9-1-2014

Mourning the Loss of Copyright's Unsung Hero: Destruction of the First Sale Doctrine

C. Todd Mosley
Ohio Northern University Claude W. Pettit College of Law

Follow this and additional works at: http://scholarship.kentlaw.iit.edu/ckjip

Part of the Intellectual Property Law Commons

Recommended Citation
Available at: http://scholarship.kentlaw.iit.edu/ckjip/vol14/iss1/8

This Article is brought to you for free and open access by Scholarly Commons @ IIT Chicago-Kent College of Law. It has been accepted for inclusion in Chicago-Kent Journal of Intellectual Property by an authorized editor of Scholarly Commons @ IIT Chicago-Kent College of Law. For more information, please contact dginsberg@kentlaw.iit.edu.
MOURNING THE LOSS OF COPYRIGHT’S UNSUNG HERO: DESTRUCTION OF THE FIRST SALE DOCTRINE

C. TODD MOSLEY

“Monopolies, though in certain cases useful, ought to be granted with caution, and guarded with strictness against abuse.”

I. INTRODUCTION

Each year students spend hundreds of dollars on textbooks. And while most students’ are restricted to which books they can purchase for their class, they can typically choose the format. They can either buy an e-textbook or a physical book. If the student decides to purchase the physical textbook, their choices expand a bit further. They may choose to buy a used book, new book, or even rent the same book at a discounted rate. These alternative transactions provide a glimpse of our copyright system and, more specifically, the first sale doctrine.

Depending upon which version the student chooses, his rights in the copyrighted work will differ drastically. The rights afforded to the student are based upon whether the student is considered an owner or simply a licensee. If, and only if, the student is considered an owner, may he then alienate his purchase without the consent of the copyright owner. The ability to alienate legally acquired copies of copyrighted material is deeply

---

1. Christopher Todd Mosley, J.D. Ohio Northern University Claude W. Pettit College of Law. I want to thank my beautiful wife, Susanna Fleites, for her never ending love and patience. I would also like to thank Professor Deidre’ Keller for her guidance and inspiration for this article. Any errors found herein are mine and mine alone.


5. Id.


7. See id. at 615.

rooted in United States’ common law. Similarly, it has been statutorily codified since 1909 as the first sale doctrine.

Now imagine a world where textbooks are leased instead of sold. In this bizarre “pay-to-see” world, a student is required to pay full price for a textbook that must be returned to the publisher at the end of each concluding semester. The publisher directly leases to the student, thereby destroying competition among retailers. “But it’s not all bad,” says the hypothetical publisher. “We give you extra digital features, which includes a full copy of the textbook that you can keep forever.” But the publisher knows that in our current legal system, those digital features, including the everlasting e-textbook, cannot be resold. This “pay-to-see” system is neither a trick nor illegal. It is just good business.

This bizarre world is upon us. In April 2014, a major textbook publishing company, Aspen Publishers, sent out an announcement that they intend to implement this “pay-to-see” program. How we approach the resale of copyrighted material is changing, and not for the better. The United States’ copyright system is slowly moving towards a monopolistic system that would make the Stationers’ Company proud. The “pay-to-see” structure implements a textbook package filled with inalienable material; thus, destroying important resale rights, while hampering secondary used markets that promotes creation and dissemination. It is imperative that the first sale doctrine’s strength is returned so that we may reclaim a balanced copyright system.

13. See id.
14. What may be considered a “good business practice,” is not necessarily good for copyright. Even though the copyright owner is be benefactor of this “practice,” the true primary beneficiary receives less than his intended share.
15. Id.
16. See Josh Blackman, Aspen Casebook Connect Textbooks Must Be Returned At End Of Class, Cannot Be Resold, JOSH BLACKMAN’S BLOG (May 5, 2014), http://joshblackman.com/blog/2014/05/05/aspen-casebook-connect-textbooks-must-be-returned-at-end-of-class-cannot-be-resold/.
18. See BARRISTER BOOKS FAQ, supra note 12.
Since its inception, the first sale doctrine has helped provide balance between the conflicting rights of the copyright holder and the consumer. The rights of these two parties are in constant divergence. If one party’s rights are expanded, it is at the expense of the other—hence the need for balance. The first sale doctrine was created to maintain equilibrium. Yet, this balance may soon shift in the copyright holder’s favor.

Today, a digital equivalent of the first sale doctrine does not exist in American law. The lack of codified guidance has produced an expansion of copyright holder rights through restrictive licensing agreements. Courts have repeatedly upheld these agreements, and one court has perpetuated this expansion by stating that the first sale doctrine only applies to the analog world. By holding the first sale doctrine inapplicable to digital downloads, courts have disrupted the fragile relationship between copyright holders and the public.

The strength of digital licenses has provided publishers with ammunition, which they have used to import licensing agreements to the analog world. For example, this type of licensing structure already exists in the form of textbook rentals and the Aspen Publishers agreement previously discussed. This comment presents the proposition that the first sale doctrine is in jeopardy. Allowing digital works immunity from the first sale doctrine has created a disease that has begun to spread to the analog world.

Recently the United States Supreme Court held that the first sale doctrine applies to works lawfully made abroad. The Court had to decide whether the phrase “lawfully made under this title,” which is found in the

20. See id. at 281–82.
22. Id.
23. See id. at 76.
27. Geist, supra note 21, at 75.
30. See BARRISTER BOOKS FAQ, supra note 12 and accompanying text.
first sale doctrine,\textsuperscript{32} included a geographic limitation.\textsuperscript{33} By rejecting the publisher’s argument favoring a geographic limitation, the Court has created a hardship for publishers who rely on international market segmentation.\textsuperscript{34} Now unable to divide the international book market, publishers have begun using creative methods to eschew the first sale doctrine.\textsuperscript{35}

This comment asserts that publishers will continue to solve the international market segmentation issue by applying digital licensing agreements to physical books.\textsuperscript{36} By selling consumers only a license to use the book, publishers will preclude consumers from reselling their used books, thereby extinguishing the usefulness of the first sale doctrine.\textsuperscript{37} If these types of licenses remain unchecked by the first sale doctrine, they will create an imbalance among copyright holders and consumers that will prove detrimental to society;\textsuperscript{38} an imbalance the first sale doctrine was intended to remedy.\textsuperscript{39}

Part I of this comment begins with a brief history of copyright law. This section reveals an important understanding regarding the proper balance that was intended by the Framers of the Constitution. Next, Section B examines the history of the first sale doctrine. In this section, the comment will explore the reasons the first sale doctrine was created and how it advances the primary and secondary intent of the Constitution’s Copyright Clause. Furthermore, this section will articulate the importance of recognizing the primary and secondary considerations when analyzing copyright issues. It will show that the primary intent of the Constitution’s Copyright Clause was to create a learned society, while the secondary consideration was to provide authors with fair treatment and an incentive to create.\textsuperscript{40} The first sale doctrine, by eliminating copyright holder’s control of downstream commerce, exemplifies the primary goal of the copyright clause and therefore, must not be taken for granted.\textsuperscript{41} Lastly this section will demonstrate

