“Complete Domestic Act of Infringement” Supports the Application of the “First Sale” Doctrine to Goods Manufactured Abroad.

Man K. Huynh, Thomas Jefferson School of Law
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Thomas Jefferson School of Law

By: Man K. Huynh²

Faculty Advisor: Professor Julie Cromer Young³

I.

Introduction

On December 13, 2010 the Supreme Court of the United States affirmed a lower court’s decision against Costco Wholesale Corp. and in favor of Omega, S.A.⁴ The divided Supreme Court⁵ agreed with the lower court that the “first-sale doctrine” does not apply to imported works manufactured abroad, and can be used as a defense.⁶ The basis of this case is rooted in 17 U.S.C. §109 which states that the “. . . owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”⁷

¹ Research Thesis for Copyright Law, Thomas Jefferson School of Law.
² Intellectual Property Fellow, Thomas Jefferson School of Law.
³ Professor of Law, Thomas Jefferson School of Law. Many thanks for her wisdom, guidance and support for the author’s work on this paper.
⁵ Id. The Supreme Court issued its ruling as an equally divided court, 4-4, with Justice Kagan having recused herself.
⁶ Omega, S.A. v. Costco Wholesale Corp., 541 F.3d 982, 990 (9th Cir. 2008). The court here held that “[b]ecause there is no genuine dispute that Omega made the copies of the disputed design in Switzerland, and that Costco sold them in the United States without Omega’s authority, the first sale doctrine is unavailable as a defense to Omega’s claims.” Hereinafter “Omega.”
⁷ Copyright Act, 17 U.S.C. § 109(1) (1976). “Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled,
The legislative policy behind this provision is to protect the consumer who has purchased the copyright owner’s material and later would like to resell that exact same item.\(^8\)

In *Quality King Distributors Inc., v. L’Anza Research International Inc.*, which was decided by the Supreme Court in 1998, the Supreme Court held that the “first-sale doctrine” does apply to products first made in the United States for sale abroad which are subsequently imported back into the country.\(^9\) This means that those products have made the complete round trip. However, in this case the Supreme Court did not rule whether goods manufactured outside of the United States in a foreign country are also protected by the “first-sale doctrine.”

Subsequently, the Supreme Court decided *Costco Wholesale* where it, in affirming the decision against retailer *Costco Wholesale*, has taken the next step in a long line of decisions in regards to the “first-sale doctrine.” The decision answered, or attempted to, the questions left open in *Quality King* regarding goods produced abroad.

The point of contention, despite the Supreme Court’s ruling in *Costco Wholesale Corp. v. Omega, S.A.*, is in defining “lawfully made” as stated in §109.\(^10\) Even though ordinarily the Copyright Act does not apply extraterritorially\(^11\), it would apply if it falls under an important exception. This exception provides that the Copyright Act would apply if there is one complete

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\(^8\) See Copyright Law Revision: Hearing on H.R. 94-1476 Before the H. Comm. on the Judiciary, 94\(^{th}\) Cong. at 62 (1976) (report by Mr. Kastenmeier from the Committee on the Judiciary to whom was referred the bill (S. 22) for the general revision of the copyright law). This section “restates and confirms the principle that, where the copyright owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means. Under this principle, which has been established by the court decisions and section 27 of the present law [former section 27 of this title], the copyright owner’s exclusive right of public distribution would have no effect upon anyone who owns ‘a particular copy or phonorecord lawfully made under this title’ and who wishes to transfer it to someone else or to destroy it.”


\(^10\) See Footnote 6, supra.

domestic act of infringement. Given that the issue raised in Costco Wholesale is allegations of copyright infringement for unauthorized importation of goods manufactured outside of the United States into the country, it is proof that the importation is a complete domestic act of infringement. It would follow then, logically, that the “first-sale doctrine,” which is a provision under the Copyright Act, also applies extraterritorially.

The controversial decision was split by a 4-4 vote with Justice Kagan having recused herself. The mere fact that there is a distinct split in the Supreme Court’s decision is enough to show that there is a need for changes and clarifications to §109’s “lawfully made” element. The decision by the Supreme Court creates uncertainty in enforcement of Copyright law as it raises a conflict between sections 602 and 109. As a cause of action for 602 is allegation of Copyright infringement, it is in and of itself a complete act of domestic infringement. As a result of this, the application of section 109 may be applied extraterritorially. Furthermore, following the decision in Costco Wholesale, Corp. v. Omega, S.A. would create a restraint on free trade and alienation of property. Therefore, Congress should clarify this dubious provision once and for all by amending the Copyright Act to apply the “first-sale doctrine” to imported goods “legally” manufactured abroad.

II.

Background

12 See Los Angeles News Service v. Reuters Television Intern. Ltd., 149 F.3d 987, 992 (9th Cir. 1998). Here the court held that the defendant is “entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants.” In this case, the defendant infringed the copyright of the plaintiff’s videotape by copying and retransmitting plaintiff’s broadcast of said video to subscribers abroad. The District Court granted summary judgment based on extraterritorial use of said video, but the Court of Appeals here reversed.
13 Footnote 3, supra.
14 Footnote 6, supra.
15 See Footnote 3, supra.
A. Relevant Facts

Omega, S.A. manufactures watches in Switzerland and sells them internationally through authorized distributors. Omega has a copyright in the “Omega Globe Design” located on the underside of the watches. They sold the watches to authorized distributors and retailers overseas. These watches are then sold to unidentified third parties who in turn sold them to ENE Limited. ENE Limited eventually sold the watches to Costco Wholesale, Corp. Omega, S.A. The issue was that Omega, S.A. manufactured and authorized the initial sale of the watches abroad, but did not authorize the watches’ importation into the United States or Costco Wholesale, Corp.’s sales.

