

1 Supreme Court has held that copyright owners have no right to use restrictive licensing terms
2 to prohibit downstream sales of their works. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339
3 (1908). Moreover, Congress has since amended the Copyright Act to expressly guarantee the
4 right to resell lawfully purchased software. 17 U.S.C. § 109.

5 Autodesk argues that it can bypass these fundamental limits of copyright law by
6 packaging with its software a piece of paper that purports to be a “license agreement.” This
7 expediency, according to Autodesk, converts any subsequent resale of the software—or even
8 the act of giving away the software—into copyright infringement that could subject the seller
9 to statutory damages of up to \$150,000 per copy and criminal penalties under the Copyright
10 Act. 17 U.S.C. §§ 504, 506(a)(1). Autodesk, however, cannot alter the scope of its federal
11 rights by recharacterizing the nature of its software sales. Moreover, even if its license
12 agreements could bind an initial purchaser of the software, it could not bind Vernor, who
13 buys only used copies of the software at garage and office sales and has never agreed to
14 Autodesk’s terms. Contrary to Autodesk’s assertions, license agreements do not “run with”
15 products to bind subsequent purchasers who have never agreed to them. Finally, Autodesk
16 has no right to invoke the DMCA—an extraordinary extra-judicial remedy designed to give
17 copyright owners protection against online distribution of pirated works—to enforce ordinary
18 contractual terms. For these reasons, Autodesk’s motion should be denied.

19 BACKGROUND

20 Vernor makes the bulk of his income by buying used items at garage sales, office
21 sales, and flea markets and reselling them on eBay. First Amend. Compl. (“FAC”) ¶ 16.
22 During the eight years he has operated an eBay-based store, Vernor has built a reputation as
23 a reliable seller, completing more than 10,000 transactions and accumulating a positive
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1 feedback rating of 99.4 percent. *Id.* The events giving rise to this case began in May 2005,
2 when Vernor purchased an authentic, used copy of Autodesk’s AutoCAD Release 14
3 software (a software package used by architects and engineers for design and drafting) at a
4 garage sale and posted it for sale on eBay. *Id.* ¶ 17. When Autodesk discovered Vernor’s
5 eBay auction, it sent, without warning, a notice of claimed infringement to eBay under the
6 DMCA, claiming that Vernor’s listing infringed its copyright. *Id.* ¶ 18.

8 To take advantage of the DMCA’s safe harbor against claims of secondary liability
9 for copyright infringement, 17 U.S.C. § 512, eBay regularly complies with such notices of
10 claimed infringement. FAC ¶¶ 5-6; *see Dudnikov v. Chalk & Vermilion Fine Arts*, No. 06-
11 1458, --- F.3d ---, 2008 WL 217724, at *2 (10th Cir. Jan. 28, 2008); *Hendrickson v. eBay,*
12 *Inc.*, 165 F. Supp. 2d 1082, 1085 (C.D. Cal. 2001). Section 512 of the DMCA shields
13 Internet Service Providers (“ISPs”) such as eBay from liability for infringing materials
14 posted by their users if they act “expeditiously” to remove allegedly infringing content upon
15 receiving a notice of claimed infringement from a copyright owner, and if they have a policy
16 providing for termination of the accounts of repeat infringers. FAC ¶ 6; *see* 17 U.S.C.
17 § 512(c)(1)(C), (i)(1)(A). When eBay receives a notice of claimed infringement stating that a
18 copyright owner has a good-faith belief that a particular auction on eBay’s system infringes
19 its copyright, eBay automatically terminates the auction without any investigation into the
20 validity of the claim. FAC ¶ 7; *see Dudnikov*, 2008 WL 217724, at *2. If the targeted eBay
21 seller has a record of previous unresolved terminations, eBay also suspends the seller’s
22 account. FAC ¶ 7; *Dudnikov*, 2008 WL 217724, at *2.

25 As Autodesk intended, its notice of claimed infringement caused the automatic
26 termination of Vernor’s auction. FAC ¶¶ 9, 18-19. Believing that the software was authentic

1 and that Autodesk must have made a mistake, Vernor called Autodesk’s counsel Andrew
2 MacKay to complain. *Id.* ¶ 20. Vernor told MacKay that he was selling an authentic, used
3 copy of the software and that he had never agreed to Autodesk’s licensing terms. *Id.* MacKay
4 nevertheless refused to withdraw the notice of claimed infringement, telling Vernor that
5 Autodesk does not allow any resale of its software on eBay or otherwise. *Id.* In a letter that
6 followed, MacKay told Vernor that AutoCAD software is “licensed, not sold” and that
7 AutoCAD licenses are “‘nontransferable,’ meaning that they cannot be sold or transferred by
8 any other means.” *Id.* ¶ 21. MacKay’s letter asserted that a violation of Autodesk’s licensing
9 agreements constituted copyright infringement. *Id.* ¶ 21.
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11 Vernor then submitted a counter notice to eBay contesting the validity of Autodesk’s
12 copyright claim. *Id.* ¶ 22. Under the DMCA, a subscriber who is targeted by a notice of
13 claimed infringement can contest the notice with the ISP by submitting a counter notice
14 stating that the subscriber has a good faith belief that the material was removed as a result of
15 mistake or misidentification of infringing material. *Id.* ¶ 8; 17 U.S.C. § 512(g)(3). The ISP
16 will continue to enjoy a safe harbor from liability if it notifies the party who filed the notice
17 of claimed infringement that it will reinstate the removed material in ten business days unless
18 it receives notice that there is a pending legal action to restrain the subscriber from
19 continuing to post the allegedly infringing content. FAC ¶ 8; 17 U.S.C. § 512(g)(2). When
20 Autodesk did not respond to Vernor’s counternotice within the required period, eBay
21 reinstated the auction and Vernor sold the software to another eBay user. FAC ¶ 22.
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24 In April 2007, Vernor acquired four more copies of AutoCAD Release 14 at an office
25 sale at Cardwell/Thomas & Associates, an architectural firm in Seattle. *Id.* ¶ 23. Soon after
26 the purchase, Vernor put a copy up for sale on eBay. *Id.* ¶ 24. In response, Autodesk filed