\textsuperscript{32} 17 U.S.C. § 109(a) (2012).
\textsuperscript{33} Kirtsaeng, 133 S. Ct. at 1358.
\textsuperscript{34} Id.
\textsuperscript{36} See Kirtsaeng, 133 S. Ct. at 1370 (“Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets.”); Anga, supra note 35, at 68.
\textsuperscript{38} See Hess, supra note 24, at 1979.
\textsuperscript{39} Id. at 1972.
\textsuperscript{40} Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984).
\textsuperscript{41} Id.
that the first sale doctrine was created to ensure that the copyright holder did not receive more rights than necessary to incentivize creation.42

Part II presents modern problems facing the first sale doctrine. First, this section will examine the first sale doctrine as it applies to digital works. It will show congressional erosion of the first sale doctrine by different enactments, including the Digital Millennium Copyright Act. This comment will then address how different courts approach licensing issues and how they decide whether the purchaser is an owner or a licensee.

Part II, Section B, examines the recent Supreme Court case, *John Wiley & Son v. Kirtsaeng.*43 The Kirtsaeng case has proven to be an interesting quagmire, as it has managed to simultaneously strengthen and weaken the first sale doctrine.44 First, the Kirtsaeng decision strengthened the first sale doctrine by disallowing international market segmentation when the Court held that books made abroad may lawfully be imported into the U.S. without the copyright owner’s permission.45 Secondly, Kirtsaeng weakened the first sale doctrine by disrupting publisher’s international market segmentation model, which ensured that cheaper international books remained abroad.46 In the opinion of this comment, this holding has weakened the first sale doctrine because publishers will attempt to remove the doctrine’s applicability from physical book sales to remedy lost sales attributable to their inability to effectively segment international book markets.

Part III offers an analysis of recent cases and presents a “how to manual” for creating a license agreement for physical books. This section displays how easily publisher can legally avoid the first sale doctrine.

Part IV of this comment provides some alternative suggestions regarding how to prevent the destruction of the first sale doctrine. The first solution includes legislation that would expressly prohibits licensing structures to be applied to analog books; this would be the most direct solution for the physical copyright world.

The first solution, however, does nothing to resolve the digital media problem. Therefore, the second solution argues in favor of implementing a digital first sale doctrine. The legislation of a digital first sale doctrine would create a two-fold solution. First, it would resolve publisher’s self-
interested push to digital books just to ensure they maintain control over subsequent alienation. Second, this solution would further stymie the current campaign to create an equivalent licensing structure for physical copyrighted material.

Lastly, this comment suggests adopting the often-stated directive of Congress, the “need to conform the U.S. copyright term with the prevailing worldwide standard.” If the U.S. were to follow this directive, Congress would be required to look at the recent European Court of Justice case that reclassified a perpetual software license as a sale of software. In UsedSoft v. Oracle, the European Court of Justice held that a perpetual software license is equivalent to a sale of software and should be characterized as such. In this case, the first sale doctrine applied to digitally downloaded software even though copyright holder intended to convey only a license. This holding abolishes the ability to disguise a software sale by labeling it a license. Furthermore, the ECJ held that the first sale doctrine does not distinguish between physical and digital copyrighted materials. This comment will demonstrate that this same reasoning should be applied in U.S. jurisprudence. If this type of analysis were applied to current licensing models, we would have a workable solution that maintains the balance between copyright holders and society.

I. THE HISTORY

A. History of United States Copyright and Its Intent

To better understand the intended function of the first sale doctrine, it is important to understand the intent and history of U.S. copyright law in general. For example, if it is understood that the underlying intent of the copyright clause is to enrich authors, the first sale doctrine should be limited by this understanding, as this would be the overarching principal. However, if the intent is to provide a valuable public service, while only providing authors with an incentive to create as a secondary objective, then the first sale doctrine should be applied to achieve these objectives in their relative order of importance. Therefore, this comment presents the history of our Constitution’s Copyright Clause to show the overarching intent was

49. Id.
50. Id. at ¶ 101.
51. Id.
52. See id.
53. This understanding is completely without merit and was only suggest in making a contrasting point.
to create a learned society, and as such, this primary intent should be considered when deciding whether the first sale doctrine should apply to license agreements that seek to undermine this intent.

1. English History

In 1710, after the failure of England’s Crown-controlled copyright law—one that granted sole copyright control to The Stationers’ Company—the Crown enacted the Statute of Anne. This statute was the first in England to give authors a statutory right in their works. The exact failure that led to the Statute of Anne is a subject of debate. Some scholars argue that it was in direct response and an attempt to break up the oppressive monopoly held by The Stationers’ Company. Others have asserted that it was enacted to maximize creation and distribution. Either way, both assertions have a common nucleus: promoting societal good. This intended effect is evidenced by the first sentence of the statute, which declared that the statute was “An act for the encouragement of learning…” Furthermore, the language of the statute expressly rebuked publishers for their poor treatment of authors:

Whereas printers, booksellers, and other persons have of late frequently taken the liberty of printing, reprinting, and publishing... without the consent of the authors or proprietors of such books and writings, to their very great detriment, and too often to the ruin of them and their families: for preventing therefore such practices for the future, and for the encouragement of learned men to compose and write useful books.

This statute developed from the basic understanding that information and education may be impeded if those who do not have an incentive to create hold the copyright monopoly. Therefore, it can be said that the public good was the “ends” that were met by the “means” of providing creators with incentives to create. This understanding was imported into our own copyright law, as our Constitution’s Copyright Clause, and the

55. Joyce, supra at 782.
56. See id. at 783.
57. See id. at 782 n.9.
58. LYMAN RAY PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE 143–44 (1968).
60. Statute of Anne, 1710, 8 Anne, c. 19.
61. Id.
62. Id. (emphasis added).
63. See generally Joyce, supra note 44.
64. Id.
subsequent Copyright Act of 1790, has been considered a wholesale copy of the Statute of Anne.\footnote{Oren Bracha, The Adventures of the Statute of Anne in the Land of Unlimited Possibilities: The Life of A Legal Transplant, 25 BERKELEY TECH. L.J. 1427, 1428 (2010). “While the influence of the Statute of Anne on early American copyright legislation is widely known, scholars often overlook the scale of duplication on the level of ideological purposes, concepts, technical legal arrangements, and specific text. When these identical features are examined closely, the genesis of the American copyright system appears to be a major operation of international plagiarism.” Id.}