B. Gray Markets

In Costco Wholesale, Omega, S.A., a copyright owner, filed action against retailer Costco Wholesale Corp. for infringing distribution and importation rights by the unauthorized sale of authentic, imported watches having the Omega Globe Design which Omega, S.A. registered with the Copyright Office. A discussion of Costco Wholesale necessarily involves an explanation of gray market goods. “In some cases, it is cheaper to acquire a manufacturer’s product abroad than it is to acquire it in the United States because the manufacturer follows a pricing strategy that calls for higher prices in the United States than in foreign markets for the same product.” Often times these goods are purchased abroad for resell in the United States for the very reason that they are cheaper abroad, as compared to “parallel” goods that have been authorized for sale in

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16 Footnote 5, supra, at 983-84.
17 Footnote 5, supra. Omega is a Switzerland watch maker who sells its products internationally through a network of authorized distributors and retailers. The copyrighted “Omega Globe Design” is an engraving on the underside of watches sold by Omega. Costco Wholesale obtained said watches from the “gray market” by buying them from ENE Limited who bought them from unidentified third parties. These third parties obtained the watches from authorized Omega distributors overseas.
18 Eric Bensen, Bensen on What does a 4-4 Tie Say About the Future of the First Sale Doctrine?, Emerging Issues 5538 (2011).
the United States. “Such re-selling is known as the “gray” market; “gray” because in the typical
case, it is neither authorized by the manufacturer nor expressly prohibited by law.”19

Gray-market goods, also known as parallel imports, are genuine products protected by
copyright, and they are made abroad and purchased and imported into the United States,
bypassing authorized distribution channels.20 Furthermore, “[t]he gray market is possible from
an intellectual property perspective because each of copyright law, patent law and trademark law
to some extent allows the purchaser of an item to use or re-sell an item without incurring liability
for infringement.”21

C. Applicable Statutes

An analysis of the present issue begins with the overriding statues. We begin with §
501(a) which states that “Anyone who violates any of the exclusive rights of the copyright owner
as provided by §§ 106 through 122, ... or who imports copies … into the United States in
violation of § 602, is an infringer of the copyright....”22 Therefore, to “establish copyright
infringement, plaintiffs must demonstrate they own valid copyright and defendant violated any
of their exclusive rights, including rights to produce or prepare derivative works from original, or
distribute or display copies publicly.”23

Based upon the rights given under §501(a), any copyright owner can bring cause of
action against an infringer, in this case, under §106(3), which provides, in pertinent parts, that
“[s]ubject to sections 107 through 122, the owner of copyright under this title has the exclusive
rights … to distribute copies … of the copyrighted work to the public by sale or other transfer of

19 Id.
20 Parfums Givenchy, Inc. v. Drug Emporium, Inc., 38 F.3d 477, 481 n. 6 (9th Cir. 1994).
21 Id.
ownership, or by rental, lease, or lending.”\textsuperscript{24} The “general scope requirement for determining whether a claim is governed exclusively by the Copyright Act is satisfied only when the state-created right may be abridged by an act that would, by itself, infringe one of the exclusive rights provided by federal copyright law; in other words, the state law claim must involve acts of reproduction, adaptation, performance, distribution, or display.”\textsuperscript{25}

More specifically, as applied to foreign goods, the infringer may also be liable under § 602(a) which states that “[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies … of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies … under section 106, actionable under section 501.”\textsuperscript{26} This section:

[H]as nothing to do with the manufacturing requirements of section 601 [section 601 of this title], deals with two separate situations: importation of ‘piratical’ articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. The general approach of section 602 [this section] is to make unauthorized importation an act of infringement in both cases, but to permit the United States Customs Service to prohibit importation only of ‘piratical’ articles.\textsuperscript{27}

In terms of importation, “infringing” distribution is “where the copies or phonorecords were lawfully made but their distribution in the United States would infringe the U.S. copyright owner’s exclusive rights. As already said, the mere act of importation in this situation would constitute an act of infringement and could be enjoined. However, in cases of this sort it would be impracticable for the United States Customs Service to attempt to enforce the importation prohibition, and section 602(b) [sic] provides that, unless a violation of the manufacturing

\textsuperscript{24} Copyright Act, 17 U.S.C. § 106(3) (1976).
\textsuperscript{26} Copyright Act, 17 U.S.C. § 602(a) (1976).
\textsuperscript{27} Footnote 7, supra.
requirements is also involved, the Service has no authority to prevent importation, ‘where the copies or phonorecords were lawfully made.’”

When applicable, the alleged infringer would be able to raise the defense of “first-sale doctrine” provided for under § 109(a), “[n]otwithstanding the provisions of section 106(3), 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 ….” According to the “first sale” doctrine, the “sale of lawfully made copy terminates copyright holder’s authority to interfere with subsequent sales or distribution of that particular copy; lawfully made “first sale” is defense to liability under statutory provision giving copyright owner exclusive rights to authorize or distribute copies.”

This prevents copyright owner from controlling future transfer of particular copy once its material ownership has been transferred. Taken together, the copyright distribution right and “first sale” doctrine, they rest on the principle that the copyright owner is entitled to realize no more and no less than full value of each copy or phonorecord upon its disposition.

Furthermore, a copyright owner’s “distribution right is not absolute; once copyright owner has voluntarily released his work to public, distribution right is no longer needed to protect underlying copyright and, at that point, policy favoring copyright monopoly for authors

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28 Id.
29 Footnote 6, supra.
30 Footnote 19, supra. This case involved issues of “first sale” doctrine where the court affirmed the lower court’s decision that the doctrine “did not apply where alleged first sale occurred outside United States[.]”
32 See Parfums Givenchy, Inc. v. Drug Emporium, Inc., 832 F.Supp. 1378, 1391 (C.D.Cal., 1993). Here, a perfume manufacturer’s subsidiary with the copyright to a box design for a line of perfume called “Amarige” brought copyright infringement action against an importer who imported that line of perfume from abroad to be sold here in the United States.
gives way to policies disfavoring restraints of trade and limitations on alienation of personal property, and [the] first sale doctrine takes effect.”

Lastly:

To come within the scope of section 109(a), a copy or phonorecord must have been “lawfully made under this title,” though not necessarily with the copyright owner’s authorization. For example, any resale of an illegally “pirated” phonorecord would be an infringement, but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not.