1 another notice of claimed infringement. *Id.* Vernor then submitted a second counter notice,
2 and, when Autodesk failed to respond, the listing was again reinstated. *Id.* This pattern was
3 repeated for the next two copies of the software. *Id.* As to each, Autodesk filed a notice of
4 claimed infringement and Vernor filed a counter notice. *Id.* When Vernor listed his final
5 copy in June 2007, Autodesk filed yet another notice of claimed infringement, and this time
6 eBay suspended Vernor’s account for repeat infringement. *Id.* ¶ 25.

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8 While his account was suspended, Vernor filed a final counter notice and sent a letter
9 to Autodesk and MacKay contesting their interference with his business. *Id.* ¶ 25-26. Vernor
10 told Autodesk that he was selling an authentic copy of AutoCAD and was entitled to resell it
11 under 17 U.S.C. § 109. *Id.* ¶ 26. Vernor also wrote that he had never installed the software or
12 agreed to any license agreement, and demanded that Autodesk contact eBay to withdraw its
13 notices of claimed infringement. *Id.* MacKay responded by letter, writing: “Please refrain
14 from any further attempts at the unauthorized sale of Autodesk software. If you do not, then I
15 will have no choice but to advise my client to take further action regarding this matter.” *Id.* ¶
16 27. When Autodesk again failed to respond to Vernor’s counter notice, eBay reinstated
17 Vernor’s eBay account on July 5, 2007. *Id.* ¶ 28. Vernor was unable to earn any income on
18 eBay while his account was suspended between June 5, 2007, and July 5, 2007. *Id.*

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20 Vernor then filed suit in this Court, seeking a declaratory judgment that the resale of
21 authentic, used copies of Autodesk software does not infringe Autodesk’s copyright and
22 injunctive relief against further interference with his business.

23 ARGUMENT

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25 Although Autodesk primarily relies on copyright infringement as a basis for
26 interfering with Vernor’s eBay sales, its brief at various points makes use of doctrines from

1 both copyright and contract law. Only by improperly merging these concepts can Autodesk
2 claim, on the one hand, that a purchaser’s consent to the terms of a license agreement
3 overrides the Copyright Act’s explicit grant of the right to resell copyrighted works, and, on
4 the other, that this rule applies even to those who have *not* consented to the terms of the
5 agreement. Regardless of how Autodesk characterizes its claims, however, it has no right to
6 cancel Vernor’s sale of authentic, lawfully purchased software.
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8 **I. Resale of Lawfully Obtained Copies of Autodesk’s Software Is Not Copyright
9 Infringement.**

10 Autodesk does not claim that Vernor made unauthorized copies of its AutoCAD
11 software. The only right that Autodesk claims Vernor violated is its right to “distribute” its
12 software under § 106(3) of the Copyright Act, 17 U.S.C. § 106(3). Mot. at 13. More
13 specifically, Autodesk asserts that Vernor infringed its “right to control the downstream
14 distribution of its copyrighted work.” *Id.* However, as the Supreme Court has held, and as the
15 plain language of the Copyright Act dictates, copyright law does not grant copyright owners
16 the right to control downstream distribution. Moreover, the use of a “license agreement”
17 cannot create liability for copyright infringement based on activities that do not violate the
18 Copyright Act. At most, such an agreement can give rise to a claim for breach of contract.
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20 **A. Autodesk’s Claim of a Right to Control “Downstream Distribution” Runs
21 Headlong Into *Bobbs-Merrill* and the First-Sale Doctrine.**

22 Autodesk’s core argument—that it can limit the scope of a purchaser’s distribution of
23 its software by granting only a limited license in that software—was considered and rejected
24 by the Supreme Court in *Bobbs-Merrill Co. v. Straus*. 210 U.S. 339. In *Bobbs-Merrill*, a
25 book publisher attempted to prop up the prices of its novels by limiting the price at which
26 they could be resold. *Id.* at 341. The publisher tried to accomplish that objective by printing a

1 statement below the copyright notice that purported to limit the extent of the license granted,
2 stating: “The price of this book at retail is \$1 net. No dealer is licensed to sell it at a less
3 price, and a sale at a less price will be treated as an infringement of the copyright.” *Id.*

4 Admitting that it knew about the printed statement, Macy’s department store
5 purchased the books from a wholesaler and sold them at retail for 89 cents per copy. *Id.* at
6 342. The publisher then sued for copyright infringement, arguing that Macy’s had exceeded
7 the scope of its granted license. *Id.* at 341-42. The publisher argued that the copyright
8 statute’s grant of the exclusive right to “vend” copyrighted works “vested the whole field of
9 the right of exclusive sale in the copyright owner; that he can part with it to another to the
10 extent that he sees fit, and may withhold to himself, by proper reservations, so much of the
11 right as he pleases.” *Id.* at 349. In other words, the publisher took the position that, because
12 the copyright statute granted it the right to “vend” its books, it necessarily had the right to
13 limit the grant of a license to prohibit or restrict the right of downstream purchasers to vend
14 them.
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17 The Supreme Court disagreed. The Court held that the right to “vend” under the
18 copyright statute granted the right to sell each copy of a copyrighted work *one time*. It did
19 not, however, “create the right to impose, by notice . . . a limitation at which the book shall
20 be sold at retail by future purchasers, with whom there is no privity of contract.” *Id.* at 350.
21 The Court held that Congress did not intend to include in the right to “vend” the “the
22 authority to control all future retail sales.” *Id.* at 351. This rule, called the first-sale doctrine,
23 was strengthened in 1976 when Congress granted an affirmative right to resell lawfully
24 purchased copyrighted works. 17 U.S.C. § 109(a). Today, more than a century of Supreme
25 Court and lower court precedents have recognized the first-sale doctrine. *See Quality King*
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1 *Distribs. v. L'anza Rsch. Int'l, Inc.*, 523 U.S. 135 (1998).¹

