimal license terms for the market conditions that prevail in a country. For example, software licensed in a developing country might be priced lower than comparable software licensed in the United States and might also offer different license terms and conditions. As discussed below, tailored commercial terms benefit both local consumers and copyright holders. Localization also allows software developers to tailor their products to the specific needs and tastes of customers in individual foreign markets.[2]

[2] "Localization . . . is the process of adapting a product or service to a particular language, culture, and desired 'look and feel.'" Leandro Reis, *Globalization Myth Series – Myth 1:*

The benefits to this practice are myriad. Most obviously, localization allows companies to attract customers who may not want to use English language products.[3] But localization is not just

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Software Globalization = Internationalization = Localization = Translation, Adobe Globalization, Apr. 12, 2012, *available at* http://blogs.adobe.com/globalization/globalization-myth-series-myth-1-software-globalization-internationalization-localization-translation/ (last visited Sept. 5, 2012).

[3] For example, localization allows software developers to design programs that correspond to the preferences of their users, and are therefore more satisfying. *See generally* Niko Papula, *Smartphone Application Markets Prove the Strategic Benefits of Software Localization*, TRANSLATION BLOG (Sept. 30, 2011), *available at* http://translation-blog.multilizer.com/smartphone-application-markets-prove-the-strategic-benefits-of-software-localization-data/ (last visited Sept. 5, 2012) (Among smart phone applications, at least, "we can make a conclusion that different language markets are still surprisingly isolated from each other."). Indeed, localization may even be required to enter a foreign market. *See, e.g.*, Elizabeth Manera Edelstein, Comment, *The Loi Toubon: Liberte, Egalite, Fraternite, But Only On France's Terms*, 17 Emory Int'l L. Rev. 1127, 1127 (2003) ("The most notorious of France's linguistic protectionist measures . . . is the loi Toubon of 1994, which decreed that French must be used in . . . commerce."); *also* Licensing Microsoft Dynamics, MICROSOFT DYNAMICS ("Organizations doing business in a particular country must comply with country-specific laws, regulations, and common business practices to handle their daily business transactions and operations and meet their legal obligations for activities conducted in the country. . . . [N]on-adherance to these laws and regulations can lead to severe consequences for an organization doing business in that country.") (footnote omitted), *available at* http://www.microsoft.com/en-hk/dynamics/localization-translation.aspx (last visited Sept. 5, 2012).

about linguistic customization. There are a host of other ways that software might be customized for a foreign market. For example, architectural software may need to adhere to local regulations, including wattage and construction ordinances; payroll software may have to be customized to local currency; and communications software may have to comply with local privacy or other regulatory requirements. Other forms of tailoring serve inherently practical yet critical considerations, such as inserting dates according to a European day/month/year format, or including a period to separate numerals rather than the American comma (*i.e.* 1,000 vs. 1.000). Thus, while a book might be customized for a foreign market in the sense that it is translated into a local language, (and a musical work might not be customized at all), software is customized for foreign use in a myriad of subtle, and not so subtle, ways.

The benefits of this customization are obvious. To the foreign consumer, customized software and an appropriate price means more value. And, as this Court has explained, the public at large benefits from the increased innovation fostered by additional consumption. *See Eldred*, 537 U.S. at 212 n.18. But these benefits also extend beyond the initial transaction between author and consumer. Software is itself a tool for innovation, and thus the more the software is used in a given market, the greater the productivity in that market. Customers in foreign markets who have access to applications to create documents, databases, spreadsheets, websites, music, movies, and more will themselves create useful works that redound to the benefit of the public in both foreign and domestic markets. And on the supply side, the revenues realized from a sale of a highly desirable product can be reinvested by software authors to create ever more desirable products for foreign and domestic consumption – which, again, the Framers ensured they would be incentivized to do. *See supra* at 5-6.

2. But the benefits of a dual-market strategy depend upon the author's ability to prevent unauthorized products sold in the foreign market from entering the U.S. market. Software creators will have reduced incentives to offer software at an optimal price for a foreign market if the software can be arbitraged in the U.S. market – and such arbitrage is particularly likely to occur with software, which can be digitally transmitted with ease. A company will simply not be able to offer a version of photo-editing software for $200 in Turkey, if someone could buy it there and resell it in the United States for $450, *i.e.*, $100 less than the American version. The result is that fewer foreign consumers will be able to purchase the software, depriving them of its benefits. And such companies will have fewer resources to develop new products for use in the United States and abroad.