D. Sections 109 and 602 Defined

a. “[F]ull value”

The facts in Costco Wholesale indicate that Omega has obtained the full value of its goods, because it manufactured and sold the watches (with copyrighted globe design on the underside) to authorized distributors in Europe. The main contention in Costco Wholesale involves section 109 and its interpretation. The House Judiciary Committee provided that “where the copyright owner has transferred ownership of a particular copy or phonorecord of a work [lawfully made], the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means.” This right is based upon the reasoning that copyright owner’s distribution rights should be protected and are entitled to realize the “full value” of the product and work. Further, “in determining what constitutes a ‘first sale’ so as to trigger exemption from the distribution right, courts have applied a functional measure based on this principle and held that a first sale of copies or phonorecords has occurred if the disposition in

33 Id. at 1388.
34 Footnote 7, supra.
35 Footnote 5, supra, at 983-84.
36 Footnote 7, supra.
37 See Footnote 31, supra, at 1388 (citing Paul Goldstein, Copyright, § 5.5 at 588-89; §5.6.1 at 598 (1989)).
question has enabled the copyright owner to realize their value.” However, this distribution right is forfeited once the copyright owner sells the copy to another. Regardless of where the product is made or sold. So long as the copyright owner has obtained compensation for the product sold then the copyright owner should have already received the full value afforded anyone and can no longer exert control over subsequent sales of those already sold.

The court in Parfums Givenchy, Inc. v. C & C Beauty Sales argued that “[w]here the owner elects to sell copies of his work, the first sale doctrine requires him to-and assumes that he will be able to-realize each copy’s full value to him upon its initial sale. This “full value”-the price at which the copyright owner is willing to sell copies of his work depends on market conditions and, in today’s global economy, varies from country to country.” The court went on to state that “such unauthorized importation effectively circumvents the distribution right.” However, this reasoning conflicts with the policy underlying §109 “first sale” doctrine that the doctrine “ensures that the copyright monopoly does not intrude on the personal property rights of the individual owner, given that the law generally disfavors restraints of trade and restraints on alienation.” Therefore, if the copyright owners are able to retain distribution rights after the initial sale, regardless if it was sold or made abroad, it would interfere with the alienation of property and trade. Since restraints on trade and alienation is disfavored, the reasoning by the court in Parfums Givenchy conflicts with the purpose and policy of §109.

b. “[L]awfully made”

40 Id. at 1391.
In Costco Wholesale, referring back to the relevant facts, the watches (with the copyrighted Omega globe design) are manufactured by Omega and sold to unidentified third parties by its own authorized distributors in Europe.\textsuperscript{42} The other issue of contention in Costco Wholesale is how “lawfully made” is to be defined. In unraveling “lawfully made” it necessarily requires the consideration of the idea of “site of manufacture” as this was the determining factor in the Supreme Court’s holding.\textsuperscript{43} Congress has stated that §602 “has nothing to do with the manufacturing requirements of §601.”\textsuperscript{44} This is a clear indication that it never intended for “site of manufacturing” to be a requisite element in determining whether or not §602 has been violated by a defendant. Therefore, the issue of “lawfully made” should not make a difference in the determination of whether or not §602 applies. To take this line of reasoning one step further, if “lawfully made” is not a determinative element of §602 it should not be a requirement in considering whether or not the §109 “first sale” doctrine may be raised as a defense. In sum, the legislative history of Section 109(a) reveals that the phrase “lawfully made under this title” clarifies what constitutes a “first sale” for purposes of the first sale doctrine; it makes no reference to the location of the manufacture or sale of the goods. Thus, the courts in BMG Music and Scorpio do not appear to have had a sound basis for interpreting that phrase to mean “lawfully manufactured and sold within the United States.”\textsuperscript{45}

Further proof lies in the Congressional intent, or lack thereof, in requiring “site of manufacture” as an element in determining violation of §602 is the view that to require the United States Customs Service to prevent the entry of lawfully made copies would not be

\textsuperscript{42} Footnote 5, supra, at 983-84.
\textsuperscript{43} See Footnote 3, supra.
\textsuperscript{44} Footnote 7, supra, at 169.
\textsuperscript{45} Footnote 31, supra, at 1387.
practical and would only be permitted to prohibit the importation of piratical copies.\textsuperscript{46} This is indicative of Congressional intent in enacting §602, and shows that Congress never meant for this statute to exclude non-piratical goods, like those “lawfully made” abroad, from being brought into the United States. Furthermore, it appears from the legislative history, “lawfully made” would be any goods that are non-piratical. The court in \textit{T.B. Harms Co. v. Jem Records, Inc.} held that “[i]n a case where the copies or phonorecords were lawfully made, the United States Customs Service has no authority to prevent their importation unless the provisions of section 601 are applicable.”\textsuperscript{47} Interestingly, section 601 was repealed on December 9, 2010.\textsuperscript{48} Congress never intended for enforcement of section 602 to be against non-piratical goods. As a result, section 602 was only meant to prevent the importation of piratical goods, and goods “lawfully made” abroad do not fall into this category.

Consequently, Congressional history has demonstrated an intent to terminate the copyright owner’s right to distribution upon the sale of the product and receipt for “full value” for the product and work. Further, Congress has shown a reluctance in requiring “site of manufacture” as an element in finding §602 violation for practical reasons. As a result there should not be a need to consider the “lawfully made” element by looking at site of manufacture, essentially the same consideration as “site of manufacture”, in applying §602, or §109.

C. \textit{Pre-Quality King Distributors Inc., v. L’Anza Research International Inc.}

\textit{Costco Wholesale} comes from a long line of cases dealing with the sale of goods made or sold abroad, or both, that have been brought into the United States for sale domestically by unauthorized sellers. The analysis begins with \textit{BMG Music v. Perez} where the defendant bought

\begin{itemize}
  \item \textsuperscript{46} See \textit{Id.} at 170.
  \item \textsuperscript{48} Copyright Cleanup, Clarification, and Corrections Act, Pub.L. 111-295, § 4(a), 124 Stat. 3180 (2010). The purpose of § 601 had been purely economic in support of the American printing industry; to require certain kinds of books to be manufactured in the United States or Canada in order to qualify for American copyright.
\end{itemize}
phonorecords made in the Philippines of works that the plaintiff holds copyright to in the United States, and exported them to the United States for sale.\textsuperscript{49} The court in \textit{BMG Music} found for the plaintiff and cited \textit{CBS v. Scorpio Music Distributors} in reasoning that by allowing the defendant to raise the §109(a), the “first sale” doctrine, defense would render § 602 virtually meaningless; as this would permit the exact behavior that § 602 was meant to prevent.\textsuperscript{50} In \textit{Costco Wholesale} the goods were also manufactured abroad and imported into the United States for resell. However, the defendant was not the one who first purchased the goods abroad.