2 Although acknowledging the existence of the doctrine, Autodesk attempts to avoid its
3 implication here by arguing that its grant of a limited “license” to use its software is not the
4 same as a “sale,” and that, where there is no sale, there is no first-sale doctrine. Mot. at 10.
5 The situation in *Bobbs-Merrill*, however, was no different. The publisher there purported to
6 grant a license that excluded certain kinds of resale (“[n]o dealer is licensed to sell it at a less
7 price, and a sale at a less price will be treated as an infringement of the copyright”) just as
8 Autodesk purports to here (“Autodesk . . . grants you a nonexclusive, nontransferable license
9 to use the enclosed program . . .”). LaHaie Decl. Exh. A. In *Bobbs-Merrill*, the Court
10 rejected this attempt at creating a limited license, holding that “a copyright owner cannot,
11 with a printed statement, qualify the title of a future purchaser” by reserving certain rights.
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13 *Id.* at 351.

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15 That is not to say that a copyright owner can never limit the scope of a copyright with
16 a license agreement. A copyright owner may, for example, grant a limited license to make a
17 certain number of copies, and, in that case, exceeding the number of authorized copies could
18 give rise to a claim for infringement. *Bobbs-Merrill* acknowledged this distinction, noting
19 that an owner’s copyright in a work allows it to prohibit a purchaser from making
20 unauthorized *copies*, but not to prohibit resale of the *original copy*. 210 U.S. at 350-51. For
21 this reason, as Autodesk notes, a number of courts have held that making more copies than
22 allowed by a license agreement constitutes copyright infringement. *See, e.g., Wall Data Inc.*

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26 ¹ The current version of the Copyright Act replaces the right to “vend” with the right to “distribute.” 17
U.S.C. § 109(a). “Like the exclusive right to ‘vend’ that was construed in *Bobbs-Merrill*, the exclusive right to
distribute is a limited right.” *Quality King Distribs.*, 523 U.S. at 144.

1 v. *L.A. County Sheriff's Dep't*, 447 F.3d 769, 774-75 (9th Cir. 2006); *S.O.S., Inc. v. Payday,*
2 *Inc.*, 886 F.2d 1081, 1085 n.3 (9th Cir. 1989). But the difference between those cases and
3 this one is that a copyright owner generally has a right to prohibit production of unauthorized
4 copies, and thus has the right also to dictate the number of copies that can be made. As
5 *Bobbs-Merrill* made clear, however, the copyright owner has *no* right to prohibit downstream
6 sales, and thus has no right under the copyright law to set limits on the resale right.²
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8 Two examples are useful to illustrate this distinction. First, a software company could
9 create a license agreement that allowed purchasers to make up to five copies of its software.
10 In that case, if the purchaser instead made six copies of the software, the owner's copyright
11 would be implicated. Because the owner of the copyright in the software has the right under
12 § 106 to deny the right to make *any* copies, it follows that it also has authority to give up a
13 portion of this right to allow a limited number of copies to be made. This was the situation in
14 *Wall Data*, 447 F.3d 769. There, the court found infringement for exceeding the scope of a
15 software license because, although the license authorized 3,663 copies, the software was
16 installed on 6,007 computers. *Id.* at 774-75. In contrast, a software company could include in
17 its license agreement a prohibition against starting a competing company. If the licensee then
18 opened such a company, the copyright owner—assuming the purchaser gave valid consent
19 and the contract was not void as a restraint on trade or copyright misuse—could sue for
20 breach of contract. It could not, however, also sue for copyright infringement. The reason is
21 that copyright law gives the software company no right to prohibit competition, and
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25 ² The same concept has long been recognized in patent law. “[I]n the essential nature of things, when
26 the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he
receives the consideration for its use and he parts with the right to restrict that use.” *Adams v. Burke*, 84 U.S.
(17 Wall) 453, 456 (1873).

1 therefore, the company owns no rights to grant in a license agreement. Regardless of what
2 the license says, opening a software company is not copyright infringement.

3 This second example is like the situation in *National Car Rental*, where a license
4 agreement limited the ways in which the purchaser could *use* the software. 991 F.2d 426. The
5 court held that, because the Copyright Act does not grant an exclusive right to the copyright
6 owner to “use” a copyrighted work, the restrictions in the license agreement fell outside the
7 copyright owner’s exclusive rights. *Id.* at 430-31. The court distinguished cases holding that
8 exceeding the terms of a license agreement is copyright infringement, noting that, in those
9 cases, “the conduct claimed as infringing involved one of the exclusive copyright rights,”
10 such as making copies or broadcasting a copyrighted work on television. *Id.* at 431-32. Thus,
11 “[r]ather than stating a rule that any use exceeding the license is infringing, these cases
12 establish that engaging in one of the acts reserved to the copyright holder under § 106,
13 without a license to do so, is infringing.” *Id.* at 432; *see also Altera Corp. v. Clear Logic,*
14 *Inc.*, 424 F.3d 1079, 1089-90 (9th Cir. 2005) (adopting the reasoning of *National Car Rental*
15 and holding that unauthorized use is not within the rights protected by copyright).

