SEP 28 2009

No. 08-1423

In the Supreme Court of the United States

COSTCO WHOLESALE CORPORATION,
Petitioner,

v.

OMEGA, S.A.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

SUPPLEMENTAL BRIEF FOR PETITIONER

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SUPPLEMENTAL BRIEF FOR PETITIONER

Pursuant to Rule 15.8 of the Rules of this Court, petitioner Costco Wholesale Corporation submits this brief to call the Court's attention to a decision of the United States District Court for the Southern District of New York, rendered just last Friday, September 25, 2009: *Pearson Education, Inc.* v. *Liu*, No. 1:08-cv-06152-RJH, Addendum, *infra*, 1-19. Although a decision of a district court might not ordinarily merit this Court's attention, *Pearson Education* demonstrates that even lower courts that *agree* with petitioner's position on the merits are unwilling to adopt that position without direct guidance from this Court. The present case presents a golden opportunity for this Court to provide the needed guidance by reviewing the important and recurring question presented, and aligning the interpretation of 17 U.S.C. § 109(a) with its actual text, rather than with misguided Ninth Circuit glosses on the statutory text.

1. *Pearson Education* presented the exact same question as this case, and did so in a more typical context: plaintiffs, large publishing companies, sued "small-time internet entrepreneurs." Addendum, *infra*, 3; see Pet. Reply Br. 11 (noting that "most defendants are small, impecunious retailers that lack the wherewithal to mount a meaningful defense against well-financed, major manufacturers, let alone to appeal an adverse ruling"). The district court in *Pearson Education*—unlike almost every other district court to consider the question (see Pet. Reply Br. 10-11; Pet. 27-28)—engaged in a careful analysis of the text, structure, legislative history, and policy aims of the statute, as well as this Court's opinion in *Quality King Distribu-*

tors, Inc. v. L'anza Research International, Inc., 523 U.S. 135 (1998).

The court observed that, if it "were to limit its consideration to the traditional tools of statutory interpretation, it likely would " agree with the alleged copyright infringers in that case (and petitioner Costco in this case) that "the first-sale doctrine [is] applicable when a copy of a copyrighted work is manufactured abroad and imported into the United States." Addendum 9. Specifically, "the language of the statute" supports the view that "'lawfully made under this title' refers not to the *place* a copy is manufactured, but to the *lawfulness* of its manufacture as a function of U.S. copyright law."Addendum 10 (citing *Sebastian Int'l Inc. v. Consumer Contacts (Pty) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988)); accord Pet. 9-10; Pet. Reply Br. 6, 7. Furthermore, "[t]he structure of the statute confirms what its text suggests." Addendum 11; accord Pet. 11. Finally, "[t]urning to the history and purposes of the first-sale doctrine, nothing suggests that the doctrine should not apply when a copy is manufactured abroad." Addendum 12; accord Pet. 21-24.

2. The court next noted the doctrinal incoherence—and inconsistency with *Quality King*—of the Ninth Circuit's patchwork of nontextual interpretations of the Copyright Act. Addendum 13-14 (citing *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994); *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996); and the decision below). The Ninth Circuit, the district court correctly noted, "has never explained how § 109(a)'s text supports a distinction based on where a first sale occurred. And the distinction it has drawn conflicts directly with *Quality King's* holding that place of sale is irrelevant for first-sale purposes." Addendum 14;

accord Pet. Reply Br. 5-7. The court also made short work of the "frequently-repeated argument that applying the first-sale doctrine to copies of a copyrighted work manufactured abroad would render § 602(a) 'virtually meaningless.'" Addendum 14-15 (quoting *Columbia Broad. Sys., Inc.* v. *Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), aff'd mem., 738 F.2d 421 (3d Cir. 1984)). Accord Pet. Reply Br. 4.

The court concluded—correctly—that "nothing in § 109(a) or the history, purposes, and policies of the first-sale doctrine, limits the doctrine to copies of a work manufactured in the United States." Addendum 15.

3. In an ending reminiscent of the short stories of O. Henry, however, the court reached the surprising conclusion that dicta in *Quality King* precluded it from following the correct reading of the statute. Addendum 16-18 (citing *Quality King*, 523 U.S. at 148). The court underscored its disagreement with the perceived constraint of the *Quality King* dicta both by gently chiding this Court for relying on "extratextual sources" (Addendum 16) and by labeling its holding "*dubitante*" (Addendum 18). See Jason J. Czarnezki, *The* Dubitante *Opinion*, 39 AKRON L. REV. 1, 1 (2006) ("Judges rarely write *dubitante* opinions or use the term * * *.").

The district court misunderstood the hypothetical example that the Court discussed in dicta. Properly understood, it provides no support for a distinction based on place of manufacture, as Costco explained in the petition (at 18).

Nevertheless, it is undeniable that this Court's dicta continue to confuse the lower courts. Even a court attentive to statutory text, structure, and policy—and even a court that correctly understands that the Ninth

Circuit had to depart from *both* statutory text and the *holding* of *Quality King* to rule as it did—felt constrained by mere dicta of this Court (and misunderstood dicta at that) to issue a ruling unfaithful to proper statutory analysis. Nothing could better illustrate that *only* this Court can bring doctrinal coherence to this question. The Court should do so now.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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