Following this case, the court in \textit{Parfums Givenchy, Inc. v. Drug Emporium, Inc.} held for the plaintiff and issued a permanent injunction, preventing the defendant from further sell or market the copyrighted Amarige box design, owned by the plaintiff, in the United States.\textsuperscript{51} The court created an exception where § 109(a) can apply to copies made in a foreign country as long as the authorized first sale is made here in the United States.\textsuperscript{52} This differed from Costco Wholesale in that the first sale was made here in the United States while in Costco Wholesale the first sale was made abroad.\textsuperscript{53} However, the significance is that the court recognized that this would afford more power to copyright owners who manufacture their goods abroad than those made domestically.\textsuperscript{54} The reasoning is that someone who has manufactured their copyrighted product in the United States would no longer have control over distribution after their initial authorized sale; while another who has made their product abroad will have unlimited control as § 109(a) would not have otherwise applied to goods made in a foreign country. This creates an inequitable situation for whom, in all other relevant respects, identical.

\begin{footnotes}
\item[49] \textit{BMG Music v. Perez}, 952 F.2d 318, 319 (9th Cir. 1991).
\item[50] \textit{Id.} at 319-20 (citing \textit{CBS v. Scorpio Music Distributors}, 569 F.Supp. 47, 49 (E.D.Pa., 1983)).
\item[51] Footnote 19, \textit{supra}, at 479.
\item[52] See \textit{Id.} at 481.
\item[53] See Footnote 5, \textit{supra}, 983-84.
\item[54] See \textit{Id.} at 479.
\end{footnotes}
Shortly thereafter, the court in *Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.* in light of the exception created in *Drug Emporium*, held that the defendant was not liable for infringement for two reasons.\(^{55}\) First, the defendant was not liable under § 106(3), because of § 109(a) “first-sale doctrine” in conjunction with the exception created in *Drug Emporium* where the copyright owner’s sale of the copies in the United States eliminated any exclusive rights that may have been afforded under §106(3).\(^{56}\) Second, the defendant was not liable under §602(a), because the copies were imported by third parties then sold to the defendant for resale.\(^{57}\) Here the facts are similar to *Costco Wholesale*\(^{58}\) in that in both situations, the goods were imported by third parties and sold to the defendants for resale in the United States.

D. **Quality King Distributors Inc., v. L’Anza Research International Inc.**

Lastly, we must consider *Quality King Distributors, Inc. v. L’Anza Research International, Inc.* and the court’s holding regarding goods that have made a round trip and the application to §109(a) to such a situation.\(^{59}\) There the court held that when the plaintiff sells its product, with copyrighted labels, to an authorized distributor in a foreign country who then resells the product to the defendant who subsequently exports it back to the United States, is not infringing on the copyright of the original manufacturer and is protected under §109(a) “first sale” doctrine.\(^{60}\) In this way, the product has made a round trip. Further, in a concurring opinion, Justice Ginsburg stated that *Quality King* does not aim at clarifying whether goods manufactured abroad and exported to the United States to be sold here would infringe on the

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55 *Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.*, 84 F.3d 1143, 1145-46 (9th Cir. 1996).
56 See *Id.* at 1149-50.
57 See *Id.* at 1149.
58 Footnote 5, *supra*, at 983-84.
59 See Footnote 8, *supra*.
60 *Id.*
copyright owner’s rights.\textsuperscript{61} Therefore this issue was left open for subsequent determination. Thereafter, the Supreme Court in \textit{Costco Wholesale Corp. v. Omega, S.A.} picked up where Quality King left off.\textsuperscript{62} The facts of this case is slightly different from those of \textit{Costco Wholesale} in that the goods here has made a round trip while the watches in \textit{Costco Wholesale} was imported into the United States after Omega manufactured and subsequent sales by authorized distributors, unidentified third parties, ENE Limited.\textsuperscript{63}

Omega argued that §109(a) does not apply, because the watches were manufactured and first sold overseas, and that the watches were not “lawfully made under [Title 17]” according to \textit{BMG Music, Parfums Givenchy and Denbicare}.\textsuperscript{64} However, the Supreme Court, in \textit{Quality King}, effectively overruled those cases and held that §109(a) is a defense against §§106(3) and 602(a) for claims involving domestically made copies of U.S.-copyrighted works.\textsuperscript{65} Therefore, the question in Costco Wholesale is whether §109(a) is a defense for copies made abroad.

\section*{III.

Complete Domestic Act of Infringement}

The court in \textit{Costco Wholesale} held that § 109(a) does not apply to goods made outside of the United States, because that would mean that the Copyright Act is applied extraterritorially.\textsuperscript{66} This follows from the “long-standing principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the

\begin{footnotesize}
\textsuperscript{61} Id. at 154.
\textsuperscript{62} See Footnote 3, \textit{supra}.
\textsuperscript{63} Footnote 5, \textit{supra}, at 983-84.
\textsuperscript{64} See Footnote 5, \textit{supra}, at 985.
\textsuperscript{65} See Id.
\textsuperscript{66} See Footnote 3, \textit{supra}.
\end{footnotesize}
territorial jurisdiction of the United States.”

Therefore, “wholly extraterritorial acts of infringement cannot support a claim under the Copyright Act.”

“[C]ourts must ‘assume that Congress legislates against the backdrop of the presumption against extraterritoriality,’ unless ‘there is “the affirmative intention of Congress clearly expressed,” ’ congressional enactments must be presumed to be “primarily concerned with domestic conditions.””

However, copyright owners may be afforded protection through one important exception. As outlined in *Los Angeles News Service v. Reuters Television International Limited*. The Copyright Act applies extraterritorially if there is “one complete domestic act of infringement.”

Furthermore, the court in *BMG Music v. Perez* states that unauthorized importation into the United States of copies acquired extraterritorially triggers the application of United States Copyright law. “The importation is an act of direct infringement that occurred within the U.S. Contrary to Defendant’s contention, the sale or manufacture of the goods outside the U.S. prior to importation does not place the act of importation beyond the reach of U.S. Copyright law.”

The court further stated that “the Copyright Act specifically provides for infringement based solely on the act of importing goods made or sold extraterritorially, if the making or selling of the goods in the U.S. would have infringed a copyright e.g., counterfeit goods. Thus the acts of direct infringement were properly within the jurisdiction of the Copyright Act.”