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18 *National Car Rental* also held that allegations that the licensed software had been
19 *leased* in violation of the agreement did not state a claim for copyright infringement. *Id.* at
20 430. As the court noted, the right to lease, as part of the right to distribute, covers only the
21 right to distribute *copies*. *Id.* Thus, allegations of a lease of the *original* copy, even if
22 prohibited by the license agreement, did not state a claim for copyright infringement. *Id.* at
23 430-31. *National Car Rental* presents essentially the same issue as this case. Just as
24 *National’s* lease in violation of a license agreement was not infringement, Vernor’s sale in
25 violation of an Autodesk’s license agreement was not either. The legislative history of
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1 § 109(a), the statutory first-sale provision, recognizes this point, noting that, even if parties
2 could agree to limit resale by contract, that agreement “could not be enforced by an action
3 for infringement of copyright.” H.R. Rep. No. 94-1476, at 62 (1976), reprinted in 1976
4 U.S.C.C.A.N. 5659, 5693; *see also United States v. Wise*, 550 F.2d 1180, 1187 n.10 (9th Cir.
5 1977) (“If a vendee breaches an agreement not to sell the copy, he may be liable for the
6 breach but he is not guilty of infringement.”).

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8 This distinction is also consistent with the usual meaning of the word “license.”
9 Although the Copyright Act does not define the term, Black’s Law Dictionary defines it as a
10 “revocable permission to commit some act that would *otherwise be unlawful*.” Black’s Law
11 Dictionary (7th ed. 1999) (emphasis added). Making copies of a copyrighted work, unless
12 fair use or another exception applies, is typically unlawful, so a purchaser needs a license or
13 other permission to make them. However, a purchaser needs no authorization to take
14 advantage of the statutory right of fair use of a copyrighted work (for example, using
15 excerpts from a copyrighted work for educational purposes or writing a negative review), 17
16 U.S.C. § 107, and courts have held that a copyright owner could not convert fair use into
17 copyright infringement by withholding permission to use a work in those ways. *See*
18 *Davidson & Assocs. v. Jung*, 422 F.3d 630, 639 (8th Cir. 2005) (holding that parties could
19 contract away fair use rights, but that such a contract would fall outside the scope of
20 copyright); *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003) (same).
21 Similarly, a copyright owner could not, in a license agreement, specify that copying its
22 software after the term of its copyright had expired or copying uncopyrightable facts would
23 constitute infringement. And, because Vernor’s act of selling an authentic copy of AutoCAD
24 is also not unlawful, he needs no license or permission to do it.
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1 **B. Autodesk’s Argument Is Foreclosed by the Plain Language of the**
2 **Copyright Act.**

3 Autodesk bases its claim of a right to control downstream distribution of its software
4 on the statutory language in § 109 of the Copyright Act, which grants a right to the “owner of
5 a particular copy” of a copyrighted work to resell that work without permission. 17 U.S.C.
6 § 109(a). Seizing on the word “owner,” Autodesk argues that since its software is “licensed”
7 rather than sold, purchasers are not “owners” of the software and therefore the § 109 rights
8 do not apply. Mot. at 10. The statutory right of resale granted by § 109, however, does not
9 overrule *Bobbs-Merrill*’s recognition of the inherent limits on the distribution right as set
10 forth in § 106(3). The statutory resale right in § 109 applies “[n]otwithstanding the
11 provisions of section 106(3);” it does not expand the right of distribution to encompass
12 restrictions on downstream sales. *See Quality King*, 523 U.S. at 152 (“There is no reason to
13 assume that Congress intended either §109(a) or the earlier codifications of the doctrine to
14 limit its broad scope”).³

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16 In any case, the statutory language cited by Autodesk, far from creating a right to
17 control downstream distribution, actually mandates the *opposite* result here. Autodesk
18 focuses on the word “owner” in § 109 in isolation, apparently believing that this word was
19 meant to limit the right of resale to those who possess full ownership rights in a copyrighted
20 work, including the right to resell that work. But the statute does not say “the owner of the
21 right to resell,” it says “the owner of a *particular copy*.” 17 U.S.C. § 109(a). A “copy,” as
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25 ³ Autodesk may attempt to distinguish *Bobbs-Merrill* on the ground that it did not require the
26 agreement of the original purchaser, while its license here states that the purchaser agrees to be bound by the
license agreement “by opening the sealed software packet.” Mot. Exh. A. That argument, however, is relevant
to breach of contract, not to copyright infringement. *See Quality King*, 523 U.S. at 143 (noting that *Bobbs-*
Merrill recognized “the critical distinction between statutory rights and contract rights”).

1 defined by the Copyright Act, is a “material object . . . in which a work is fixed.” *Id.* § 101.

2 The “particular copy” of a book, for example, is the paper and binding that make up that
3 copy of that book, along with the printed words inside. The purchaser of a book becomes the
4 owner of that material copy, and thus has the right to read it, sell it, or destroy it without
5 permission of the copyright owner. *See Krause v. Titleserv, Inc.*, 402 F.3d 119, 122 (2d Cir.
6 2005); John A. Rothchild, *The Incredible Shrinking First Sale Rule*, 57 Rutgers L. Rev. 1,
7 48-49 (Fall 2004). However, the purchaser does not become owner of the *copyright* in that
8 book, and thus has no right to make additional copies of the book (at least if those copies do
9 not constitute fair use). *See* 17 U.S.C. § 202 (“Ownership of a copyright, or of any of the
10 exclusive rights under a copyright, is distinct from ownership of any material object in which
11 the work is embodied.”); *Krause*, 402 F.3d at 122; *see* Rothchild, *supra*, at 48-49.

