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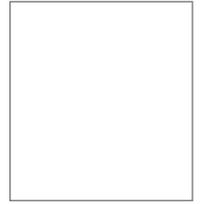
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GRAY EXPECTATIONS



In a typical “gray market” transaction, an individual or business may buy a product – often overseas – where it is available cheaply and import it legally to the target market. The product is then re-sold at a price high enough to provide a profit but under the normal market price. A recent U.S. Supreme Court decision will give copyright owners greater protection against the importation of such gray market goods.

In *Omega S.A. v Costco Wholesale Corp.*, a divided Supreme Court upheld the Ninth Circuit Court of Appeals’ ruling that the “first sale” defense to copyright infringement does not apply to goods that are protected by U.S. copyright, manufactured abroad and then imported to the U.S. without the authorization of the copyright holder.

The first sale doctrine allows purchasers of copyrighted goods to resell those goods without infringing the copyright owner’s rights. In other words, the copyright owner only controls the first sale of the goods. The Ninth Circuit, however, stated that the first sale defense only applies to copies made in the U.S. or sold in the U.S. with the copyright owner’s authority. The opinion stated that it would be inappropriate to apply U.S. copyright law to conduct that occurs entirely outside the U.S. Therefore, companies should have an easier time competing with secondary markets because copies made abroad are now outside the scope of a first sale defense.

The Supreme Court Upholds Protection Against “Gray Market” Goods

THE EXPECTATIONS

So, what does this decision mean for your company? As is often the case when dealing with legal issues, things are a bit gray and uncertain. The *Omega* decision does not set national precedent because it was a split decision. However, in light of the *Omega* case there are some practical steps that can be taken to make sense of the “gray”:

- G** Get your logos, designs, and labels copyrighted and incorporate them into your goods! By incorporating copyrighted items in your goods you extend copyright protection to your goods.
- R** Review your reseller agreements to make sure you are adequately protected.
- A** Alert dealers, customers, and potential customers of the existence of gray market goods and that they should be avoided.
- Y** Yield to no one. Vigorously defend your intellectual property.

Taking these actions will help protect your business against gray market goods. If you need more assistance, Miller Canfield’s intellectual property team is ready to provide you with clear and helpful advice to navigate you through the “gray expectations” of the law.

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QUESTIONS,
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TO SIGN UP FOR
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