No. 11-697

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG D/B/A BLUECHRISTINE99,

Petitioner,

v.

JOHN WILEY & SONS, INC.,

Respondent.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Second Circuit

BRIEF OF THE TEXT AND ACADEMIC AUTHORS ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

STEPHEN E. GILLEN
WOOD HERRON & EVANS LLP
2700 Carew Tower
441 Vine Street
Cincinnati, OH 45202

September 7, 2012

BETH HEIFETZ
Counsel of Record
DAVID M. COOPER
WILLIAM D. COGLIANESE
JONES DAY
51 Louisiana Ave., N.W.
Washington, DC 20001
bheifetz@jonesday.com
(202) 879-3939

Counsel for Amicus Curiae

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

TABLE OF AUTHORITIES

Page(s)

CASES

TABLE OF AUTHORITIES
(continued)

TABLE OF AUTHORITIES
(continued)

Page(s)

INTEREST OF AMICUS CURIAE[1]

The Text and Academic Authors Association (TAA) is the only nonprofit membership association dedicated solely to assisting the authors of textbooks and scholarly journal articles. Formed in 1987, the TAA has over 1,400 members, primarily consisting of authors or aspiring authors of textbooks and academic articles. Many of the TAA's members serve on college or university faculties. The TAA's mission is to enhance the quality of educational materials and to assist text and academic authors, by, for example, providing information on tax, copyright, and royalty matters; and fostering a better appreciation of their work within the academic community.

The TAA also works to promote the authorship of textbooks and other academic materials by providing its members with educational and networking opportunities. It offers workshops, audio conferences, webinars, and materials on the substance and mechanics of textbook writing and the publication process, and hosts an annual conference covering such topics as well. In addition, the organization offers two different types of grants to authors: an Academic Publication Grant to help authors cover the expenses incurred in preparing a work that has already been accepted for publication, and a Textbook Contract Review Grant to help cover the cost of

---

[1] No counsel for any party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. Petitioner's letter consenting to the filing of this brief is being filed with this brief. Respondent's letter granting blanket consent to the filing of amicus briefs has been filed with the Clerk.

hiring an intellectual-property attorney to negotiate an author's first textbook contract.

While the TAA has weighed in on issues of significance in both state legislatures and Congress, it has never filed an amicus brief in any court until this time. The TAA has chosen to speak up now because this case is of the utmost importance to its members. The gray market in textbooks has a substantial negative impact on the authors of those works and poses a significant threat to the efficient operation of the textbook-publishing market. As explained herein, the importation of textbooks purchased abroad significantly diminishes the financial return on authors' investment of time, effort, and resources. Accordingly, the TAA files this brief to address the practical implications of this case on textbook authors, as well as to explain the crucial extraterritoriality issue that the parties have addressed only briefly.

SUMMARY OF ARGUMENT

Over the objection of the copyright owner, Petitioner asks this Court to allow resale in the United States of textbooks manufactured in a foreign country for sale in a foreign country. The profits for these resales go to arbitrageurs, who simply take advantage of the price variations in different countries, and come at the expense of the publishers and authors who spend an enormous amount of time and effort writing and preparing the textbooks in question. This result constitutes both bad policy and an incorrect application of the long-established principle that the Copyright Act does not apply extraterritorially.

First, as a matter of policy and fairness, this Court should not allow gray-market sales to undermine the royalties to which textbook authors are entitled. Authors typically spend years writing a textbook, and in return they receive a modest domestic royalty or a much smaller foreign royalty, depending on where the book is sold. Gray-market sales, however—fueled by the rapid development of e-commerce and easy international shipping—are allowing an increasing number of foreign editions to displace sales of new domestic textbooks. And because authors receive a smaller royalty when those foreign editions are initially purchased, the result of gray-market sales is that authors receive significantly less compensation for their work—an effect that is exacerbated every time a gray-market book is resold domestically, thereby reducing the need for new books (on which the author would receive a royalty). Ultimately, there is a significant risk that gray-market sales will force publishers to alter or even eliminate their practice of selling textbooks in foreign markets. Such a decision would cut off foreign students from preeminent U.S. textbooks, and would likely cause publishers to reduce spending on those textbooks in one way or another—for example, by reducing authors' royalties or scaling back expenditures on the research and development of new or updated texts. These results are inefficient and unnecessary.