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13 The Copyright Act makes clear that there is no difference between a book and
14 software in this regard, providing that a “copy” includes fixation of a work not only by
15 printing on paper, but “by any method now known or later developed,” and regardless of
16 whether the purchaser can read the copyrighted material “directly or with the aid of a
17 machine or device” such as a computer. 17 U.S.C. § 101. Thus, when Vernor purchased a
18 copy of AutoCAD at a garage sale, he became the owner of that “particular copy” of the
19 software, including the compact disc on which the data is stored and the magnetic bits that
20 make up that data. Like the owner of a book, Vernor’s ownership of the particular copy gave
21 him the right to use it, sell it, or destroy it. Like the owner of the book, however, he does not
22 own the copyright in the software, so he cannot make unauthorized copies unless a different
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1 statutory exception applies.⁴

2 Autodesk would have the Court rewrite the statute's "owner of a particular copy"
3 language to mean, in essence, "owner of full rights in a particular copy." Under Autodesk's
4 interpretation, the right to sell without permission would thus apply only to those who
5 already have obtained permission to resell, either through an unrestricted sale or a license
6 agreement's grant of permission. That definition of "owner," however, would reduce the
7 important federal right granted by § 109 to a tautology. Congress could not have intended
8 § 109 to mean that the owners of particular copies may resell those copies only if they
9 already have the right to resell them. Moreover, Autodesk's reading of § 109 flies in the face
10 of the statute's provision that software may be resold "without the permission of the
11 copyright owner." 17 U.S.C. § 109(a). Because purchasers are not, in Autodesk's view,
12 "owners," a purchaser of software pursuant to a license agreement would have no right to
13 resell the software unless the right to do so was affirmatively granted by the copyright owner.
14 Therefore, a license that was silent on the subject of resale would prohibit it by default, and a
15 purchaser could resell the software only by obtaining explicit permission from the copyright
16 owner in the license agreement. The right granted by § 109 would not be a right at all, but
17 merely the whim of the copyright owner.
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23 ⁴ The court in *Adobe Sys. Inc. v. Stargate Software Inc.* erred by, among other things, misapplying this
24 distinction between a copyright and a particular copy. 216 F. Supp. 2d 1051, 1060 (N.D. Cal. 2002). The court
25 thought that the "particular copy" at issue was just the software's packaging and blank media, which the court
26 characterized as "almost worthless." *Id.* "The true economic value of the product," the court wrote, "is derived
from the intellectual property embodied within it." *Id.* *Stargate Software*, however, was wrong to hold that the
relevant "particular copy" for purposes of § 109 is only the blank media on which the copyrighted work is
transcribed. If it were, the particular copy of a book would be a cover and blank pages, and a particular copy of
a movie would be a blank roll of film. The § 109 right would be meaningless.

1 **C. Autodesk Cannot Change the Nature of a Transaction By Characterizing**
2 **It As a “License.”**

3 Even assuming that that Autodesk is correct that a “license” can create copyright
4 liability where there otherwise would be none, a purchaser would not be liable for copyright
5 infringement if the purported “license” was in fact a sale. As Autodesk seems to
6 acknowledge, its characterization of its agreement as a license is just that—a
7 characterization. Mot. at 2. When dealing with federal rights, however, merely labeling a sale
8 as a “license” cannot change the nature of the underlying transaction. *In re DAK Industries,*
9 *Inc.*, 66 F.3d 1091, 1095 n.2 (9th Cir. 1995) (“[T]he fact that the agreement labels itself a
10 license does not control [the] analysis.”). Courts look beyond labels to “the economic
11 realities of the agreement.” *Id.* at 1096; *see also U.S. v. Atherton*, 561 F.2d 747, 750 (9th Cir.
12 1997) (“The ‘sale’ embodied in the first sale concept is a term of art. The sale is not limited
13 to voluntary sales of a copyrighted work for a sale price that takes into account both the
14 value of the materials upon which the copyrightable idea is affixed together with the idea
15 itself.”); *Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1389 (C.D.
16 Cal., 1993) (noting that courts use a “functional” approach to determining whether a sale has
17 occurred).

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19 Courts have rejected similar efforts to redefine the nature of a transaction merely by
20 attaching an inaccurate label. In *Softman Prods. Co. v. Adobe Systems, Inc.*, for example, the
21 defendant had purchased a packaged set of Adobe software, divided the set, and resold the
22 individual software titles in violation of a “license agreement” specifying that the software
23 must be resold together. 171 F. Supp. 2d at 1087-88. The court nevertheless refused to accept
24 Adobe’s characterization of the transaction as a “license,” noting that it more closely
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1 resembled a typical retail transaction. *Id.*; see also *Krause*, 402 F.3d at 124 (holding that
2 formal title in a software copy is not a prerequisite for ownership under the Copyright Act);
3 *Step-Saver Data Systems, Inc. v. Wyse Technology*, 939 F.2d 91 (3d Cir. 1991); *Novell v.*
4 *Network Trade Center*, 25 F. Supp. 2d 1218 (D. Utah 1997); *Arizona Retail Sys., Inc. v.*
5 *Software Link, Inc.*, 831 F. Supp. 759 (D. Ariz. 1993); *Sagent Tech., Inc. v. Micros Sys., Inc.*,
6 276 F. Supp. 2d 464 (D. Md. 2003).

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8 Similarly, the Supreme Court has rejected the attempts of patent owners to expand
9 their rights by characterizing a “sale” as a “license.” In *Bauer & Cie. v. O’Donnell*, a patent
10 owner sold a patented product with the notice: “This [package] is licensed by us for sale and
11 use at a price not less than one dollar (\$1). Any sale in violation of this condition, or use
12 when so sold, will constitute an infringement of our patent. . . . A purchase is an acceptance
13 of this condition.” 229 U.S. 1, 8 (1913). The Court refused to accept the notice’s
14 characterization, noting that the product was purchased for a one-time price and that the
15 patent owner was entitled to no royalties or any other profit from subsequent use or sale of
16 the product. *Id.* at 16. The Court concluded: “[T]o call the sale a license to use is a mere play
17 upon words.” *Id.*⁵