For example, “[a]ssuming jurisdiction on a theory of contributory infringement over acts of copying in

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67 *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (citing EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991)).

68 *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (citing EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991)).

69 *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (citing EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991)).

70 Footnote 11, supra.

71 Id.

72 Footnote 48, supra (citing 17 U.S.C. § 602(a)).


74 Id.
Germany that were undertaken with the ‘knowledge and intent’ that the infringing products would be exported to the United States by the direct infringer in violation of the copyright owner’s importation right. This is, in essence, a violation of Section 602(a) of the Copyright Act.

The facts in Costco Wholesale involve the importation of “gray market” goods into the United States by a third party and sold to the defendant. Omega, S.A. manufactures the watches abroad and sells them through authorized distributors globally where unidentified third parties bought and sold these watches to a New York company, ENE Limited, who sold them to Costco Wholesale Corp for resell without Omega S.A.’s authorization. Plaintiff, Omega, S.A., then brought action alleging copyright infringement.

Ordinarily the Copyright Act does not apply extraterritorially. Since the action was brought in the United States alleging a complete act of infringement, by selling goods not authorized by the plaintiff manufacturer, this act in itself serves as the complete act of domestic infringement needed. This means that the extraterritorial exception to the long held doctrine of that the Copyright Act would not apply extraterritorially is applicable here. Omega, S.A. argues that Costco Wholesale Corp. has infringed on its Copyright by interfering with the former’s importation rights by bringing unauthorized goods into the United States. To take this line of reasoning one step further; if the exception applies and the Copyright Act is applicable extraterritorially then § 109(a) would apply to goods manufactured abroad. They would be considered “lawfully made” as required by the court in Costco Wholesale, because they are produced by the copyright owner or with permission of said owner. In determining whether or not the product is “lawfully made” the Copyright Act may be applied to those goods made in the

76 Footnote 5, supra, at 983-84.
77 See Footnote 10, supra.
foreign countries. Therefore, since Omega, S.A. alleged that Costco Wholesale, Corp. has violated Omega’s §602(a) importation rights by selling watches made abroad but not authorized for sale in the United States. This is, in effect a ‘complete act of domestic infringement’, and so § 109(a) ‘first-sale doctrine’ should apply to authorized goods made in a foreign country.

IV.

Conflicting Law

The Copyright Act’s §109(a) ‘first-sale doctrine’ should apply to goods manufactured then sold by an authorized distributor in a foreign country, and bought by a third party who then exported those goods to the United States and sold them to unauthorized distributors here. The court in Costco Wholesale held to apply §109(a) to foreign-made copies would impermissibly apply the Copyright Act extraterritorially in a way that applying the statute after foreign sales does not. It held that under the latter application, the statute merely acknowledges the occurrence of a foreign event as a relevant fact, while the former would go much further. However, the court did not clarify to what extent and in which way the first application of §109(a) to foreign-made copies is different than to foreign-sales. Without explaining this, the court went on to say that “[t]o characterize the making of copies overseas as “lawful[ ] … under [Title 17]’ would be to ascribe legality under the copyright Act to conduct that occurs entirely outside the United States, notwithstanding the absence of clear expression of congressional intent in favor of extraterritoriality.” Furthermore, it stated that to apply § 109(a) to foreign-made goods would “mean that a copyright owner’s foreign manufacturing constitutes lawful

78 See Footnote 5, supra, at 988.
79 See Id.
80 Id.
reproduction under 17 U.S.C. §106(1) even thought that statute does not clearly provide for extraterritorial application.”

There are two fundamental flaws in the Costco Wholesale Court’s reasoning as outlined above. First, there is no extraterritorial-application distinction between the act of making and the act of buying goods abroad. Each in itself, if exported to the United States, would be equally liable for infringement of the copyright owner’s rights pursuant to section 602 of the Copyright Act. Analogously, one who buys and exports to the United States a copyright-infringing reproduction is as liable as one who unlawfully made that reproduction.

Second, in attempting to resolve one conflict, the Supreme Court has ignored another. Even if assuming it has satisfactorily resolved the issue that there is justifiably a distinction between a sale abroad and a manufacture abroad in that the latter would be applying the Copyright Act extraterritorially while the former would not, it would be giving more rights to copyright owners who manufacture their goods abroad. As discussed previously, the court in Drug Emporium and Denbicare has made clear that “parties can raise §109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred.

This goes entirely against the court’s reasoning thus far in Costco Wholesale regarding its distinction from Quality King that the former involves goods manufactured abroad while the latter involves goods manufactured in the United States and made a round trip. It held that the "general rule that §109(a) refers ‘only to copies legally made … in the United States’ is not

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81 Id.
82 See Id. at 989.
83 Id. at 989 (citing Drug Emporium at 481).
84 Footnote 8, supra, at 1135. In her dissent, Justice Ginsburg stated that “[t]his case involves a ‘round trip’ journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court’s opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad.”
clearly irreconcilable with *Quality King*, and, therefore, remains binding precedent.\textsuperscript{85} The argument here is based almost entirely on the issue of “legally made” where the court essentially held that § 109(a) does not apply when the goods at issue are made in a foreign county, and would only apply to goods made in the United States. Yet the exception set out in *Drug Emporium* provides that the deciding element in determining whether §109(a) applies is not where the goods are made, “lawfully made” element, but whether or not the manufacturer has made a sale in the United States. If the rule in *Drug Emporium* were to be applied to *Costco Wholesale*, an entirely opposite outcome would result.

The court further stated that “[they] need not decide whether *Drug Emporium’s* and Denbicare’s exception to the rule in *BMG Music* also survives *Quality King*. There is no genuine dispute that the copies of the Omega Globe Design were sold in the United States without Omega’s authority. The exception, therefore, does not apply in this case.”\textsuperscript{86} The *Costco Wholesale* court ignored this apparent conflict and merely stated that the facts do not warrant consideration of the exception in *Drug Emporium* and Denbicare. If considered side-by-side, it would be immediately apparent that there is conflicting case law that must be resolved in another way.

V.

4-4 Split Decision

The fact that *Costco Wholesale* was decided by the Supreme Court as a split 4-4 decision lends further support that within the court itself there was no consensus and half wanted to

\textsuperscript{85} Footnote 5, *supra*, at 990.