Second, not only is Petitioner's approach bad policy, it also is inconsistent with basic principles of extraterritoriality established by this Court. While Petitioner briefly touches on this issue, it is, in fact, the crux of this case. Both Petitioner and Respondent essentially agree that the phrase

"cop[ies] lawfully made under this title" in 17 U.S.C. § 109 refers to copies that are subject to the Copyright Act. Because the Copyright Act does not apply extraterritorially, this means that copies are made "under this title" only where they are covered by a domestic—as opposed to an extraterritorial—application of the Copyright Act.

The manufacture of a book in a foreign country for sale in a foreign country is beyond the domestic scope of the Copyright Act. This Court recognized as much in *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908), where it held that a copyright-notice requirement did not apply to books manufactured abroad for sale abroad. More generally, in deciding what qualifies as a valid territorial application, this Court looks to the "focus" of the statute. The focus of the Copyright Act provisions regarding the making of copies is plainly infringement. Thus, the infringement must be domestic to fall within the Copyright Act. And the manufacture and sale of books abroad does not constitute domestic conduct for purposes of infringement. Accordingly, there is no basis for treating the textbooks here as being made under the Copyright Act, and the first-sale defense does not apply.

ARGUMENT

I. THE IMPORTATION OF GRAY-MARKET MATERIALS UNFAIRLY DEPRIVES AUTHORS OF THE VALUE OF THEIR WORK, AND UNDERMINES AUTHORS' INCENTIVES TO DEVELOP NEW TEXTBOOKS.

A. Authoring a textbook requires a substantial investment of time, effort, and resources.

The process of authoring a textbook requires an enormous amount of work. All told, the publishing cycle—from the author's conception of an idea for a new textbook to the time that the text reaches bookshelves—generally takes two to four years. MARY ELLEN LEPIONKA, WRITING AND DEVELOPING YOUR COLLEGE TEXTBOOK 43 (2d ed. 2008). During this time, a textbook author must complete a wide range of tasks. There is, of course, the actual writing of the text, requiring both extensive knowledge and research. Authors of text materials must be able to transform expert knowledge and field-specific jargon into accessible and understandable formats. Further, many authors also will have a role in, for example: compiling appendices, references, and bibliographies; producing figures and tables; obtaining necessary permissions for the use of photographs, artwork, quotations, and other illustrative materials; providing feedback as to the book's design; and proofing the text at various stages. *See generally* LEPIONKA, *supra*, at 29-42 (explaining the publication process); WILLIAM GERMANO, GETTING IT PUBLISHED: A GUIDE FOR SCHOLARS AND ANYONE ELSE SERIOUS ABOUT SERIOUS BOOKS 139-54 (2d ed. 2008) (advising authors on the process of obtaining necessary permissions to use others' work in a textbook).

Nor is an author's work limited to the textbook itself. The nature of textbooks has recently evolved, as publishers have endeavored to offer a range of materials that support the text and enhance the educational experience for both faculty and students. This effort on the part of publishers is seen as a reaction to the increasing diversity both of faculty (*i.e.*, the increased number of adjunct and part-time faculty members, who may require additional support) and of student bodies (*i.e.*, the increased number of students who require learning aides). *See* James V. Koch, *An Economic Analysis of Textbook Pricing and Textbook Markets* 9-10 (Sept. 2006) (ACSFA College Textbook Cost Study Plan Proposal) ("[I]ncreasingly diverse student bodies and faculty rosters encourage progressively more diverse textbook packages."). As a result, textbooks today often come with a number of supplemental materials, such as student workbooks, instructor's manuals, practice tests, PowerPoint slides, and supporting websites. *Id.* More often than not, the author will have a significant role in developing these materials.