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19 Like the software contract at issue in *Softman*, the “license agreement” here creates a
20 sale, not a lease. Other than the purported restriction on resale rights, the relevant transaction
21 bears all the hallmarks of a sale. AutoCAD software is sold in sealed boxes with the license
22 agreement inside and no indication on the outside of the box that the software is not for sale.
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25 ⁵ In contrast, the court in *MAI Systems Corp. v. Peak Computer, Inc.* characterized as a license a strict
26 contractual arrangement that allowed only three employees permission to access the software, which was
installed and maintained on clients’ computers by the copyright owner. 991 F.2d 511, 517 (9th Cir. 1993); see
Storage Tech. Corp. v. Custom Hardware Eng’g & Consult., Inc., 421 F.3d 1307, 1317 (Fed. Cir. 2005) (noting

1 FAC ¶ 10. The software can be purchased in a variety of stores, including online stores. The
2 listing for the software on the website for computer-maker Dell, for example, advertises
3 AutoCAD as a “retail box.” [http://accessories.us.dell.com/sna/products/Accessories/
4 productdetail.aspx?cs=19&sku=A0971487](http://accessories.us.dell.com/sna/products/Accessories/productdetail.aspx?cs=19&sku=A0971487). Shoppers add the software to a “shopping cart”
5 and click “check out” when ready to purchase. *Id.* There is no indication that the software is
6 available only for lease. The page for AutoCAD on the website of computer-supply company
7 CDW looks very similar, but includes an option, as an *alternative* to purchasing the software,
8 to “lease” it for a monthly fee. [http://www.cdw.com/shop/products/default.aspx?
9 EDC=1276927](http://www.cdw.com/shop/products/default.aspx?EDC=1276927). Even Autodesk’s own website offers no indication that the software is not
10 for sale, instead offering a menu of “purchase options” and a link to “buy online” from the
11 Autodesk online store. [http://usa.autodesk.com/adsk/servlet/index?id=8314527&siteID=
12 123112](http://usa.autodesk.com/adsk/servlet/index?id=8314527&siteID=123112).

13
14
15 Unlike a typical lease, a purchaser of AutoCAD pays the full price up front, and the
16 license agreement provides no obligation to make future payments. LaHaie Decl. Exh. A.
17 The software does not have to be returned to Autodesk at the end of a license period and
18 there is no prohibition on destroying it. *Id.* The license does not provide a limitation on the
19 duration of use or a provision for eventual license renewal. *Id.* AutoCAD’s license is thus
20 indistinguishable from the license in *Softman*. As the court held there, “a single payment for
21 a perpetual transfer of possession is, in reality, a sale of personal property and therefore
22 transfers ownership of that property, the copy of the software.” *Softman*, 171 F. Supp. 2d at
23 1086; *see also Krause*, 402 F.3d at 124-25 (finding ownership despite the presence of a
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that the court in *MAI Systems* rested its decision on the “severe, explicit restrictions” in the agreement there).

1 purported “license” where the purchaser had the right “to possess and use a copy indefinitely
2 without material restriction, as well as to discard or destroy it at will”).⁶

3 Autodesk relies on a few district court cases in which the courts appear to have
4 uncritically accepted a software company’s characterization of a sale as a “license.” These
5 cases are inconsistent with Ninth Circuit precedent and unpersuasive in light of *Softman*. The
6 court in *Stargate Software*, for example, distinguished *Softman* on the ground that it involved
7 splitting packaged software and reselling individual pieces rather than reselling a complete
8 package, but did not explain why this distinction was legally relevant. 216 F. Supp. 2d at
9 1058; *see also supra* note 4. The court in *Softman* appeared to be concerned about the fact
10 that the defendant there had purchased software intended for educational use and resold it to
11 commercial users, thereby frustrating Adobe’s efforts to segment the market and charge
12 different prices to different sorts of users, *id.* at 1052, a concern that was also at issue in
13 *Adobe Systems, Inc. v. One Stop Micro*, 84 F. Supp. 2d 1086, 1092 (N.D. Cal. 2000).
14 Whether this kind of price discrimination is legitimate or economically valuable is has been
15 debated, *see William F. Fisher, When Should We Permit Differential Pricing of*
16 *Information?*, 55 UCLA L. Rev. 1, 10-37 (2007), but the court erred to the extent it overrode
17 the statutory first-sale right with this sort of policy analysis. In any case, the concern about
18 preserving price discrimination that appeared to drive the courts in those cases is absent here.
19 Vernor bought a full commercial version of the software, not one that was limited to
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⁶ Autodesk puts great weight on a settlement agreement between itself and the software’s original purchaser, Cardwell/Thomas & Associates, but that agreement only further undermines its position. Mot. at 2. The contract refers to the “acquisition” by Cardwell/Thomas of ten packages of AutoCad, a word that sounds more like a purchase than a lease. LaHai Decl. Exh. B at 1. And although the settlement prohibits unauthorized copies, it says nothing about distribution of authentic, lawfully purchased copies. *Id.* at 2. Nothing in the agreement indicates that Cardwell/Thomas had agreed to enter into a lease.

1 educational use. And, to the extent these cases reject the holding in *Softman*, they are
2 inconsistent with Ninth Circuit precedent holding that what matters is the substance, not the
3 label, of a transaction.

4 **II. Autodesk’s License Agreement Does Not Impose Liability for Breach of**
5 **Contract on Vernor for Reselling Autodesk Software.**

6 Although Autodesk characterizes its claims as copyright infringement, many of the
7 cases it relies on are actually about the enforcement of license agreements as *contracts*. *See,*
8 *e.g., ProCD v. Zeidenberg*, 86 F.3d 1447, 1450 (7th Cir. 1996) (noting that software licenses
9 are treated “as ordinary contracts accompanying the sale of products”). These cases cannot
10 help Autodesk here. First, Autodesk’s anticompetitive attempt to restrict the secondary
11 market with its license agreement is a form of copyright misuse that renders the agreement
12 unenforceable. Even if Autodesk’s license could generally be enforced, however, it is not
13 enforceable against Vernor, who never agreed to enter a contract with Autodesk. Finally,
14 even if Autodesk did have a cause of action against Vernor for breach of contract, it has no
15 right to invoke the Digital Millennium Copyright Act to enforce that claim.

