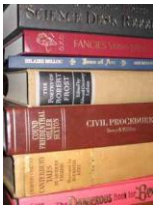
DuetsBlog
COLLABORATIONS IN CREATIVITY & THE LAW
www.DuetsBlog.com

A Winthrop & Weinstine blog dedicated to bridging the gap between legal & marketing types.

License With Care

Posted on January 21, 2011 by Dan Kelly



The Ninth Circuit Court of Appeals has recently issued a pair of opinions fleshing out a principle in copyright law known as the "first sale doctrine." The principle traces its roots to the 1908 Supreme Court opinion of *Bobbs-Merrill Co. v. Straus*. It is currently enshrined in statute and provides in basic part, "the owner of a particular copy or phonorecord . . . 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." 17 U.S.C. 109(a). The first sale doctrine is well settled in many circumstances, such as with books. When you buy a book, you are free to do whatever you want with the particular copy you purchased. Read it, burn it, lend it, make paper airplanes out of it, and, significantly, resell it--even for more than you paid for it. You own your copies of your books free and clear.

While operation of the first sale doctrine is clear when it comes to traditional books, these recent Ninth Circuit cases establish that the doctrine is still a bit murky when it comes to such relatively longstanding media as software and music. The first sale doctrine does not apply to *licensed* copies of particular works (as opposed to *owned* copies), and copies of both software and musical works are often licensed rather than sold. This is important. If a copyright owner has properly licensed copies of its works, it will likely be able to control downstream transactions involving the copies. If it has instead sold copies of its works, it will not be able to control downstream transactions involving the copies.

In *Vernor v. Autodesk*, the Ninth Circuit held, "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." Great. Another multi-part balancing test. The first element is easy enough (although already litigated somewhat in *Vernor's* companion case, *UMG Recordings v. Augusto*). The second and third elements seem to be legal employment security provisions; it will take many cases to establish what "significant" transfer restrictions and "notable use restrictions" actually are and are not.

Until these elements of licensing are litigated to death, copyright owners would be well advised to revisit current licensing practices to make sure that licenses will work as intended in the Ninth Circuit under *Vernor* and *UMG Recordings*.

WINTHROP WEINSTINE
Attorneys and Counselors at Law
Capella Tower | Suite 3500 | 225 South Sixth Street | Minneapolis, MN 55402
Main: (612) 604-6400 | Fax: (612) 604-6800 | www.winthrop.com | *A Professional Association*

In the meantime, some trivia: The "Straus" in *Bobbs-Merrill Co. v. Straus* referred to Isidor and Nathan Straus. Can you name the still-existing company name under which they were doing business in 1908?

Answer: "Isidor Straus and Nathan Straus, Copartners, Doing Business under the Firm Name and Style of R. H. Macy & Company"