In many cases, the publication cycle does not end with the first textbook's release. A strongly performing book frequently leads the publisher to call for a new edition. Publication of a new edition often requires another two to four years. LEPIONKA, *supra*, at 43. Petitioner asserts, without citation, that the publication of new editions is often unnecessary, and that this practice is simply a means for publishers to sabotage the used-book market by "mak[ing] the old editions obsolete." Pet. Br. at 7. In the experience of the TAA's members, this assertion is baseless. In many fields, there is a steady stream of developments and discoveries that merit addressing; if these

advancements are not covered in the author's textbook, they will be in someone else's. Often, when a field of study shifts in light of new information or a new theory, revising a text can be as substantial an undertaking as the process of authoring the original text. As just one example, the TAA found that the effort to update one textbook from the sixth to seventh edition required over 8,000 hours of work by the authors and contributors—and over ten person-years altogether (when accounting for development, editing, artistic production, and other necessary tasks). Text and Academic Authors Association, *TAA Debunks the Top 7 Myths Regarding Textbook Costs*, *available at* www.taaonline.net/notes/TAAmythsflyer.pdf (hereinafter "*TAA Debunks Myths*"). For authors, the amount of work required to produce a new edition is justified by the absolute need to ensure that a work that will be used as an educational tool contains the most up-to-date information possible.

In short, the process of authoring a textbook is a staggering one, requiring the author to devote his or her time and talents to the creation of a work whose ultimate success is far from assured. While there are a number of reasons that authors engage in this endeavor—among them, the opportunity to establish oneself in a field, and the desire to fill a void in existing literature—authors are entitled to, and motivated in part by, the compensation they receive from sales of their textbooks.

B. Textbook authors generally receive markedly less compensation—in the form of diminished royalties—for the foreign sale of their works.

In return for their substantial investment, textbook authors more often than not receive only

modest compensation; it is not the norm for such an author to realize significant monetary gain. Textbook authors are paid in royalties. Accordingly, an author's compensation is, generally speaking, a function of three numbers: the percentage royalty that the author negotiates with the publisher, the price at which the book is sold, and the number of new copies of the book that are sold.[2]

For textbook authors, domestic royalties are generally in the range of 8-18%. *See*, *e.g.*, MARK L. LEVINE, NEGOTIATING A BOOK CONTRACT: A GUIDE FOR AUTHORS, AGENTS AND LAWYERS, EXPANDED AND REVISED 54 (2d ed. 2009). ("Although 'standard' royalties are less common in th[e textbook] field, typical initial royalties range between 10% and 15% of net . . . ."); LEPIONKA, *supra*, at 79 ("Royalties of 8 to 15 percent are typical for major market textbooks, but smaller houses may offer less."); Henry L. Roediger, III, *Why Are Textbooks So Expensive?* (Jan. 2005), *available at* www.psychologicalscience.org/observer/getArticle.cfm?id=1712 ("A single author of a textbook might make a 15 percent royalty on the net price of the book (sometimes a bit more).").[3]

---

[2] It should be noted that authors who are also faculty members generally do not profit by assigning their students to purchase a textbook they have written. Many colleges and universities either bar faculty from assigning their own textbooks, or require the faculty members to remit those royalties to the institution. Koch, *supra*, at 7.

[3] In some cases, authors and publishers may agree to an escalating royalty, which increases based on the number of books that are sold. *See*, *e.g.*, LEVINE, *supra*, at 54 (encouraging textbook authors to pursue royalties that increase from 10% for the first 2,500 sales, 12.5% for the next 2,500 sales, and 15% for all subsequent sales); LEPIONKA, *supra*, at 79 ("Academic and

While authors' domestic royalty rates are typically modest, the average royalties authors receive for books sold internationally are almost always even less. In fact, international royalties are often roughly 50% of domestic royalties.

Furthermore, the royalty itself typically does not tell the whole story, as it is common for textbook publishers to pay royalties based on their "net"—*i.e.*, the discounted price at which the publisher sells the book to a retailer or wholesaler, as opposed to the "list" price at which the book is sold to customers. LEVINE, *supra*, at 52 ("Textbook publishers, university presses, small presses and specialty publishers usually base their royalties on net."). Typically, textbook publishers offer book-sellers a discount in the neighborhood of 20%, although discounts of as much as 40-50% are commonplace within the publishing industry. *Id.* at 51.