2. Constitutional Drafting and the Founding Fathers

As evidenced by language similarities, the Founding Fathers imported the ideology of the Statute of Anne into the Copyright Clause of the Constitution, which later served as a guide in producing the Copyright Act of 1790.\footnote{See id.} However, considering the problems created by the pre-Statute of Anne monopoly— which was solely vested in The Stationers’ Company—the Founding Fathers feared another government-sponsored monopoly.\footnote{The great evil in the Framers’ mind, second only to the great evil of centralized, monarchical government, was the evil of state-sanctioned monopoly. And though they struggled over whether any power to grant monopolies should be vested in Congress at all, the power upon which they settled spoke volumes about the limitations it was to embrace: Unlike every other power-granting clause, this was the only power-granting clause that specified the means and purpose to which the power was devoted. Congress was not given the power simply to enact copyrights. Nor was it simply given the power to enact copyrights for limited times. Congress was given the power ‘to promote the Progress of Science’ by granting, not to publishers, but to authors, ‘exclusive Right[s]’ for limited Times.’ Lawrence Lessig, Copyright’s First Amendment, 48 UCLA L. REV. 1057, 1062 (2001). See Craig W. Dallon, The Problem with Congress and Copyright Law: Forgetting the Past and Ignoring the Public Interest, 44 SANTA CLARA L. REV. 365, 424 (2004).} James Madison noted that even though this fear was well founded, a monopoly right vested in a copyright holder was substantially necessary. Madison recognized that the inherent good produced by a learned society outweighed the possible detrimental effects.\footnote{Dotan Oliar, Making Sense of the Intellectual Property Clause: Promotion of Progress As A Limitation on Congress’s Intellectual Property Power, 94 GEO. L.J. 1771, 1805 (2006). James Madison, Letter to Thomas Jefferson, October 17, 1788, in Galliard Hunt, Ed., 5 The Writings of James Madison, G.P. Putnam’s Sons, 1904, 269, 274–275. “With regard to Monopolies they are justly classed among the greatest nuisances [sic] in Government.”} Madison stated in a letter to Thomas Jefferson in 1788:

With regard to monopolies, they are justly classed among the greatest nuisances in government. But is it clear that as encouragements to literary works and ingenious discoveries, they are not too valuable to be wholly renounced? Would it not suffice to reserve in all cases a right to the public to abolish the privilege at a price to be specified in the grant of it?\footnote{See id.}
Convinced that a copyright monopoly would produce more good than harm for society, Madison and the other Founding Fathers\(^\text{70}\) voiced the importance of perpetuating inventions and artistic creations in order to thrive as a modern society.\(^\text{71}\) And to ensure the monopoly stayed in check, the Founding Fathers mandated congressional constraints.\(^\text{72}\)

One major limitation placed upon Congress is the inherent balancing act,\(^\text{73}\) which was intended to balance the conflicting rights of society and a copyright holder. These two interests must be balanced in order to ensure an efficient flow of creation and dissemination to society.\(^\text{74}\) The first sale doctrine was created as a counterweight that is necessary to balance these two rights.\(^\text{75}\) The Founders feared that the primary intent of the Copyright Clause—the creation of a learned society—would cease to be primary, while the secondary intent—to allow authors to reap the rewards of their works—would become a dominating factor.\(^\text{76}\) Without the first sale doctrine, copy-

\(^{70}\) Thomas Jefferson wrote the following in a letter to Madison: “I like it, as far as it goes; but I should have been for going further. For instance, the following alterations and additions would have pleased me... Monopolies may be allowed to persons for their own productions in literature, and their own inventions in the arts, for a term not exceeding ___ years, but for no longer term, and no other purpose.” Thomas Jefferson, Letter to James Madison, August 28, 1789, in Andrew A. Lipscomb, Ed., \textit{The Writings of Thomas Jefferson, Thomas Jefferson Memorial Association of the United States}, 1903, p 444, 450–51.

\(^{71}\) Craig Dallon, \textit{supra} at 367; James Madison, \textit{Aspects of Monopoly One Hundred Years Ago}, Harper’s Magazine, Vol 128, Number 766, March, 1914, p. 490. Monopolies, though in certain cases useful, ought to be granted with caution, and guarded with strictness against abuse. The Constitution of the United States has limited them to two cases—the authors of books, and of useful inventions, in both which they are considered as a compensation for a benefit actually gained to the community as a purchase of property which the owner might otherwise withhold from public use. There can be no just objection to a temporary monopoly in these cases; but it ought to be temporary because under that limitation a sufficient recompense and encouragement may be given. . .Perpetual monopolies of every sort are forbidden not only by the genius of free governments, but by the imperfection of human foresight. \textit{Id.}

\(^{72}\) See Dotan Oliar, \textit{supra} note 69, at 1781–83. (Talking about Thomas Jefferson’s strict interpretation of how the monopoly terms should work, “[i]f there are different schools of thought here; the first interpretation asserts that the promotion of the sciences and useful arts is a congressional constraint. The second is that this phrase was only a preamble, which does not limit congresses power.”). \textit{Id.}

\(^{73}\) See Elizabeth McKenzie, \textit{A Book by Any Other Name: E-Books and the First Sale Doctrine}, 12 CHI.-KENT J. INTELL. PROP. 57, 69 (2013). “First, these practices are incompatible with existing copyright doctrine and eliminate any right of alienability for digital content, a right that has long been considered crucial in the copyright system’s balance between the public’s interests and those of rights holders.” \textit{Id.}


\(^{75}\) \textit{Id.}, “The first sale doctrine is an example of this balance, offering a middle ground between the author’s exclusive right to distribute and the public’s right to access copyrighted works.” \textit{Id.}

right holders would receive a monopoly right that exemplifies the very fear the Founding Fathers recognized and sought to avoid.\textsuperscript{77}

3. Constitutional Intent: Understanding the Primary and Secondary Beneficiaries

Justice John Paul Stevens clearly articulated the primary intent of copyright in the Supreme Court case, \textit{Sony Corp. of Am. v. Universal City Studios, Inc.}\textsuperscript{78} He stated:

The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired. . . As the text of the Constitution makes plain, it is Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product.\textsuperscript{79}

Further, Justice William O. Douglas acknowledged that “\[t\]he copyright law, like the patent statutes, makes reward to the owner a secondary consideration.”\textsuperscript{80} And it was Justice Charles Evan Hughes who stated: “The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.”\textsuperscript{81} Lastly, Justice Potter Stewart stated: “The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.”\textsuperscript{82}

These statements flesh out the intended hierarchy of copyright’s beneficiaries, and they were intended to create a balance between the copyright holder and the public’s interest, prioritizing primary over secondary considerations.\textsuperscript{83} It must be understood that the Founding Fathers did not give

\begin{itemize}
\item \textsuperscript{77} See Madison supra note 2.
\item \textsuperscript{78} 464 U.S. 417 at 429.
\item \textsuperscript{79} \textit{Id. But see} Golan v. Holder, 132 S. Ct. at 873, 889 (2012) (“Even were we writing on a clean slate, petitioners’ argument would be unavailing. Nothing in the text of the Copyright Clause confines the Progress of Science exclusively to incentives for creation. Evidence from the founding, moreover, suggests that inducing dissemination—as opposed to creation—was viewed as an appropriate means to promote science.”) This view of copyright intent gives great deference to Congress in defining what “Progress” actually means, and in the \textit{Golan} case, “Progress” was equal to dissemination. \textit{See id.}
\item \textsuperscript{80} Paramount Pictures, 334 U.S. 131 at 158.
\item \textsuperscript{81} Fox Film Corp. 286 U.S. 123 at 127.
\item \textsuperscript{82} Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975).
\item \textsuperscript{83} \textit{Id.}.
\end{itemize}
The Copyright Act was meant to be “[a]n Act for the encouragement of learning.” And “the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.” Therefore, the primary purpose of the Copyright Clause was intended to promote the “general public good,” and the first sale doctrine must be viewed with this intent in mind.