Likewise, without control over whether a foreign version of a piece of software can be excluded from the American market, software creators run a real risk that American consumers who purchase those foreign versions (whether knowingly or not) may be unhappy with the foreign product. For example, a U.S. consumer who purchases word processing software in which the default is set to British English will not be pleased when the software consistently corrects the consumer's spelling of "color." Software customized for foreign markets, by definition, will not be tailored to American needs, which could lead to customer dissatisfaction with the software brand. And of course other applications (*e.g.*, engineering software tailored to foreign regulations) may present even more serious difficulties.

As a result, the need to control importation is even greater for software creators than it is for watch makers or textbook authors. Ultimately, the versions of those products sold abroad *function* the same as those sold domestically. But that is not true of software, and accordingly software creators must fear both price arbitrage and consumer backlash when their works are imported.

3. The right to exclude imports is also of particular importance to software creators because it is a major check on piracy. By their very nature, digital works are especially vulnerable to piracy. There is little doubt that a foreign consumer who resells a book in the domestic market has not retained a copy for himself. But a work of software may continue to reside on a foreign consumer's computer even if the consumer resells the program, making it difficult, and in some cases effectively impossible, to tell whether any given reseller is actually conducting a lawful sale. Similarly, the barriers to creating *new* piratical copies of a digital work are far lower than their non-digital equivalent.[4]

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[4] In addition to bolstering good faith anti-piracy efforts, controlling importation is also critical in countries unable or

A pirated copy, of course, is not protected by the first sale doctrine. But the point is that weakening the right to control importation further exacerbates the difficulties that law enforcement agents, authors, and would-be consumers already face in determining whether a given copy of software is in fact pirated. Indeed, if the lawful copy was produced to the customs agent, it would be virtually impossible to know whether a second pirated copy had been retained. Combating piracy is difficult enough, particularly when it involves stopping imports from countries that lack rigorous anti-piracy measures. Allowing those imports under the guise of the first sale doctrine will make stopping piracy that much more difficult.

4. Petitioner attempts, in vain, to suggest that Section 602 will retain meaning under his construction of the Copyright Act in two situations: (1) where a copy is not "owned" but transferred by license or other legal means; and (2) where the copy is made overseas not by authority of the copyright owner, but under a statutory basis like a compulsory license. Pet'r Br. 44-45. He suggests that these situations will shield authors like BSA's members from the ramifications of weakening their right to restrict imports of goods sold in foreign markets. *See*

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unwilling to undertake anti-piracy efforts in the first place. *See generally* Michael Stolpe, *Protection Against Software Piracy: A Study of Technology Adoption for the Enforcement of Intellectual Property Rights*, 9 ECON. INNOV. NEW TECH. 25, 37 (2006) (Noting that, "[i]n some markets, contemporaneous *price discrimination* can help to reduce the incentives for piracy." (emphasis in original)).

Pet'r Br. 44-45. This argument does not provide any meaningful comfort to software developers.

To be sure, as Petitioner recognizes, Section 109 makes clear by its plain wording that it applies only to an "owner of a particular copy." *Id.*; *see also Quality King Distrib., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 146-47 (1998) ("because the protection afforded by § 109(a) is available only to the 'owner' of a lawfully made copy (or someone authorized by the owner), the first sale doctrine would not provide a defense to a § 602(a) action against any non-owner such as a bailee, licensee, a consignee, or one whose possession of the copy was unlawful."). And thus Petitioner is correct when he acknowledges that Section 109 indisputably does not curtail Section 602 in licensing situations and situations where copies are made without permission of the copyright owner, which are two important limitations to the software industry.

But the use of licensing arrangements does not provide sufficient security to BSA's members, and is not the only form of security to which they are entitled to under the law. As Respondent explains, Section 602 is framed broadly to apply to all instances of "importation," and does not disappear in cases where a work is licensed rather than sold. *See* Resp. Br. 25-26. Domestically, the law of software licensing is under continuing evolution and the enforceability of a license generally turns on fact-specific inquiries. *E.g.*, *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111 (9th Cir. 2010), *cert. denied*, 132 S. Ct. 105 (2011) ("a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2)

significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.”). And the situation is even less reliable abroad. *See e.g.*, *UsedSoft GmbH v. Oracle Int'l Corp.*, 2012 E.C.R. C-128/11 (holding that First Sale Doctrine repudiates *domestic* licenses). Equally so, complicated questions of privity may complicate enforcement against downstream possessors and distributors of licensed software. Copyright owners depend on *both* the law of copyright and the law of licenses for protection, and this Court should reject Petitioner's invitation to constrict the former simply because in some instances the latter may apply.