Just as the royalties for international sales are reduced, textbooks sold internationally typically come at a significant discount below their price within the United States: often, a book's price on the international market is 50% less than the same book on the domestic market (although occasionally even steeper discounts apply). *See, e.g.*, GOVERNMENT ACCOUNTABILITY OFFICE, COLLEGE TEXTBOOKS:

---

scholarly presses offer royalty splits as low as 5 percent on the net for the first 1,000 copies sold, 7.5 percent on the next 1,500 copies, and 9.5 percent above that."); NATIONAL WRITERS UNION GUIDE TO FREELANCE RATES & STANDARD PRACTICE 93 (1995) (listing the then-prevalent range of royalties for textbook sales, escalating after the first 5,000 sales and then again after the next 5,000 sales). However, escalating royalty clauses are not the norm in textbook publishing.

ENHANCED OFFERINGS APPEAR TO DRIVE RECENT PRICE INCREASES 21 (July 2005) (hereinafter "GAO REPORT") ("[A] publisher may be able to profitably sell textbooks in one country at prices that are closer to actual costs of printing and distributing additional copies while charging higher prices in the United States that reflect the substantial development costs undertaken."); Christos Cabolis et al., *A Textbook Example of International Price Discrimination*, 95(1) Economic Letters 1-2 (Apr. 2007) ("The average hardcover textbook price is roughly 50% higher in the United States than in the United Kingdom (or anywhere else in the world) . . . ."); *Are College Textbooks Priced Fairly?, Hearing Before the Subcommittee on 21st Century Competitiveness of the H. Committee on Education and the Workforce*, 108th Cong. 15 (2004) (statement of Mark L. Fleischaker, Legal Counsel, National Association of College Stores) ("[T]extbooks are often sold overseas at a fraction of the cost they are sold [in] the United States. . . . [I]n many cases they are resold at no more than half the price [of textbooks sold in the United States.]"). These discounts are reflected in both the net and list prices of books sold on the international market.

Moreover, the royalties that authors receive for international sales are often further reduced when publishers rely on independent distributors in foreign markets; in such cases, the publisher's net receipts will be about half of the already-reduced amount received by the distributor. And it is the twice-reduced proceeds received by the publisher against which the halved royalty rate will be applied to determine the amount paid to the author. This reductive effect is at the heart of the economic harm

that gray-market sales impose upon authors, and exacerbates the injury to them caused by displaced domestic sales.

C. The gray market in textbooks undermines authors' efforts and diminishes incentives to produce new textbooks.

The emergence of the gray market in textbooks has substantially injured the authors of those texts. While authoring a textbook has never been viewed as a road to instant riches, the gray market ensures that any gain authors realize from their efforts will be substantially diminished. Moreover, the harm from gray-market sales is increasing as the Internet and easy international shipping make it simple for people in the United States to both find and resell foreign editions of books. If domestic publishers and authors are to be powerless to block unauthorized importation of books intended and authorized for sale exclusively in foreign markets, then arbitrageurs will intervene, in increasing numbers, to exploit the resulting price differential.

As discussed above, textbooks authors receive markedly less compensation for an international sale than for a domestic sale. The problem is then exacerbated when the international sales supplant domestic ones through the gray market. Specifically, when the internationally-purchased books are imported into the United States and sold on the used-book market, they replace what would have been sales of new, domestic books. (Authors, of course, do not receive royalties for the sale of used books.) Although authors are accustomed to the realities of the used-book market, the presence of gray-market books on that market poses a unique problem, as

those books often are not actually used at all, but instead are new copies being resold to take advantage of the foreign-domestic pricing disparity. Moreover, when a domestic used book is resold, the author at least received the larger domestic royalty when the book was first sold; for foreign copies imported for domestic resale, the only royalty the author received was the already-reduced royalty applicable to the foreign sale. And because a used book can be resold on numerous occasions, the economic impact of a gray-market sale can continue to be felt for several years. This disproportionate swelling of the used-book market has a significant impact on textbook authors. For example, one author explained to the TAA that the importation of an international version of his textbook had "'amounted . . . to thousands of U.S. copies being returned from bookstores, as the students opt to buy the international versions from the Internet.'" *TAA Debunks Myths*, at 5.