B. History of the First Sale Doctrine

The origin of the first sale doctrine dates back as far as 1853. In Stowe v. Thomas, the Pennsylvania Circuit Court stated that “[w]hen [the copyright owner] has sold his book, the only property which be [sic] re-serves to himself, or which the law gives to him, is the exclusive right to multiply the copies of that particular combination of characters which exhibits to the eyes of another the ideas intended to be conveyed.” This statement recognizes the boundaries and exhaustion principles placed on copyright holders. It further exemplifies the understanding that copyright holders were never intended to receive an expansive array of rights that included downstream alienation control.

Then in 1885, the Circuit Court for District of Massachusetts in Clemens v. Estes, denied the plaintiff’s request for an injunction that would restrain the defendant from selling the book “Huckleberry Finn” at a discounted price. The court found that in the absence of a contract, “the defendants had a right to buy... books from agents who lawfully obtained them by purchase from the plaintiff or his publishers, and had a right to advertise for sale and to sell such books at any price they saw fit.” This same theme runs throughout American copyright law: the idea that once value has been given, the copyright owner’s right to vend ends with that specific copy.

84. Id. 
85. Sony, 464 U.S. 417 at 460. 
86. Sony 464 U.S. 417 at 432. 
87. Id. 
88. Stowe v. Thomas, 23 F. Cas. 201, 201 (C.C.E.D. Pa. 1853) 
89. Id. at 206–07. 
90. See id. at 207. 
91. See id. 
93. Id. at 900–01.
In 1908, *Bobbs-Merrill Co. v. Straus* was the first Supreme Court case to recognize the first sale doctrine. Justice William R. Day wrote the opinion, which led to the codification of the first sale doctrine in the 1909 Copyright Act. The case involved a retail price restriction on the novel “The Castaway.” The Bobbs-Merrill Company was the copyright holder of the novel and attempted to stipulate the minimum retail sale price of the book. Included inside the cover of each book was a notice that stated: “The price of this book at retail is $1 net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.”

The nonexistence of a contract precluded the Court from using contract law to settle the dispute. The Court stated that without privity of contract, only copyright could afford a remedy. Therefore, this case appeared before the Supreme Court in equity, which required the Court to interpret the Copyright Act. The issue before the Court was whether the phrase “sole right to vend” included subsequent alienation. Justice Day, writing for the majority, interpreted the copyright statute as follows:

> In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract. This conclusion is reached in view of the language of the statute, read in the light of its main purpose to secure the right of multiplying copies of the work,—a right which is the special creation of the statute. . . To add to the right of exclusive sale the

95. *See generally id.* at 339.
96. *Id.* at 341.
97. *Id.*
98. *Id.*
99. *Id.*
100. *Id.*
101. *Id.*
102. *Id.* at 349.

As this is a suit in equity for relief under § 4970 of the U. S. Revised Statutes, giving to the circuit and district courts of the United States the right to grant relief by injunctions to prevent the violation of rights secured by the copyright statutes, we are not concerned with rights and remedies under § 4965. *Id.*

103. *Id.*
104. *Id.* at 349–50.

What does the statute mean in granting “the sole right of vending the same?” Was it intended to create a right which would permit the holder of the copyright to fasten, by notice in a book or upon one of the articles mentioned within the statute, a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it? It is not denied that one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it. The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it. *Id.*
authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.105

This holding identifies the fragile balance between the monopoly rights of copyright holders and the primary intent for allowing a legally enforced monopoly—to create a learned society.106 It also presents an understanding that restriction on subsequent alienation was not an inherent part of the copyright monopoly.107 The Court recognized that if this restriction was allowed, it would tilt the balance too far in the copyright holder’s favor, as it would allow extreme restrictions on downstream commerce, greatly expanding the copyright holder’s monopoly.108

Shortly after Bobbs-Merrill, the first sale doctrine was codified in the 1909 Copyright Act.109 Section 41 of the 1909 Copyright Act stated:

That the copyright is distinct from the property in the material object copyrighted, and the sale or conveyance, by gift or otherwise, of the material object shall not of itself constitute a transfer of the copyright, nor shall the assignment of the copyright constitute a transfer of the title to the material object; but nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.110

The first sale doctrine’s basic forbearance on transfer restrictions still remains in the revised 1976 Copyright Act.111 Section 109 now represents the first sale doctrine.112 This section maintains the basic essence of the 1909 Act, as only minor changes were made to the language.113 Section 109 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

105. Id at 350–51.
106. See also Twentieth Century Music Corp., 422 U.S. 151 at 156 (Justice Potter identified the balancing equity at work in the copyright.).
108. See Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1388 (C.D. Cal. 1993). It is worth noting that the idea of a legal monopoly was a very scary proposition for the Founding Fathers of the Constitution. It was with great reluctance they allowed this legal monopoly but only because they believed that this type of monopoly would do more good to society than harm.
109. See McKenzie supra note 73 at 60.
111. See H.R. REP. 94-1476, 62, 1976 U.S.C.C.A.N. 5659, 5676. “As section 109 makes clear, however, the copyright owner’s rights under section 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it.” Id.
the possession of that copy or phonorecord.”

This section fully embraces the holding of Bobbs-Merrill Co. v. Straus. It codifies the exhaustion of the copyright holder’s power to restrict subsequent sales once the consumer legally obtains a “copy” of the copyrighted material.

II. MODERN FIRST SALE DOCTRINE

With a clear understanding of the intent that underlies our Constitution’s Copyright Clause, an examination of the modern first sale doctrine can prove more fruitful. Keeping the primary and secondary intent in mind, the first sale doctrine becomes an obvious necessity and an important feature of our copyright law that ensures society receives, as the primary beneficiary, its quid pro quo.

A. The Destruction of the First Sale Doctrine as Applied to Digital Works

Under current U.S. copyright law, only an owner may assert the first sale doctrine. So when determining whether the first sale doctrine applies, it is extremely important to understand the characterization of the transaction in which the copyrighted material is exchanged. Thus, if the purchase of digital media is characterized as a license, then the first sale doctrine does not apply, as this defense to infringement is afforded only to “owners” of legally acquired copies of copyrighted material. In contrast, if the purchase of digital media is characterized as a sale of copyrighted content, then consumers are free to alienate their legally acquired digital media under the first sale doctrine.