17 **A. The License Agreement Constitutes Copyright Misuse and Is Therefore**
18 **Unenforceable.**

19 Under the doctrine of copyright misuse, courts refuse to allow copyright owners to
20 enforce their rights when the owners are exercising those rights to the detriment of the public
21 interest. *See Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1079 (N.D. Cal. 2007). The Ninth
22 Circuit and other courts have recognized that the use of “unduly restrictive licensing
23 agreements” is one form of misuse. *Id.*; *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516
24 (9th Cir.1997); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 977 (4th Cir.1990).

26 A copyright owner commits misuse by using its copyright to “secure an exclusive

1 right or limited monopoly not granted by the Copyright Office.” *Practice Mgmt. Info. Corp.*,
2 121 F.3d at 520. The Copyright Act represents a careful balance struck by Congress between
3 the interests of copyright owners and the interests of the public in the free exchange of ideas.
4 Rothchild, *supra* at 9-10, 103. By granting a limited monopoly to copyright owners, the Act
5 encourages those owners to create new works. *Id.* at 103. At the same time, however, the Act
6 imposes fundamental limitations on the copyright monopoly to ensure that the public interest
7 will be protected. *Id.* One of the most important of these limitations is the first-sale doctrine.
8 *Id.* at 9. The doctrine reflects Congress’s judgment that the right to control downstream sales
9 is not a necessary incentive to promote the creation of new works and thus causes more harm
10 to free expression than good. *See Brilliance Audio, Inc. v. Hights Cross Comms., Inc.*, 474
11 F.3d 365, 373-74 (6th Cir. 2007) (“Once a copyright holder has consented to distribution of a
12 copy of that work, [the copyright] monopoly is no longer needed because the owner has
13 received the desired compensation for that copy.”). Here, by leveraging its AutoCAD
14 software to impose restrictive license agreements that cut off the right of resale, Autodesk
15 thus strikes at a core policy of copyright law.

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18 Moreover, “misuse often exists where the patent or copyright holder has engaged in
19 some form of anticompetitive behavior.” *Video Pipeline, Inc. v. Buena Vista Home Entm’t,*
20 *Inc.*, 342 F.3d 191, 204 (3d Cir. 2003); *see Practice Mgmt.*, 121 F.3d at 520-21 (holding that
21 conditioning a license on a promise not to use competitors’ products constituted misuse);
22 *Lasercomb*, 911 F.2d at 979 (holding that licensing agreements that included a provision
23 prohibiting the development of competing goods constituted misuse). For this reason too,
24 Autodesk’s prohibition of the secondary market constitutes misuse. A key interest behind the
25 first-sale doctrine is the aversion to restraints on trade. *See Parfums Givenchy*, 832 F. Supp.

1 at 1388-89; Rothchild, *supra* at 79-80. By creating a secondary market, the first-sale doctrine
2 promotes both competition and the distribution of copyrighted works. Rothchild, *supra* at 79-
3 80. Conversely, by eliminating the right of resale, Autodesk also eliminates the need to
4 compete with used versions of its own products, thus forcing consumers to buy new copies at
5 higher prices. *Id.* Many companies would undoubtedly like to achieve the effect that
6 Autodesk believes it has achieved here. Book publishers, for example, would make more
7 money if they could eliminate used bookstores by including a no-resale agreement in the
8 front cover of books. No court, however, would countenance such an anticompetitive
9 scheme. Nor should this Court countenance Autodesk's attempt to "use[] its copyright . . . to
10 control competition in an area outside the copyright." *Lasercomb*, 911 F.2d at 979.⁷

11
12 **B. Even if Autodesk's License Agreement Is Binding on the Original**
13 **Purchaser, It Does Not Justify Use of the DMCA to Terminate Vernor's**
14 **Auctions.**

15 Autodesk stresses that Cardwell/Thomas & Associates, the initial purchaser of the
16 software at issue, agreed to the terms of the license agreement. Mot. at 2. It does not contend,
17 however, that *Vernor* ever agreed to those terms. Nor could it. The AutoCAD license
18 agreement specifies that the purchaser agrees to be bound "by opening the sealed software
19 packet." LaHai Decl. Exh. A. Vernor, who purchased the software already used, did not and
20 could not have unsealed the software packet. FAC ¶ 15. Nor did Vernor install the software
21 on his computer or take any other action that could constitute consent. *Id.* Moreover, the
22 license agreement specifies that the licensee could reject the terms by returning the software
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25 ⁷ Because of this anticompetitive conduct, the complaint states a claim for unfair competition.
26 Autodesk is correct that it has an interest in enforcing its copyright, but it has no legitimate interest in
leveraging that copyright to restrict the secondary market at the public's expense. Autodesk has no right to
control the secondary market.