\textsuperscript{86} *Id.*
decide it another way. The decision affirmed the appeals court’s ruling due to the fact that it ended in a tie, and this was possible because Justice Elena Kagan recused herself.

A. Supreme Court Oral argument on behalf of Costco Wholesale Corp.

During oral arguments before the Justices of the Supreme Court, a number of issues were raised by various Justices that indicate the incompatibility of this decision with the enforcement of the Copyright Act and the underlying policies. In a statement, Justice Breyer expressed his interpretation of section 109, “[t]he first sale doctrine has always meant there was a transfer or sale.” He further stated in an example drawn from Quality King, “[o]f course, if you say there has to be a first sale, there is no problem. You block that British manufacturer from sending his books to the United States, but you don’t block the person to whom he sells it. Gives meaning to everything.”

Roy Englert, Jr., who represented Costco Wholesale Corp., used of a book publisher example from Quality King, where there was no first sale and so §109(a) does not apply, to distinguish the facts of Costco Wholesale. Justice Kennedy stated “Exactly, and that’s what it does under my theory, because there has been no first sale.” The significance of this is that these Justices agree, with Justice Breyer leading and Justice Kennedy agreeing, with Mr. Englert that once there has been a first sale, §109(a) applies. They agree that first sale is the determinative element, and when there is no first sale, §109(a) does not apply.

B. Supreme Court Oral argument on behalf of Omega, S.A.

Subsequently, during the oral argument of Mr. Aaron Panner, he stated that “‘made’ certainly includes the creation of the physical copy. It also includes the addition of any

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87 Footnote 3, supra.
88 Id. When there is a 4-4 tie in the Supreme Court, often resulting from any of the Justices recusing themselves, the split decision affirms the ruling of the lower court through a per curiam decision. When this happens the case is not considered to set precedent.
89 Costco Wholesale Corporation v. Omega, S.A., Supreme Court Oral Argument No. 08-1423 at 8 (Monday, November 8, 2010).
90 Id. at 9.
91 Id. at 10.
necessary intellectual property rights that would permit distribution in the United States.”

Further, he stated that “to say that we understand section 109(a) should be read to reach a situation in which copy has been subject to an authorized sale in the United States.” In response, Justice Alito stated, “[s]ee, I’m with you, and I think you – the text supports you up to the point where you add the qualification. But once you’ve added that qualification, I think you’re – you’re outside the text…” In making this statement, Justice Alito agrees that “made” is the making of a physical copy of a good. However, he does not agree that it also includes any attachment of intellectual property rights associated with that physical copy of the good. More importantly, Justice Kennedy stated that “in their brief, the brief for the National Library Association indicates at the bottom – the American Library Association indicates at the bottom of page 38 that “made” might mean cause to exist, cause to appear, and so that it applies the first time that U.S. copyright law lawfully could apply; so that if you lawfully import it into the United States, it would then apply at that time.” This essentially means that the point of determining whether something is “made” should be when it was imported into the United States. In addressing the contention that applying section 109 to goods made abroad would effectively render 602(a)(1) useless, Justice Breyer states:

[I]f you apply the first sale doctrine as it traditionally has been applied and if you believe that 109 incorporates that, there is loads of room for 602(a)(1) to act . . . the British publisher . . . what they do is they have a license and they try to send it to the United States and they can’t without permission because of 602(a)(1), and then 109 doesn’t come into play because there’s been no first sale.

The subsequent discussion between Mr. Panner, Justice Alito and Justice Scalia demonstrates the weakness in Omega, S.A.’s “lawfully made” argument. In response to Mr.

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92 Id. at 22.
93 Id.
94 Id.
95 Id. at 23.
96 Id. at 26.
Panner’s statement that goods manufactured abroad may be considered “lawfully made” so long as they were given a license for distribution in the United States, Justice Scalia asks, “[b]ut it would be lawfully made under this title, even though it was made – you know, made abroad, if what?”97 Also, “[i]t isn’t the making that is rendered lawful. It’s the importation into the United States that is rendered lawful by the agreement that you are relying upon.”98 These comments demonstrate Omega, S.A.’s problematic reasoning. Omega, S.A. was attempting to argue that “lawfully made” is not determined so much by place of manufacture, as much as on whether intellectual rights (through license agreement) attached at the point of importation. Chief Justice Roberts clarified, “[s]o you are saying – you are saying that whether or not it’s lawfully made depends on something that happens after it’s made?”99

This statement clarifies the Justices’ concern with Omega, S.A.’s argument that whether or not a good was “lawfully made” depends not on where it was made, but on if there was a license for distribution, determined at the time of importation into the United States. However, Omega, S.A. neglects to consider that it was “lawfully made” for distribution in Europe, sold and imported into the United States for resell. Therefore, the focus should be on whether or not there was a first sell. The facts of Costco Wholesale indicate that the watches were first sold by Omega, S.A. to unidentified third parties in Europe who sold them to ENE Limited who subsequently sold them to Costco Wholesale, Corp. for resell in the United States.100 Since there was a first sale, §109(a) should apply to Costco Wholesale.

Then in a change of issues, Justice Ginsburg asked, “Mr. Panner, can you answer Mr. Englert’s point what earthly sense would it make to prefer goods that are manufactured abroad

97 Id. at 31.
98 Id. at 32.
99 Id.
100 Footnote 5, supra, at 983-84.
over those manufactured in the United States?”¹⁰¹ This question stemmed from the issue raised specifically pointing out the inadequacies if holding §109(a) inapplicable to goods manufactured abroad. This would lead to more rights afforded to owners who outsource and manufacture their goods abroad over owners who manufacture their goods domestically.¹⁰² The concern is that if §109(a) does not apply to goods manufactured abroad, then Copyright owners have a continual right to profit from her goods even after they have been sold while goods manufactured in the United States would only be protected until the first sale. Since it is not likely that Congress created §109(a) for the purpose of promoting the manufacture of goods abroad, it is therefore not likely that §109(a) applies to goods manufactured abroad. As a result, §109(a) should apply to Costco Wholesale where the watches were manufactured by Omega, S.A. in Europe; holding otherwise would afford more right to manufacturers who produce their goods abroad.