This rule is easily stated but difficult to apply. When faced with software, digital works, and analog material, courts have had trouble discerning whether a conveyance is a sale or a license. However, a well-drafted license agreement will ensure immunity from the first sale doctrine for all formats. These transactions, in the view of this comment, should be im-

117. See Golan v. Holder, 132 S. Ct. 873, 900 (2012) (Justice Breyer’s dissent) (Consequently, the original British copyright statute, the Constitution’s Framers, and our case law all have recognized copyright’s resulting and necessary call for balance); but see id. (the majority rejects the idea that there is an inherent quid pro quo in which Congress must consider before revising the Copyright Act.).
119. See id.
120. See id.
121. See Vernor v. Autodesk, Inc., 621 F.3d 1102, 1104 (9th Cir. 2010); but compare id. at 1115.
permissible, as they are mutually exclusive to the primary purpose of copyright. Furthermore, the congressional and judicial erosion of the first sale doctrine must end, and a digital first sale doctrine must be enacted to re-balance the copyright scale.

1. Software: A Not So Easy Case

Software has presented copyright law with some tough and often conflicting cases. For many years software has been the ugly stepsister of the intellectual property world. Currently, software jurisprudence is a muddled mess of capriciousness mixed with a congressional “wait and see” approach that tends create erratic results. If digital media is allowed to follow the same path as software, then the ability to license digital media will not only dominate the digital world, but it will strengthen publishers’ resolve to create the same type of license structure for analog material.

2. Congressional Erosion of the First Sale Doctrine: DMCA’s Effect on the First Sale Doctrine

One of Congress’ not-so-shining moments occurred when the Internet was in its infancy. The anti-circumvention provision of the Digital Millennium Copyright Act (hereinafter DMCA) has been called one of the “greatest limitation[s] on the first sale doctrine.” The DMCA was enacted in response to copyright holders’ fear of piracy. Copyright holders feared the instantaneous dissemination of large amounts of copyrighted material. One of the key provisions of the DMCA is the anti-circumvention provision. Under this provision, it is illegal to create or use anti-circumvention software to decrypt or decode protections embedded in copyrighted works. Even if the purpose of this enactment is legit-

122. See Matthew Chiarizio, supra note 115 at 618–19.
123. See id.
125. Geist, supra note 21, at 78.
127. Id. at 647.
129. See Calaba, supra note 108 at 18.
130. Id.
131. Id. at 19–20.
imate, it violates the first sale doctrine by limiting the scope and possibility to sale used works.\footnote{See Friedman, supra note 128, at 644.}

The DMCA explicitly ablates the first sale doctrine in two distinctive scenarios. First, the DMCA restrictions disallow owners of DVDs from circumventing Content Scrambling Systems (CSS).\footnote{See Calaba supra note 130 at 22–24.} Circumvention of this protection would allow users to play DVDs on an unlicensed DVD player.\footnote{Id.} It is argued that this reduces the value of the DVD because it hinders the ability to resell the DVD.\footnote{Id.} Since a buyer must have a licensed DVD player in order to watch the movie, only those who own such a player will have a reason to purchase the DVD. This essentially restricts the number of potential buyers, which is the exact evil the first sale doctrine was meant to remedy.\footnote{See Id.}

The second scenario that arguably limits the first sale doctrine is the use of region coding.\footnote{See Calaba supra note 130 at 23.} Region coding is used by DVD manufacturers to restrict DVD viewing to specific regions.\footnote{Id.} Similar to the market-division issue presented in Kirtsaeng,\footnote{See Kirtsaeng, 133 S.Ct. at 1371.} the copyright holder of the DVD encodes a region code, which disallows users of different countries from viewing, and ultimately buying, DVDs that originate in other countries.\footnote{U.S. Copyright Office, A Report of the Register of Copyrights Pursuant to §104 of the Digital Millennium Copyright Act (2001), available at http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf.} In all practicality, this constraint is no different than attempting to restrict international books from being imported into the U.S. These types of restriction should not be upheld. This restriction essentially allows copyright holders to divide the global market and efficaciously restrict downstream commerce without worrying about the first sale doctrine\footnote{See Calaba supra note 130 at 9.}

The deleterious provisions of the DMCA embody a knee-jerk reaction to piracy fears.\footnote{Id.} This erosion of the first sale doctrine can be further attributed to Congress’ failure to adequately apply a balancing component to these antagonistic fears.\footnote{See Friedman, supra note 128 at 644.} The DMCA has been soundly criticized for granting copyright holders far more rights than necessary.\footnote{Id.} Whether this failure can be attributed to deep-pocketed lobbyists or uninformed con-
gressmen, the harsh results remain the same. This type of hastily enacted legislation must be acknowledged, understood, and considered strictly verboten.

3. Judicial Erosion: Software and Other Digital Media

Congress is not the only branch of government that has debased the first sale doctrine. The following cases show how courts’ judicial analyses of the first sale doctrine and their decisions as to whether it applies to specific conveyances, has further eroded the first sale doctrine. The representation of these cases attempts to explicate a structure which publishers may use to avoid the first sale doctrine. Furthermore, these cases can be consolidated and used as a “how-to manual” that could create a valid license for both digital and analog material.

The Ninth Circuit Court of Appeals held, in Vernor v. Autodesk, Inc., that the consumer of Autodesk’s AutoCAD Release 14 software was not an owner of a particular copy of its software, but rather a licensee. Since the consumer in this case was found to be a licensee, he was precluded from raising the first sale doctrine. Following its own precedent, the court enumerated three identifiable areas to consider when deciding whether a software consumer is a licensee or an owner. The court stated:

We read Wise and the MAI trio to prescribe three considerations that we may use to determine whether a software user is a licensee, rather than an owner of a copy. First, we consider whether the copyright owner specifies that a user is granted a license. Second, we consider whether the copyright owner significantly restricts the user’s ability to transfer the software. Finally, we consider whether the copyright owner imposes notable use restrictions.

Following these considerations, the court found that Autodesk had effectively retained the title to its AutoCAD software, imposed transferability restriction, and levied various use restrictions. By including these provi-

145. Id. at 645; See Hess, supra note 24. (“The DMCA created a number of safeguards for copyright holders. But the DMCA purposely ignored whether copyright holders could restrict future transfers of their legally purchased work—a concept known in physical property as the ‘first sale doctrine.’ As a result, copyright holders began using licenses to control future transfers of their digital property.”).
146. See Hess supra note 24 at 2008.
147. 621 F.3d 1102 (9th Cir. 2010).
148. See Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111, (9th Cir. 2010).
149. Id.
150. Id.
151. Id. at 1110–11.
152. See Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111, (9th Cir. 2010).
sions in its software licenses agreement (SLA), Autodesk was able to elude the first sale doctrine. However, not all copyright holders are so lucky.