In sum, the rights conferred by Section 602 to control importation of one's own works are critical to fostering innovative, efficient, and legitimate markets, and to promoting creativity. To be sure, Section 109's first sale doctrine recognizes that resale markets are important, but those resale markets cannot be privileged to the extent that they materially hinder, or even extinguish, primary ones. The resulting loss to both the authors and the consumers is exactly the opposite of the balance Congress attempted to strike in the Copyright Act. In a world in which they cannot control importation of their works, BSA's members will be confronted by an unpalatable choice – sacrifice foreign sales by including less localization of price and features in works sold abroad, or alternatively sacrifice domestic sales that will be lost due to consumer unhappiness with products never intended for American consumers. Either outcome will reduce innovation and could have dire consequences for the software industry.[5]

II. THE SECOND CIRCUIT'S DECISION IS NOT JUST GOOD POLICY, IT IS GOOD LAW.

The Second Circuit's decision appropriately strikes the balance that Congress intended in the Copyright Act. But that is not its only virtue. While the decision is clearly in accord with the principles espoused in the Copyright Act, it is also firmly anchored in the plain text of the statute and canons of statutory interpretation, strongly supported by this Court's prior precedent, and closely tied to the Act's legislative history.

1. The Second Circuit correctly held that the first sale doctrine is inapplicable to goods manufactured abroad. Codified at 17 U.S.C. § 109, the doctrine permits "the owner of a particular copy . . . lawfully made under this title" "to sell or otherwise dispose of possession of that copy." By the statute's plain terms, then, a copy not "lawfully made under this title" confers no first sale rights. *See Quality King*, 523 U.S. at 142 n.9.

This Court's analysis need not look past the plain text of Section 109. Under the plain text of the statute, works manufactured abroad are not "lawfully made under" Title 17. As this Court has long recognized, the Copyright Act does not apply to manufacturing that occurs exclusively outside of the

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[5] Moreover, because of the negative effects on innovation, either outcome will in turn have the perverse result of depleting *all* markets of the works they sell, including the secondary markets Petitioner celebrates.

United States. *See, e.g.*, *United Dictionary Co. v. G & C Merriam Co.*, 208 U.S. 260, 264 (1908); 4 *Melville B. Nimmer & David Nimmer on Copyright* § 17.02, at 17-19 (2012); *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1095-96 ("The undisputed axiom [is] that the United States' copyright laws have no application to extraterritorial infringement." (quotation marks and citations omitted)).

To be sure, as Section 602(a) demonstrates, there are limited rights conferred under the Copyright Act that have extraterritorial application. But "'far from being overcome,'" "the presumption against extraterritoriality . . . 'is doubly fortified by the language of" these provisions, which reveal that Congress knew how to – and did – specify where extraterritorial application was to occur. *See Subafilms*, 24 F.3d at 1096 (quoting *Smith v. United States*, 507 U.S. 197, 204 (1993))); *see also* 17 U.S.C. § 602(a) (permitting control of importation go goods "*acquired* outside the United States," (emphasis added)). As this Court has "stated time and again, . . . courts must presume that a legislature says in a statute what it means and means in a statute what it says." *Arlington Central School Dist. Bd. of Educ. v. Murphy*, 548 U.S. 291, 296 (2006) (quotation marks omitted). Here, Congress clearly meant to preclude the first sale doctrine from extraterritorial application.

But even if the statute is construed to be ambiguous, as explained by the Second Circuit majority, principles of statutory interpretation compel the conclusion that the first sale doctrine does not apply to copies made overseas. It is well established that "statutes [should] be construed in a manner that gives effect to all of their provisions." *United States ex rel. Eisenstein v. City of New York*, 556 U.S. 928, 933 (2009). As the Second Circuit rightly recognized, the importation right codified in Section 602(a) "would have no force in the vast majority of cases if the first sale doctrine was interpreted to apply to every copy manufactured abroad that was either made 'subject to protections under Title 17,' or 'consistent with the requirements of Title 17 had Title 17 been applicable.'" *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 221 (2d Cir. 2011) (quoting statute).