1 within 15 days of purchase. LaHai Decl. Exh. A. Vernor, who purchased the software long
2 after the 15 days had expired, could not possibly have taken advantage of this provision.
3 Although it is true that Vernor was aware of the license terms, Mot. 2-3, mere awareness of
4 contractual terms is not the same as *agreement* to those terms. *Softman*, 171 F. Supp. 2d at
5 1087. In *Softman*, the defendant, like Vernor, had never installed the allegedly infringed
6 software and therefore was never forced to agree to the license terms. *Id.* The plaintiff argued
7 that the purchaser had notice of the terms, which were printed on the outside of the
8 software's box. *Id.* The court, however, disagreed, holding that "[r]eading a notice on a box
9 is not equivalent to the degree of assent that occurs when the software is loaded onto the
10 computer and the consumer is asked to agree to the terms of the license." *Id.*

12 Autodesk nevertheless argues that the restrictions of the license agreement run with
13 its software, binding all future purchasers who come into possession of it. But as Autodesk's
14 own cases make clear, a party cannot be bound to a contract without giving assent. The
15 requirement of privity ensures that only those who have notice of a contractual term and have
16 agreed to that term are bound by it. In *ProCD*, for example, the court not did not suggest that
17 privity was not needed, and devoted much of its opinion to determining whether the
18 purchaser had given the required assent to the license terms. 86 F.3d at 1450. Similarly, in
19 *Bobbs-Merrill*, the Supreme Court held that a contract between a publisher and the initial
20 purchaser of a book was not binding on a downstream purchaser who never agreed to the
21 contract. 210 U.S. 339.

24 Indeed, a system in which contractual obligations were binding regardless of whether
25 the purchaser had agreed to those obligations would be unworkable. Because used
26 copyrighted goods are not always accompanied by all the original packaging and licensing

1 materials, anyone purchasing a piece of used software under Autodesk’s system would be
2 forced to, in Autodesk’s words, “trace the chain of title” to ensure that each previous owner
3 had the authority to sell it and to figure out what other sorts of contractual agreements might
4 have attached to the product along the way. Unlike real property, for which transfer of titles
5 are recorded, there is no practical way for a purchaser of consumer goods to obtain this
6 information. Such costly burdens on the stream of commerce are the basis for the common
7 law’s hostility to restrictions on the free alienation of property. *See* Thomas F. Merrill &
8 Henry E. Smith, *Optimal Standardization in the Law of Property, the Numerous Clauses*
9 *Principle*, 110 Yale L.J. 1, 26-34 (2000); Zachariah Chafee, *The Music Goes Round and*
10 *Round, Equitable Servitudes and Chattels*, 69 Harv. L. Rev. 1250, 1261 (1956).

12 Finally, even assuming that Autodesk had a cause of action for breach of contract
13 against Vernor, it had no right to invoke the takedown provisions of the Digital Millennium
14 Copyright Act as a remedy. The DMCA’s takedown provisions, by their plain language,
15 cover only claims of *copyright* infringement. 17 U.S.C. § 512. The DMCA provides an
16 extraordinary remedy for copyright owners, giving them the power to achieve what in effect
17 is equivalent to a temporary restraining order without the need to obtain approval of a judge.
18 The DMCA was not designed, and cannot legally be used, to enforce other sorts of claims,
19 such as breach of contract. *See* 17 U.S.C. § 512(c)(3)(ii).

21 **III. Vernor Has Standing to Bring this Claim.**

22 Finally, Autodesk argues that Vernor lacks standing to bring this claim because he
23 does not have a reasonable fear of being sued. Autodesk misunderstands the nature of
24 Vernor’s claims. Autodesk did not merely *threaten* to interfere with Vernor’s online business
25 using the DMCA; it actually *did* interfere, terminating five separate auctions and causing
26

1 Vernor to lose his account for a month. Setting aside the question of whether he has a
2 reasonable fear of being sued, Vernor has a reasonable fear that Autodesk will continue to
3 invoke the DMCA to terminate his auctions. Because Autodesk has told Vernor that it does
4 not allow any sales of its software on eBay, and because it has submitted notices of claimed
5 infringement on all of Vernor's past AutoCAD sales, Vernor has a reasonable fear that they
6 will do so again.
7

8 Disclaiming responsibility for its actions, Autodesk asserts that any injury Vernor
9 suffers from termination of his sales or his account would "be a result of eBay policies." But
10 Autodesk did not just invoke eBay's policies to terminate Vernor's auctions, it invoked the
11 DMCA. The DMCA provides that, in order to take advantage of the statutory immunity, ISPs
12 like eBay must act "expeditiously" to remove allegedly infringing content upon receiving a
13 notice of claimed infringement. 17 U.S.C. § 512(c)(1)(C), (i)(1)(A). Autodesk had used the
14 DMCA process before, and it understood the impact its actions would have on Vernor's
15 account. Given that Autodesk demanded termination of Vernor's auctions, it cannot claim
16 surprise that those demands were honored. Moreover, the DMCA also provides that, in order
17 to take advantage of statutory immunity, an ISP must have a policy providing for termination
18 of the accounts of repeat infringers. 17 U.S.C. § 512(c)(1)(C), (i)(1)(A). The DMCA gives
19 Internet service providers like eBay a strong incentive to comply with these statutory terms
20 to avoid the risk of vicarious liability for copyright infringement. *Id.* And, as Autodesk has
21 shown, by repeatedly sending notices of claimed infringement and ignoring counter notices,
22 it can effectively shut down Vernor's business. The termination of Vernor's eBay auctions
23 and the suspension of his account are therefore the direct result of Autodesk's actions.
24
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26 Finally, Autodesk argues that Vernor has not alleged how or where he will acquire

1 future copies of the software. Vernor did allege, however, that he currently possesses two
2 authentic, used copies of AutoCAD that he wishes to sell on eBay. FAC ¶ 29. These copies
3 are not hypothetical and in themselves are enough to make the case ripe for a declaratory
4 judgment. In addition, Vernor alleged that he occasionally finds other authentic copies of
5 AutoCAD software at garage sales, which he intends to purchase for the purpose of resale.
6 *Id.* Vernor's requested relief as to these copies is neither as broad nor as vague as Autodesk
7 makes it out to be. Vernor asks only for declaratory and injunctive relief protecting his ability
8 to sell authentic, used copies of Autodesk's software without interference. Given Autodesk's
9 past actions regarding such authentic software, Vernor's request is reasonable.
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13 Respectfully submitted,

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