A year after the *Vernor* ruling, the same court, in *UMG Recordings, Inc. v. Augusto*, held that a copyright holder of a promotional music CD did not convey a license to music insiders when they distributed their CD. Augusto, who acquired many of these promotional CDs, resold these promotional CDs on eBay. The following statement, which UMG hoped would be considered a license, was placed on many of the CDs at issue:

> This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws.

Despite this restrictive statement, the court found that Augusto was an owner of a copy rather than a licensee. The court reasoned that the restriction did not amount to a license because the recipient failed to acknowledge the consummation of a license agreement. The *UMG* court distinguished its holding from *Vernor*. The court recognized the disconnect from its earlier “three consideration test,” but resolved these differences by articulating that *Vernor’s “three consideration test” only applies to a narrower category of software consumers who have paid for the product*. Unlike *Vernor*, UMG’s CDs were promotional in nature and gratuitously distributed without a valid request from the receiver. This is a surprising twist considering the defendant in *Vernor* received inferior rights to a product he purchased, while the defendant in *UMG* received superior rights to CDs that were gratuitously given to him.

It is unclear whether the court’s holding would have changed if the consumer had requested or purchased the promotional CDs. However, it is more likely than not that the “three consideration test” approach would

153. *Id.* at 1115.
154. UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011).
155. *Id.* at 1180.
156. *Id.*
157. *Id.* at 1177–78.
158. *Id.* at 1180.
159. *Id.* at 1182 (Because the record here is devoid of any indication that the recipients agreed to a license, there is no evidence to support a conclusion that licenses were established under the terms of the promotional statement. Accordingly, we conclude that UMG’s transfer of possession to the recipients, without meaningful control or even knowledge of the status of the CDs after shipment, accomplished a transfer of title.”).
160. *Id.* at 1182–83.
161. *Id.* at 1183.
162. *Id.*
163. *Id.*
have been applied had the CD been requested rather than freely distrib-
ed.164

In the next case, *Capital Records, LLC v. ReDigi Inc.*, the District Court of the Southern District of New York held that the resale of digital music was an infringement of the content owner’s license agreement.165 ReDigi developed software that, once installed on the user’s computer, would search the user’s computer for music that could be uploaded to ReDigi’s cloud.166 After the software successfully uploaded the music to the cloud, the software would automatically delete the user’s copy from his computer; this is known as “forward-and-delete.”167 Thereafter, the user would only be able to stream the music from the cloud or make it available for sale on ReDigi’s marketplace.168

Even though the district court held that this process was considered a reproduction of an unlawful copy169 and, therefore, ReDigi was not afforded the defense of the first sale doctrine, the more interesting and troubling pronouncement by this court was its holding that only material items are afforded the first sale doctrine.170 This overly restrictive view of the first sale doctrine is extremely problematic and damaging to the fundamental copyright balance. Under the district court’s understanding of the first sale doctrine, any digital material a consumer purchases may never be resold, rented, lent, or gifted without violating the license agreement.171

The district court in *ReDigi* displays an inherent misunderstanding of the intended purpose of the first sale doctrine.172 This misunderstanding is problematic for two main reasons. First, as society embraces digital media, the ability to use the first sale doctrine to secure alienation of one’s personal library becomes impossible because personal libraries will progressively consist of more digital media.173 The court’s misunderstanding of the first sale doctrine creates a digitally centered approach for publishers, which creates an imbalance between the primary and secondary intent of Copyright.

164. *Id.*
166. *Id.* at 646.
167. *Id.*
168. *Id.*
169. *Id.* at 655.
170. “The first sale defense is limited to material items, like records, that the copyright owner put into the stream of commerce.” *Id.*
171. See *id.*
172. See generally *id.*
173. See *id.*
Secondly, it reinforces the idea that restrictive licenses are “king.” This becomes more problematic as publishers discover the fruitfulness of licensing digital as well as physical books. Physical book restrictions will become the equivalent of digital licensing agreements, thereby diminishing future conveyances of used books.

B. The Destruction of the First Sale Doctrine as Applied to Physical Works

John Wiley & Sons Inc. v. Kirtsaeng, is an important case that laid the groundwork for predicting the next generation of copyright conveyances. In Kirtsaeng, the Supreme Court undoubtedly strengthened the first sale doctrine by holding that certain copyrighted materials created abroad, in compliance with the United States’ copyright laws, will be given the protection of the first sale doctrine. However, it is the proposition of this comment that this newfound strength will drive publishers to seek creative ways to thwart the first sale doctrine.

Kirtsaeng, a Thai national studying in the United States, received numerous books from his home country of Thailand, which were required for his courses. These books were significantly cheaper than the nearly identical books sold in the United States. Kirtsaeng subsequently decided to sell these books for profit on eBay. Soon thereafter, the publisher, John Wiley & Son, brought a copyright infringement claim against Kirtsaeng for his importation of these international books.

Wiley claimed that Kirtsaeng’s importation was an infringement of its copyright. Specifically, Wiley asserted that Kirtsaeng infringed on its distribution rights under 17 U.S.C. § 106(3) and the importation ban codified under 17 U.S.C. § 602. It is § 602 that renders importing copyrighted material an infringement on the copyright holder’s right to control distribution under § 106. However, § 106 is subject to a number of exceptions and affirmative defenses to infringement; these are found in § 107 through

175. 133 S.Ct. 1351 (2013).
176. Id. at 1371.
177. Id.
178. Id.
180. See Kirtsaeng, 133 S.Ct. at 1352.
181. Id.
§ 122. The first sale doctrine, an affirmative defense to copyright infringement, is found in § 109 and applies to an owner’s right to distribute. Despite this seemingly simple application of the first sale doctrine, the Supreme Court had to further analyze the language of § 109, which stated 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.” Thus, the ultimate issue for the Court was whether the phrase “lawfully made under this title” meant that the copyrighted material had to be made within the United States or whether the copyrighted material, regardless of its origin, only needed to comply with the United States’ Copyright Act. In the end, the Supreme Court held that foreign books only need to comply with the United States’ Copyright Act to be afforded the protections and defenses codified thereto.