C. Supreme Court Oral argument on behalf of the United States

Malcom Stewart, on behalf of the United States, argued that “the words ‘lawfully made under this title’ mean made subject to and in accordance with Title 17. And because the Copyright Act doesn’t apply abroad, in order for a copy to be made subject to Title 7, it would have to be created in the United States.”¹⁰³ In response, Justice Alito asked, “[w]ell, what is your answer to the argument that if “lawfully made under this title” means basically made in the United States, that provides a great incentive to manufacture goods abroad and that can’t possibly be what Congress intended?”¹⁰⁴ This statement echoes Justice Ginsburg’s concern regarding the inequities of protection afforded to goods manufactured abroad as opposed to in

¹⁰¹ Costco Wholesale Corporation v. Omega, S.A., Supreme Court Oral Argument No. 08-1423 at 33-34 (Monday, November 8, 2010).
¹⁰² See Footnote 5, supra, at 989.
¹⁰³ Costco Wholesale Corporation v. Omega, S.A., Supreme Court Oral Argument No. 08-1423 at 38 (Monday, November 8, 2010).
¹⁰⁴ Id. at 40.
the United States. Justice Alito’s reasoning is that Congress would never intend for the
Copyright Act to provide more incentives to manufacture goods abroad. Since this is true, then
to argue that §109(a) does not apply to goods manufactured abroad does not make legislative
sense. In Costco Wholesale, Omega, S.A. manufactured their watches in Europe. Holding
that §109(a) does not apply would incentivize the production of goods abroad as it would
affording a manufacturer like Omega S.A. more rights than a domestic manufacturer.

Mr. Stewart conceded that the “theory underlying the first sale doctrine tracing it back to –
to Bobbs-Merrill, the first articulation by this Court of the – the doctrine of the copyright
context, the theory is that a copyright owner who sells the goods, places them in the stream of
commerce, has exercised, as the Court put it in Bobbs-Merrill, its exclusive right to vend, and
therefore it can claim no more rights under the copyright laws.”

He further states, incorrectly, that “Omega with respect to the watches at issue here, never exercised any [of] its rights under
title 17, not – not when the watches were made and not when they were sold.”

This statement directly conflicts with Omega, S.A.’s claim of Copyright infringement in that the goods were not
“lawfully made,” because he claims that there was lawful importation and “made” as causing to exist.

In response to this inconsistency, Justice Kennedy stated, “[w]ell, in your example, if
there is a lawful importation of the foreign-made good, then if you interpret “made” as causing to
exist of appear or under these laws, as the library brief suggests, the first sale doctrine would
operate.”

This statement reflects the reasoning that “made,” as applied to §109(a), is simply
causing to exist. This view supports the definition of §109(a)’s “lawfully made” is more about

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105 Footnote 5, supra.
106 Costco Wholesale Corporation v. Omega, S.A., Supreme Court Oral Argument No. 08-1423 at 41 (Monday,
November 8, 2010).
107 Id. at 42.
108 Id.
causing to exist than it is about place of manufacture. Again, Chief Justice Roberts, echoes Justice Kennedy, finds disagreement with Mr. Stewart’s conflicting arguments, “[w]ell, that’s the problem I have with your position. You are suddenly saying a copyright – these issues have to be resolved not within the confines of the Copyright Act, but then you have to look to – to common law as well, which is a very confused situation.”

Hi reasoning is that Mr. Stewart’s argument is based upon both the Copyright Act and common law. For this reason, Mr. Stewart’s argument is conflicting and does not support Omega, S.A.’s case that §109(a) does not apply.

D. Rebuttal Argument on behalf of Costco Wholesale, Corp.

Mr. Englert, on behalf of Costco Wholesale, Corp. reasoned that §109(a) “tells us that lawfully made under this title was intended to expand the category of covered works beyond those made by the copyright owner, or with the authorization of the copyright owner,” and not “imposing a restraint on alienation for foreign-made goods that is not imposed on U.S.-made goods.”

He succinctly stated that “if Congress wants to create an incentive for outsourcing, that’s probably within its power as long as it can be said somehow to advance science and the useful arts; but there is simply not a shred of evidence in text or legislative history that Congress intended to encourage outsourcing; quite the contrary.”

His reasoning, based upon legislative history, is that copyright laws are intended to advance science and the useful arts, but to interpret §109(a) as not applicable to goods manufactured abroad alters the purpose becomes to promote the progress of science and the useful arts. Yet this cannot be Congress’ intent in enacting copyright laws. This is a continuation of the issue raised by Justice Ginsburg during Mr. Panner’s Oral Argument expressing her concern with the inequities of copyright protection

\[109\] Id. at 43.
\[110\] Id. at 50-51.
\[111\] Id.
\[112\] Id. at 33-34
afforded to those who manufacture their products abroad over those who manufacture their goods domestically. Affording Omega, S.A. more rights for producing the watches in Europe than domestic manufacturers would go against the Congress’ intent. Therefore, §109(a) should apply to Costco Wholesale where the watches were made abroad in order to avoid incentivizing companies from going abroad to manufacture their goods.

VI.

Conclusion

The primary contention in Costco Wholesale is the interplay between sections 109 and 602. The copyright owner should not be able to retain any distribution rights after the initial sale, even if it was sold or made abroad. Any such retention is interference on alienation of property and trade. The legislative reasoning behind section 109 is that copyright owner’s distribution rights has to be protected and said owner is entitled to the “full value” of her product and work.113 Hence, a first sale has occurred once the copyright owner has realized this “full value.” This, contrary to what the court in Parfums Givenchy holds, would not “circumvent [sic] the distribution right[sic]”114 of copyright owners. The other issue of contention is defining “lawfully made.” Legislative history shows that §602 does not involve a manufacturing requirement of §601.115 Therefore, “lawfully made” does not involve place of manufacture, and the courts in BMG Music and Scorpio have wrongly held that “lawfully manufactured and sold within the United States.”116 This interpretation incorrectly assumes that Congress meant for “lawfully made” to only encompass goods that are manufactured in the United States. Justice

113 See Footnote 36, supra.
114 Footnote 39, supra.
115 See Footnote 43, supra.
116 Footnote 44, supra.
Ginsberg pointed out that in holding “lawfully made” to mean manufactured in the United States, would create a preference for manufacturing goods abroad over domestically.\textsuperscript{117} This cannot reasonably be the intention of Congress when it enacted these statutes.