Equally so, 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." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989); *accord John Wiley*, 654 F.3d at 220 n.39. Here, to the extent the Act places a thumb on the policy scales, it expresses a preference for the exclusive rights granted to the author, because those rights are the means by which Congress implemented the Act's basic purpose. Petitioner's contrary interpretation, which requires the Court to find within the Act a principle favoring secondary markets at the expense of disfavoring protection of the author's exclusive rights, is untenable in light of the underlying purpose of the statute.[6]

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[6] For these very good reasons this was also the view of the United States government in *Costco v. Omega*, *see* Brief for the United States as Amicus Curiae Supporting Respondent, *Costco*

This Court's precedent supports this reading of the statute. As this Court explained in *Quality King*, Section 602(a) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category [plainly] encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U.S. at 146-47. This Court therefore drew a distinction recognizing that copies lawfully made "under the law of some other country," are not "lawfully made" under Title 17. This Court's interpretation is in accord with the plain text of the statute as well as the relevant canons of statutory interpretation.[7]

2. While the Court need not look beyond the plain text of the statute and its own precedent interpreting that text, limiting the first sale doctrine to domestic copies also finds support in the legislative history of the importation provision. Congress enacted Section 602 as part of the 1976 Copyright Law revision, and the accompanying House Report makes clear that "[S]ection 602 . . . deals with two separate situations: importation of 'piratical' article[s] (that is, copies . . . made without

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Wholesaler Corp. v. Omega, S.A., 131 S. Ct. 565 (2010), (No. 08-1423), 2010 WL 3512773, and further finds support among the leading copyright law authorities, *see id.* at 16 n.3 (collecting authorities).

[7] It is also eminently practical. If the first sale doctrine preempted an author's exclusive right to control importation, it would leave U.S. courts with the difficult task of determining whether a foreign "sale" had occurred. This would require case-by-case application of foreign law, presumably in the first instance by customs officials, but inevitably by U.S. courts.

any authorization of the copyright owner), and unauthorized importation of copies . . . that were lawfully made." H.R. Rep. No. 94-1476, at 169 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5785.

This distinction, and the corresponding right to exclude both, was the product of considered deliberation. As early as 1963 – 13 years prior to the 1976 revision – Congress received proposals from the Register of Copyrights to confer authors with an exclusive right to control importation. *See* COPYRIGHT LAW REVISION, 88TH CONG., DISCUSSION AND COMMENTS ON THE REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, PART 3, at 32-33 (Comm. Print 1964). Congress then spent more than three years holding hearings and otherwise receiving information about a potential importation right. *Compare Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 before the Subcomm. No. 3 of the H. Comm. on the Judiciary* (Serial No. 8 (Part 2)), 89th Cong., 1041-43, 1064-65 (1965) (testimony by motion picture industry that exceptions to the bill would permit importation for renting and lending that would swallow the importation right) *with Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 before the Subcomm. No. 3 of the H. Comm. On the Judiciary* (Serial No. 8 (Part 1)), 89th Cong., 1st Sess., at 468 (1965) (testimony by library community that there should be no geographic limitation on the ability to sell one's work).

Ultimately, Congress struck a balance between these competing interests, by conferring a broad right to block importation while preserving certain governmental and private uses. *See* H.R. Rep. No. 89-2237, at 32 (1966). It is simply untenable that Congress expended this much effort and attention to delineating the scope of the right to control importation while somehow also intending for the newly minted right to be rendered immediately superfluous by the pre-existing first sale doctrine.

At bottom, the first sale doctrine is an exception to the exclusive rights that the Act grants to copyright holders. There is no basis in law or history for suggesting that Congress tilted the scales of the Copyright Act to prefer creation of broad secondary markets over vigorous protection of the exclusive rights granted to copyright owners. Such an approach would permit the exception to swallow the rule and would directly contradict the well-established principle that Congress's main concern was to provide a sufficient incentive for creation of new works. "[T]he Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas." *Harper & Row*, 471 U.S. at 558. Accordingly, this Court must reject Petitioner's stated preference of secondary markets, which runs directly counter to the fundamental protections that copyright law is intended to provide.[8]

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[8] BSA submits that the Second Circuit's holding is both correct and appropriate for affirmance in this case. However, it would also be appropriate in the alternative for the Court to affirm the result below by relying on the reasoning of the Ninth Circuit in *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2010).

CONCLUSION

The judgment of the Second Circuit should be affirmed and the case remanded for further proceedings.

Respectfully submitted.

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In *Omega*, the Ninth Circuit held that Section 109(a) "refers 'only to copies legally *made* . . . in the United States,'" *id.* at 990 (quoting *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991) (ellipses in original)), without deciding whether there is an exception to this rule where the copies are made abroad but *sold* domestically. *Id.* (recognizing that prior Ninth Circuit cases had recognized such an exception, but declining to consider whether intervening Supreme Court precedent called those cases into doubt). As explained in Respondent's brief at 35-38, the Ninth Circuit's reasoning is more faithful than Petitioner's to the statutory text and the goals of copyright law.