It is the opinion of this comment that, after *Kirtsaeng*, publishers will attempt to hedge their fiscal dysphoria caused by their inability to efficiently segment international book markets, by eschewing the first sale doctrine. Essentially, by holding that copyrighted content legally purchased outside of the United States is afforded the protections of the first sale doctrine, the Supreme Court greatly reduced publishers’ ability to profit by charging higher prices for books sold in the U.S. The first sale doctrine’s application will impact the profitability of publishing corporations. Old international market barriers that ensured cheaper international books stayed in the original country have been eradicated. This comment further

184. Vernor v. Autodesk, Inc., 621 F.3d 1102, 1107 (9th Cir. 2010) (“The exclusive distribution right is limited by the first sale doctrine, an affirmative defense to copyright infringement that allows owners of copies of copyrighted works to resell those copies.”).
186. § 109 (emphasis added).
188. *Id.*
189. *See id.*
190. Diepiriye A. Anga, *Intellectual Property Without Borders? The Effect of Copyright Exhaustion on Global Commerce*, 10 B.Y.U. INT’L L. & MGMT. REV. 53, 68 (2014) (“While the examination of individual countries often results in mere speculation of motives, the effect of the aforementioned intellectual property policies are more readily apparent on a global scale. Generally, in order to maximize their profit in each national market, intellectual property owners charge different prices for the same good based on consumers’ wealth. Due to cost differences, intellectual property right owners benefit from lower production costs in developing countries by setting up a subsidiary or by granting a license for its goods to be manufactured locally. Profits are made by exporting these goods back to the home country. For example, if a good costs $50 to make in the United States and is sold for $90 in the United States, the rights owner would much prefer to have it made in a developing country where it might only cost $30 to make and is sold for $80. If the rights owner sets up a subsidiary in that country and imports the goods back to the United States, the owner makes a greater profit.”).
asserts that publishers will attempt to minimize the adverse impact on their profitability by removing the application of the first sale doctrine.

Textbook rentals have become a fruitful market for retailers, and publishers have quickly joined the race to rent textbooks to students. Furthermore, considering the newly announced “pay-to-see” licensing structure developed by Aspen Publishing, the shift to exclusive textbook rental or leases has begun. Allowed to grow, this shift will make the first sale doctrine an antiquated notion. Though this may seem like a huge leap of logic and mere speculation, articulating how this shift is likely to grow in the coming years is critical in defending the very existence of the first sale doctrine.

If Congress undertakes an examination now, investigating alternatives to avoiding this anti-alienation movement before publishers become totally engrained in the rental/leasing business, it will be much easier to transition away from overly restrictive licenses of physical books. In order to find a workable solution to ameliorate the harsh results of licensing physical copyrighted material by way of rental—just to avoid the first sale doctrine—our copyright laws must fully embrace and then uphold the fragile balance between copyright owners’ rights and the betterment of society by the way of promoting knowledge.

III. THE LICENSE AGREEMENT FOR PHYSICAL BOOKS

With the waterfront covered, a guide for leasing books can be made. According to recent jurisprudence, in order to create an enforceable license for copyrighted content, including physical books, a publisher will first need to expressly state that the book transfer is a lease and is not a sale. Furthermore, the purchaser would need to agree with the terms and conditions of the book lease, which could be presented as a shrink-wrap agreement where the consumer can return the book for the full purchase price if the consumer decides they do not agree with the terms. This section of the license would avoid the pitfall found in UMG, where a lack of an agreement was used to evidence a lack of a license.

192. See BARRISTER BOOKS FAQ, supra note 12.
193. See id.
194. See McKenzie supra note 73 at 58.
195. See supra Section III. and accompanying text.
196. See UMG Recordings, Inc. v. Augusto, 628 F.3d 1175, 1183 (9th Cir. 2011).
197. See ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1452 (7th Cir. 1996).
198. See UMG Recordings, 628 F.3d at 1183.
Next, the agreement must restrict the reader’s ability to transfer the book. The stricter the inalienability clause, the more likely a license will be found. Lastly, the lease should include use-restrictions that are repugnant to rights normally found in book sales. For example, no highlighting, no copying for any reason—including those reasons that would be considered fair use under copyright laws, and no lending, renting, or subleasing. Together, these restrictions would most likely create a license under existing jurisprudence. And finally for good measure, to fully evidence the fact that the title of the book does not pass to the consumer, the book should either be returned after a stated period, or destroyed after the expiration date of the lease.

With the aforementioned guide, a publisher could create a physical book lease that would preclude the consumer from raising the first sale doctrine. If these types of leases become the norm, the intent of copyright would be destroyed. The impact would be devastating. Many important institutions, like libraries and secondary used markets would be eliminated. These types of leases would excessively disrupt the balance between the primary and secondary copyright beneficiaries.

IV. SOLUTIONS: MAINTAINING THE BALANCE

Scholars have already begun talking about the next great copyright act. And since it is expected to come to fruition within the next few years, now is the time to think about solutions to problems caused by rapidly evolving technology. Maintaining the balance between the rights of

200. Id.
201. See id; Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111 (9th Cir. 2010).
202. UMG Recordings, 628 F.3d at 1183.
203. This would further evidence the lack of ownership.
204. See ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1452 (7th Cir. 1996); UMG Recordings, Inc., 628 F.3d at 1183; Vernor, 621 F.3d 1102, 1111 (9th Cir. 2010).
205. This is the structure of current textbook rentals. See e.g. Textbook Rental, BARNES & NOBLE http://www.barnesandnoble.com/u/rent-textbooks-textbook-rental/379002518/ (last visited Nov. 9, 2014).
208. Id. at 323–24.
the copyright holder and the rights of society must be of the highest priority. 209 The first sale doctrine, which is deeply rooted in American copyright and necessary to maintain this balance, must continue to provide a counterweight to over-zealous copyright holders who attempt to extend their monopoly beyond its allowable scope. 210

A. Resolving the Licensing Problem

It is not the intention of this comment to infer that all licenses are bad or evil, and therefore, should be legislated into extinction. This comment presents a more narrow view, which is licenses that restrict alienability of freely purchased goods—whether physical or electronic, such as books, music, and movies should not be allowed. Such licenses extend the copyright owner’s monopoly beyond the primary intent of the Constitution and are detrimental to society. 211 Therefore, the first sale doctrine should apply to books, music, and movies, regardless of their format, and subsequent alienation should not be restricted. 212

1. Direct Congressional Legislation

One way to resolve this problem would be for Congress to act by directly legislating an expressed provision that disallows the licensing of analog books, music, and movies. This provision must also be broad enough to cover future technology. Nonetheless, this solution is not without its obvious flaws.

One such problem is that the copyright holder is essentially denied certain rights that a purchaser of the same material is granted. 213 These rights consist of the ability to rent and lease. 214 It could be argued that a copyright holder should have the right to distribute his copyrighted material in any way he sees fit. 215 However, this argument is inherently flawed, as this understanding was not the primary intent for giving the copyright holder a monopoly. 216 This argument is analogous to the argument that, as an owner of real property, “I should be allowed to do anything I want with my

209. Chiarizio, supra note 116 at 644.
210. See id.
212. See id.
213. Id. at 2001.
214. Id. at 2002.
215. Id. at 2002–03.
216. See Geist, supra note 21, at 66.
property.” This assumption of property rights is entirely inaccurate, just as the idea that a copyright holder should be allowed to do anything he wishes with his copyrighted material. It must be remembered that in exchange for a copyright holder’s monopoly right, society must also receive something in return.