Faced with the significant harm from gray-market sales, the TAA fears that it is becoming increasingly likely that publishers will alter the manner in which they produce and sell textbooks in foreign markets, and that any such alterations will affect authors. Most glaringly, the TAA and its members worry that publishers will reach a point at which they simply cease making textbooks available in foreign markets. Such a shift would have the immediate effect of depriving foreign students of high-quality educational resources—a prospect TAA members would lament, as many authors appreciate the opportunity to have a role in educating students outside of the United States. Cutting off foreign markets would also, of course, have a significant financial impact on publishers. The TAA's concern is

that the loss of a large stream of revenue would force publishers to alter both the product that they sell and the terms of their relationships with authors. Domestic royalties—a matter on which authors have little, if any, real leverage—could fall, lessening the financial motive for authors to invest the time and effort required to produce new educational resources. The TAA also is concerned that the gray market will lead publishers—in light of their reduced revenue—to reduce their expenditures on the thorough research and development of new and needed texts. The ultimate result of such a change would be a diminution in the quality of the textbooks that publishers and authors are jointly able to put on the market.

In sum, there is no rational justification for the inefficient, unfair transfer of income from the authors who spend years writing a textbook to a person who spends a few minutes reselling the text after it is shipped into the United States.

II. BECAUSE THE COPYRIGHT ACT DOES NOT APPLY EXTRATERRITORIALLY, TEXTBOOKS MANUFACTURED AND SOLD IN A FOREIGN COUNTRY ARE NOT "MADE UNDER THIS TITLE," AND THUS NOT SUBJECT TO THE FIRST-SALE DEFENSE.

A. Copies are "made under this title" only if they constitute domestic applications of the Copyright Act.

The first-sale defense of 17 U.S.C. § 109 applies only to copies "lawfully made under this title," and the phrase "made under this title" means made in a manner that is covered by the Copyright Act. As Respondent explains, the only logical interpretation

of "under this title"—and the only interpretation that fits with this Court's holding in *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998)—is that it means copies made "pursuant to" the Copyright Act. *See* Resp. Br. at 15-20.

In addition to the rationale offered by Respondent, another way of looking at the issue is to focus on the word "lawfully" in the phrase "copies lawfully made under this title." There is no dispute that this phrase is intended to exclude copies *unlawfully* made under the Copyright Act. But a copy can be unlawfully made under the Copyright Act only if it is actually subject to the Copyright Act, for example if the copy is made without the copyright owner's authorization. More generally, a copy can only be lawfully or unlawfully made under the Copyright Act if it is actually covered by the Copyright Act in the first place. *See Quality King*, 523 U.S. at 147 ("[Section] 602(a) applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country.").

Petitioner does not dispute Respondent's interpretation, and actually adopts a very similar interpretation of the operative language in Section 109. "Under Petitioner's reading, a copy is 'lawfully made under this title'—and the seller enjoys the benefit of the first-sale defense—if the copy was made 'in accordance with the Copyright Act.'" Pet. Br. at 24; *see also id.* at 26 (also using the definition "made 'in compliance with' . . . the statute"). Of course, a copy cannot be made "in accordance with" the

Copyright Act if it is not subject to the Copyright Act. The distinction between Petitioner's and Respondent's view, therefore, largely concerns what is actually covered by the statute.

It is well established that the Copyright Act does not apply extraterritorially. *See United Dictionary Co.*, 208 U.S. 260; 4 Nimmer on Copyright § 17.02, at 17-18 (2009) ("[C]opyright laws do not have any extraterritorial operation."). This rule adheres to 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.'" *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (hereinafter "*Aramco*") (quoting *Foley Bros., Inc. v. Filardo,* 336 U.S. 281, 285 (1949)); *see also Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2878 (2010) ("When a statute gives no clear indication of an extraterritorial application, it has none."). Thus, the Copyright Act covers only domestic, not extraterritorial, applications of the statute.[4] Once again, Petitioner does not dispute this principle. *See* Pet. Br. at 47-48. The question, then, is what constitutes a domestic or extraterritorial application of the Copyright Act.

