

# Ninth Circuit Holds First Sale Doctrine Defeats Copyright Infringement Claim Over Omega Watches

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In ***Omega S.A. v. Costco Wholesale Corp.***, Appeal Nos. 11-57137, 12-56342 (9th Cir. Jan. 20, 2015), the Ninth Circuit held that the first sale doctrine *barred Omega's copyright claims against Costco after Omega authorized the first sale of watches in a foreign jurisdiction.*

This case involved a long-running dispute over the sale of watches in the U.S. that were purchased on the “**gray market**” overseas. Omega sold watches, manufactured in Switzerland, to authorized distributors overseas. Third parties then purchased the watches and sold them to a New York company, which sold them to

Costco, which eventually sold them in California. *Omega authorized the initial foreign sales but did not authorize the importation into the U.S. or Costco's sale of the watches.*

*The watches, which were not themselves copyrighted (or copyrightable), bore a copyrighted globe design engraved on the underside. In 2004, Omega sued Costco for copyright infringement based on Costco's acquisition and sale of the watches bearing the copyrighted globe design. Both parties moved for summary judgment. Costco argued that the first sale doctrine of the Copyright Act, 17 U.S.C. Section 109(a), precluded Omega's infringement claim based on Omega's initial foreign sale of the watches. The district court granted Costco's motion and awarded attorneys' fees to Costco. Omega appealed and in September 2008, the Ninth Circuit reversed, concluding that the first sale defense was unavailable because the watches were neither manufactured nor previously sold in the U.S. with the copyright owner's permission, a necessary prerequisite to application of the defense according to Ninth Circuit precedent.*

On remand, the parties moved for summary judgment. The district court granted Costco's motion and based its decision only on the copyright misuse defense. The district court found that the defense applied because "Omega used the defensive shield of copyright law as an offensive sword:"

Omega concedes that a purpose of the copyrighted Omega Globe Design was to control the importation and sale of its watches containing the design, as the watches could not be copyrighted. Accordingly, Omega misused its copyright of the Omega Globe Design by leveraging its limited monopoly in being able to control the importation of that design to control the importation of its Seamaster watches.

The case returned to the Ninth Circuit where the court affirmed the district court's decision, on a basis different from the district court's reasoning. Rather than addressing the copyright misuse question, the Ninth Circuit returned to the first sale defense, finding that it disposed of Omega's copyright infringement claim.

After the district court's second grant of summary judgment to Costco and while briefing was pending in the second appeal to the Ninth Circuit, the Supreme Court issued its decision in *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697, in March 2013. In that decision, the Supreme Court held that the first sale doctrine *does* apply to copies of copyrighted works lawfully made outside the U.S. That decision established the validity of Costco's first sale defense, the Ninth Circuit held, and therefore disposed of Omega's copyright infringement claim.

The Ninth Circuit held that under *Kirtsaeng*, the first sale doctrine barred Omega's claim because Omega's copyright distribution and importation rights expired after an authorized first sale of the watches in a foreign jurisdiction.

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