It should be noted that copyright was not simply drafted into the Constitution to permit a copyright holder to withhold her creations from society. Rather, it was to encourage the artist to spend time cultivating her creativity so as to create a more learned society-at-large. And with this pronouncement, a copyright holder should not be allowed to default on this constitutionally created exchange. Therefore, in enacting the next copyright act, Congress must not only address the modern diluted view of the intent of copyright, it must also address how every law contained therein has been enacted to obtain the ends of creating a learned society.

2. No Demarcation Between Digital and Physical Copyrighted Material

The second solution would be to put digital media on the same legal footing as physical copyright. This will ensure that each sale of digital media is guaranteed the first sale doctrine defense. As with the enactment stated above, this too has its foreseeable issues. As recognized in the ReDigi case, there is a substantial problem contained within every conveyance of digital media. The problem is finding a way to convey digital media without creating a copy of the original digital file. However, this problem is not as extreme as it may sound. Under our current copyright


218. See id.


220. Id.

221. “The state copyright statutes generally recognized two interests promoted by copyright law: the personal property interest of authors and the public interest of the advancement of learning.” Dallon, supra note 54, at 418.

222. Id. at 418–19.

223. See e.g. Golan v. Holder, 132 S. Ct. 873, 888 (2012) (stating that dissemination adequately serves the constitutional aim of the copyright clause).

224. See Dallon supra note 54 at 403.

225. See generally Hess supra note 24.

226. See id.


228. Id.

229. Id.
law, 17 U.S.C. § 117 contains a defense to software infringement, which allows copying of copyright software if it is an “essential step” in utilizing the computer program.230 This defense—similar to the first sale doctrine—is afforded only to an owner of a legally acquired copy.231 Therefore, if digital media is characterized as owned by the purchaser instead of licensed, then this “essential step” defense could easily be expanded by Congress to include media.

If however, placing digital media completely on the same footing as physical copyrighted material is too progressive, there must at least be a narrower codification of a digital first sale doctrine that allows subsequent alienation of legally acquired copies.232 By creating such a defense to infringement, publishers would be precluded from circumventing the first sale doctrine in digital media sales.233 This digital first sale doctrine would, without any further legislation, help the Judiciary understand the legislative intent to disallow anti-alienation licenses. This doctrine would further bolster the resolve to disallow the same anti-alienation for physical copyrighted material.234

3. Maintaining a Congressionally Recognized Directive: Create Accord Among the International Copyright Community

Congress has a record of extending copyright holder protect under the guise of international accord.235 Specifically, the language of the Copyright Term Extension Act (hereinafter CTEA) was essentially founded upon the idea of aligning the U.S. with international copyright norms.236 Even in the face of great criticism,237 Congress has displayed strong determination in ensuring that U.S. Copyright laws maintain harmony with evolving international standards.238 This commitment is evidenced by many different congressional reports.239

Senator Hatch, in referring to the term extension of the 1976 Copyright Act, stated that international accord was one of the primary justifications for extending copyright terms. Specifically, he stated:

---

231. Id.
232. See Dallon supra note 54 at 445.
233. See id.
234. Id.
235. Id. at 438.
236. Id.
237. Id. at 440.
238. Dallon, supra note 54, at 439.
239. Id. at 438.
In adopting the life-plus-50 term, Congress cited three primary justifications for the change: (1) the need to conform the U.S. copyright term with the prevailing worldwide standard; (2) the insufficiency of the U.S. copyright term to provide a fair economic return for authors and their dependents; and, (3) the failure of the U.S. copyright term to keep pace with the substantially increased commercial life of copyrighted works resulting from the rapid growth in communications media.240

Sen. Hatch then used this same logic to advocate for an extension to the term limit, yet again, in the CTEA.241 Sen. Hatch stated that “[c]learly... America stands to lose a significant part of its international trading advantage if our copyright laws do not keep pace with emerging international standards.”242 Considering this passion to harmonize our copyright laws with the international community, it should be easy to import solutions from abroad. A recent European Court of Justice case may provide a blueprint for future digital media law in the U.S.

In 2012, the European Court of Justice (hereinafter ECJ), in UsedSoft v. Oracle, found that a perpetual software license was equivalent to a sale to which the first sale doctrine applied.243 The software at issue was a digital version, as it was downloaded from Oracle’s website and not affixed in any tangible form.244 Unlike the ReDigi case, the ECJ found no distinction between analog and digital goods when applying the first sale doctrine.245

Oracle allowed free software downloads from its website but charged for the license code, which the court found necessary and indivisible to the software as a whole.246 The reseller, UsedSoft, sold previously purchased license numbers to its customers.247 Customers simply downloaded the software from Oracle’s website and used the license number to register the software.248 To resolve this dispute, the court had to decide whether the purported license agreement was actually a license.249

In finding that this transaction was actually the sale of software, the court found the perpetual nature of the agreement to be a decisive factor.250 The use of the software was unlimited in time, and value was paid for this

241. Id.
242. Id.
244. Id. at ¶ 21.
245. Id. at ¶ 47.
246. Id. at ¶ 44.
247. Id. at ¶25.
248. Id. at ¶ 26.
249. Id. at ¶ 29.
250. Id. at ¶ 45.
The court held that this was technically a sale of software to which the first sale doctrine applied. The ECJ’s analysis recognized that if it upheld a perpetual license agreement, it would essentially render the first sale doctrine ineffective.

This model, if imported to the United States, would greatly reduce the ability to use licensing agreements to sidestep the first sale doctrine in both analog and digital works. It would also ameliorate the uneasy development of licensing physical copyrighted content to further circumvent the first sale doctrine. Moreover, it would harmonize international markets, which is a major congressional concern.

Furthermore, this development in Europe creates conflicting international law that makes international digital trade more difficult. In the words of Rep. Hatch, we need to “keep pace with emerging international standards.” However, the real question is whether Congress will recognize an international standard that reduces the stronghold copyright holders currently enjoy.

V. CONCLUSION

Whether Congress enacts legislation that provides digital media identical rights to those found in the physical copyright world, expressly disallows licensing models for analog books, or creates legal harmony with our European counterparts, the issues raised herein must be addressed. The current imbalance in our copyright law will only continue to injure society—copyright’s primary beneficiary. Copyright law evolves rapidly, leaving many courts and legislators behind. However, as scholars, students, and practitioners articulate the inherent problems within our copyright system, the hope is that our voices are heard. It is with this understanding that I have produced this comment.

The rapid advancement of the digital world should be embraced for what it can bring to our society in terms of education, not feared for its ability to foster unlawful acts. Erosion of the first sale doctrine must not be allowed to occur based upon these fears. Avoidance of the first sale doctrine is a growing trend in the U.S. It is my hope that by engaging in a more thorough examination of the first sale doctrine—its origin, usefulness, and primary beneficiaries— we will not allow copyright holders to preclude its use by using restrictive licensing agreements.

251. Id.
252. Id. at ¶88.
253. Id. at ¶ 83.
254. See supra Part IV. Sec. iii.