---

[4] This rule is also consistent with the Berne Convention. *See* Berne Convention for the Protection of Literary and Artistic Works, art. V (Sept. 28, 1979) ("Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals . . . . The enjoyment and the exercise of these rights . . . shall be independent of the existence of protection in the country of origin of the work.").

B. The manufacture of a book in a foreign country for sale in a foreign country is beyond the domestic scope of the Copyright Act.

Over one hundred years ago, this Court recognized that the Copyright Act does not cover the manufacture and sale of a book in a foreign country. In *United Dictionary*, an American corporation "made a contract with English publishers, under which it furnished them with electrotype plates of [a dictionary], and they published it in England, omitting notice of the American copyright." 208 U.S. at 263. While the English publishers agreed not to sell any copies in the United States, the United Dictionary Company "sent for the English book with intent to reprint it, and was about to publish it when restrained." *Id.* The question presented was whether the American publisher's omission of an American copyright notice in the English edition destroyed its rights (because a copyright notice was then required under the Copyright Act). *Id.* at 263-64. This Court held that the American publisher's copyright remained in force because the Copyright Act "does not require notice of the American copyright on books *published abroad and sold only for use there*." *Id.* at 266 (emphasis added). The Court reasoned that "it [is] unlikely that [Congress] would require a warning to the public against the infraction of a law beyond the jurisdiction where that law was in force." *Id.* at 264. Thus, this Court recognized that the Copyright Act is not "in force" where books are published abroad for sale abroad. To be sure, the copyright statute has undergone substantial changes since *United Dictionary* (with major overhauls in 1909 and 1976), but there have been no changes even remotely

relevant to the question of whether the territorial scope of copyright law extends to foreign-made and foreign-sold books.

Basic principles of extraterritoriality confirm this result. In determining what qualifies as a valid territorial application, the Court looks to the "focus" of the statute at issue. For example, Section 10(b) of the Securities Exchange Act, which governs "purchases and sale of securities," applies only to purchases or sales "made in the United States." *See Morrison*, 130 S. Ct. at 2883-86. Similarly, in *Aramco*, the Court held that Title VII does not apply "extraterritorially to regulate the employment practices of United States employers who employ United States citizens abroad." 499 U.S. at 246; *see also Morrison*, 130 S. Ct. at 2884 ("In *Aramco*, for example, the Title VII plaintiff had been hired in Houston, and was an American citizen," yet "neither that territorial event nor that relationship was the 'focus' of congressional concern, but rather domestic employment." (internal citation omitted)).

For the Copyright Act provisions governing the making of copies, the focus is plainly on infringement. Specifically, Section 106 describes the copyright owner's "exclusive rights . . . to reproduce the copyrighted work in copies" or "to distribute copies . . . to the public by sale"; Sections 107-122 describe instances where copies do and do not infringe the owner's copyright; and Section 501 describes the cause of action that can be brought against an infringer. In sum, the Copyright Act sections on copies are focused on the prevention of infringing copies, which means that the territorial

scope of those provisions extends only to domestic infringement.

Copies manufactured and sold abroad do not give rise to domestic infringement. This conclusion necessarily follows from the fact that all of the conduct relevant to infringement (*i.e.*, manufacture and sale) occurs abroad. *See* 4 Nimmer on Copyright § 17.02 (stating that "[p]urely extraterritorial conduct . . . is itself nonactionable" in American courts). Furthermore, courts and the leading treatise agree that foreign-made and foreign-sold copies do not create a cause of action for infringement under U.S. law. *See, e.g.*, *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 91 (2d Cir. 1998) (holding that the law of the country where the alleged infringement occurred governs the determination of whether the infringement has in fact occurred); 4 Nimmer on Copyright § 17.02 ("For the most part, acts of infringement that occur outside of the jurisdiction of the United States are not actionable under the United States Copyright Act."). Simply put, there is no domestic conduct at all in the making of copies abroad for sale abroad, and so the Copyright Act would apply only if it had an extraterritorial reach—which it does not. *See, e.g.*, *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 356 (1909), *overruled on other grounds*, *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 704-05 (1962) (describing the "general and almost universal rule . . . that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done"); *Subafilms, Ltd. v. MGM-Pathe Commc'ns, Co.*, 24 F.3d 1088, 1098 (9th Cir. 1994) (en banc) ("United States

copyright laws do not reach acts of infringement that take place entirely abroad.").