Furthermore, the court in \textit{Costco Wholesale} held that not only is Costco Wholesale Corp. liable for violating §602, but also that it cannot raise §109(a) as a defense, because it does not apply to goods made outside of the United States. This is based on the long standing 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.\textsuperscript{118} However, copyright owners may claim §109(a) as a defense through the exception carved out by \textit{Los Angeles News Service v. Reuters Television International Limited}.\textsuperscript{119} This exception allows the application of the Copyright Act extraterritorially if there is one complete act of infringement.\textsuperscript{120} This act of infringement, then, is the unauthorized importation into the United States of copies acquired extraterritorially. This effectively triggers the application of United States Copyright law.\textsuperscript{121} Therefore, since Omega, S.A. claims §602(a) violation of their importation right, it is asserting that Costco Wholesale, Corp. has committed a complete domestic act of infringement.

Consequently, §109(a) “first-sale doctrine” applies to authorized goods manufactured abroad. Aside from having unauthorized importation as the complete domestic act of infringement, Omega, S.A. also allege that Costco Wholesale, Corps. was selling the former’s product without its authorization.

Additionally, the weakness in \textit{Costco Wholesale}’s court is the conflict in the law. It held that to apply §109(a) to foreign-made copies would impermissibly apply the Copyright Act

\begin{footnotesize}
\begin{enumerate}
\item See Footnote 102, \textit{supra}.
\item See Footnote 66, \textit{supra}.
\item Footnote 69, \textit{supra}.
\item See \textit{Id}.
\item See Footnote 71, \textit{supra}.
\end{enumerate}
\end{footnotesize}
extraterritorially in a way that applying the statute after foreign sales does not. The first flaw in this reasoning is that there is no extraterritorial-application distinction between the act of manufacturing and buying abroad, because if imported into the United States there would be infringement in both situations. Second, even assuming it can be distinguished between sale and manufacture abroad; it would mean that the courts are giving more Copyright protection to owners who manufacture their goods abroad.

Prior cases have held that “parties can raise §109(a) as a defense in cases involving foreign-made copies so long as a lawful domestic sale has occurred.” This conflicts with the Costco Wholesale court’s opinion that “only . . . copies legally made . . . in the United States” is not clearly irreconcilable with Quality King. The Drug Emporium court holds that the deciding element in determining whether §109(a) applies is where the goods are made, “the lawfully made” element, but whether or not the manufacturer has made a sale in the United States. Interestingly, Justice Breyer hearing oral arguments stated simply that “[t]he first sale doctrine has always meant there was a transfer or sale.” He believes that the application of §109(a) can be made simply by determining whether or not there has been a first sale. Furthermore, Justice Breyer stated that “if you apply the first sale doctrine as it traditionally has been applied and if you believe that 109 incorporates that, there is loads of room for 620(a)(1) to act . . .”

Lastly, as the Justices routinely cite Oral Arguments before the Supreme Court, it is important, particularly in an even split decision, to review and analyze its transcript. Justice

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122 See Footnote 78, supra.
123 Footnote 84, supra.
124 Footnote 88, supra.
125 Footnote 95, supra.
127 See Footnote 3, supra. When there is a 4-4 tie in the Supreme Court, often resulting from any of the Justices recusing themselves, the split decision affirms the ruling of the lower court through a *per curiam* decision. When this happens the case is not considered to set precedent.
Scalia addressed the issue of “lawfully made” stating that “it would be lawfully made . . . even though it was made.”¹²⁸ Furthermore, Mr. Englert who is representing Costco Wholesale, Corp. has stated that “if Congress wants to create an incentive for outsourcing, that probably within its power as long as it can be said somehow to advance science and the useful arts . . .” Therefore, the statutes are not meant by the Congress to encourage outsourcing. For courts to hold otherwise would be overstepping the bounds of the Legislature whose exclusive duty, amongst others, is “[t]o make Rules for the Government and Regulation of the land and naval Forces.”¹²⁹ Furthermore, it has the power “[t]o make all Laws which shall be necessary and proper for carrying into Execution the Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.”¹³⁰ Any required change in Copyright law must be made by Congress and not any other branch of government. These substantive differences in opinion between the Justices of the Supreme Court are a good indicator that there are issues that must be resolved, as evident in the Supreme Court Oral Argument transcript.¹³¹

To fix these problems, the Copyright Act should be amended to clarify and resolve any confusion and conflict of law that have resulted as a result of a plethora of conflicting case law. The Copyright Act should be amended and any conflicting statutes or case law should be reconciled, in accordance with long standing precedence, by “adopting ‘the interpretation that preserves the principal purposes of each.’”¹³² The reasoning is that copyright owner’s distribution rights should be protected and are entitled to realize the “full value” of the product

¹²⁸ Footnote 97, supra.
¹²⁹ United States Constitution, Article I § 8.
¹³⁰ Id.
¹³¹ See Footnote 89, supra.
and work. Where the primary purpose of §109 is to allow the Copyright owners protection until they have gained the “full value” of their copyright. As a result, the Copyright Act’s §109(a) first sale doctrine should apply to goods manufactured abroad, because this would prevent the owners from gaining more than the “full value” of their copyrights. Additionally, “lawfully made” should not be contingent upon place of manufacturer, but on whether or not there was authorization. Congress has stated that §602 “has nothing to do with the manufacturing requirements of §601.” This is indicative that place of manufacture has never been a factor in determining whether there was a §602(a) violation. Further support for this rests in the Supreme Court Oral Arguments where the Justices expressed the belief that “lawfully made” should merely mean causing to exist.

More specifically, the Copyright Act should be amended to allow for the application of §109(a) to foreign as well as domestic goods legally made that have been brought into the United States, because not applying §109(a) to goods manufactured abroad would afford considerably more rights to foreign manufacturers than those who produce their goods domestically. Even if applying §109(a) would mean that the Copyright Act is applied extraterritorially, because raising §602(a) violation is alleging a complete domestic act of infringement. Therefore, any changes in law must clarify and protect the rights of all manufacturers regardless of where their goods are manufactured. Consequently, the complete act of infringement should support the application of §109(a) to goods manufactured abroad.

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133 See Footnote 35, supra.
134 Footnote 43, supra.
135 See generally Costco Wholesale Corporation v. Omega, S.A., Supreme Court Oral Argument No. 08-1423 (Monday, November 8, 2010).