

First sale and Contract

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Context

- **Two themes**
 - **Rights protectors vs Rights Restrictors**
 - **New technologies alter and weaken ability of traditional incentives to function**
 - **Innovation stifled by expanding or retained rights**



Theft/ gift/ contract

- **Market Choice**
- **First sale as one option**
- **Differing industry choices**
- **Not whether but how**



Rights of person holding a copy

- Transfers of copy ownership creates some privileges
 - (a) ... the owner ,, is entitled ... to sell or otherwise dispose of the possession of that copy....
 - (c) ... owner of a particular copy ... is entitled to display that copy publicly ... to viewers present at the place where the copy is located.
- (d) The privileges in (a) and (c) do not... extend to any person who has acquired possession of the copy from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.
- Similar, but somewhat broader coverage for an owner of a copy of computer program



Contract Role

- What is the relationship between copyright and contract
 - Contract controls whether the transferee becomes an owner and put contractual restraints on what the transferee can do
- What terms or conditions result in a conclusion that the transferee is not an owner?
 - Debate about effect of licenses in mass market and those involving perpetual possession and use
- General enforceability clear



Vernor v Autodesk, 2010 WL 3516435 (9th Cir 2010)

- Online reseller of “used” Autodesk software
- Defense – owner of copy based on perpetual term and single pay
- Court: “We hold today that a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.”



- Autodesk retained title to the software and imposed significant transfer restrictions: it stated that the license is nontransferable, the software could not be transferred or leased without Autodesk's written consent, and the software could not be transferred outside the Western Hemisphere. The SLA also imposed use restrictions against the use of the software outside the Western Hemisphere and against modifying, translating, or reverse-engineering the software, removing any proprietary marks from the software or documentation, or defeating any copy protection device. Furthermore, the SLA provided for termination of the license upon the licensee's unauthorized copying or failure to comply with other license restrictions.



DSC Commc'ns Corp. v. Pulse Commc'ns, Inc., 170 F.3d 1354, 1360 (Fed.Cir.1999)



Commercial app.

- Creates direct control of distribution channel in law.
- Copyright claim survives despite transfers to good faith buyer
- E.g., Adobe transfers copies of its software to distributors under a license that limits their right to resell. One such transfer is “for educational purposes only”. Transferee pays a lower price for these, but then transfers them for unlimited purposes to a retailer. Retailer sells at a higher price with no restrictions.



Thanks



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