Petitioner's argument goes astray by pointing to the territorial scope of the provisions governing works, not copies. Petitioner notes that Wiley is a U.S. company and reasons that "[b]ecause the books were first published in the U.S., *see* S.A. 1-17, the Copyright Act, therefore, defines them as 'United States work[s].'" Pet. Br. at 23 (quoting 17 U.S.C. § 101); *see also id.* at 48 ("Wiley is invoking rights it first acquired in the United States. It is suing in the U.S. for sales made in the U.S., to U.S. customers, by a U.S. resident who was in the U.S. when he committed the purportedly infringing acts."). That is true, but irrelevant to the question whether "copies"—not the work itself—are "made under this title." 17 U.S.C. § 109(a); *see also Subafilms*, 24 F.3d at 1097 ("[T]he applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national or in which the work was first published") (quoting 3 David Nimmer & Melville B. Nimmer, Nimmer on Copyright § 17.05, at 17-39 (1991)).

Moreover, Petitioner errs in arguing that "[w]hen the conduct to be evaluated under the statute affects the United States and is being adjudicated in the United States, then by definition the presumption against extraterritoriality is irrelevant to the question of construction." Pet. Br. at 47-48. This Court has clearly rejected an effects-based test for extraterritoriality, *see Morrison*, 130 S. Ct. at 2879-80, and the presence of a case in a United States court obviously does not decide the scope of United States law. While Petitioner contends that *Quality*

King supports his position, *see* Pet. Br. at 47, in reality the Court there simply stated that the Copyright Act applies to a first sale abroad for "goods lawfully made under the Act." *Quality King*, 523 U.S. at 145 n.14. And in a situation where a foreign publisher is granted exclusive foreign distribution rights, "presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a)." *Id.* at 148.

While the extraterritorial nature of the making of copies in this case is clear, it is worth exploring the boundaries of extraterritoriality more generally—especially since doing so demonstrates that Petitioner's slippery-slope concerns are unfounded. Courts have recognized that copyright law applies to extraterritorial conduct that actively induces or contributes to infringement occurring within the United States. *See, e.g.*, *Cable/Home Commc'n Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845-46 (11th Cir. 1990); *Metzke v. May Dept. Stores Co.*, 878 F. Supp. 756, 760-61 (W.D. Pa. 1995); *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772-73 (W.D.N.Y. 1991). Moreover, a copyright plaintiff may recover a defendant's extraterritorial profits if they are derived from infringing acts within the United States. *See, e.g.*, *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940); *Fantasy, Inc. v. Fogerty*, 664 F. Supp. 1345, 1351-52 (N.D. Cal. 1987). And at least one court has expressly held that the Copyright Act applies to U.S. distribution of a publication printed in Italy, but not to Italian distribution of that publication. *See Shaw*

v. Rizzoli Int'l Publ'ns, Inc., No. 96 Civ. 4259, 1999 WL 160084, at *3-*5 (S.D.N.Y. Mar. 23, 1999).

Thus, there may be instances where copies are "made under this title" even where manufactured abroad, if there is domestic conduct that constitutes domestic infringement. And Respondent's position does not necessarily lead to the result that Petitioner fears, where books manufactured abroad for sale in the United States can never be resold. In any event, there is no need for the Court to decide these issues here, where extraterritoriality is clear.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals for the Second Circuit should be affirmed.

Respectfully submitted,

STEPHEN E. GILLEN
WOOD HERRON & EVANS LLP
2700 Carew Tower
441 Vine Street
Cincinnati, OH 45202

September 7, 2012

BETH HEIFETZ
Counsel of Record
DAVID M. COOPER
WILLIAM D. COGLIANESE
JONES DAY
51 Louisiana Ave., N.W.
Washington, DC 20001
bheifetz@jonesday.com
(202) 879-3939

Counsel for Amicus Curiae