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INTRODUCTION

1
2 Plaintiff Timothy S. Vernor's Motion for Summary Judgment and Response to
3 Defendant's Motion for Summary Judgment (Dkt # 54) ("Pl. Mot.") is remarkable for what it
4 does not address. Relying on the Court's denial of Autodesk's prior motion, Mr. Vernor ignores
5 the factual record and the legal analysis of that record now before the Court.

6 Mr. Vernor argues that "the economic reality of the relevant transaction indicates a sale,
7 not a license," (*id.* at 9-11) but does not even mention, let alone address, the facts regarding the
8 relevant transaction here: the settlement agreement through which Cardwell/Thomas Architects,
9 Inc., d/b/a as Cardwell Thomas & Associates, Inc. ("CTA"), obtained the copies of AutoCAD[®]
10 software that Mr. Vernor seeks to sell (the "Software"). (*See* Harris Decl. (Dkt # 51) Ex. 2.) For
11 example, he fails to address the fact that CTA received upgraded licenses at a fraction of their
12 full cost, subject to CTA's duty to destroy the Software under the terms and conditions of the
13 settlement agreement and the Autodesk Software License Agreement (the "Autodesk License").
14 Nor does Mr. Vernor address the fact, admitted in his deposition, that he listed the Software for
15 sale on eBay as "not currently installed on any computer" without knowing whether CTA had
16 retained installed copies. (Vernor Dep. at 93, Ex. 10 (Harris Decl. pp. 88, 93-98).) Mr. Vernor
17 also ignores the history of Autodesk's licensing policy and procedures, now before the Court,
18 which demonstrates that Autodesk switched from a return policy to a destruction policy for
19 reasons of cost efficiency and customer convenience.

20 In support of his "economic realities" argument, Mr. Vernor presents copies of current
21 web pages marketing Autodesk products, in an attempt to show that they indicate offers for sale
22 rather than licensing. But he fails to point out that those same pages refer extensively to
23 "licensing" of the software, including descriptions of licensing options and licensing restrictions
24 associated with the various options.

25 Mr. Vernor's motion features the Supreme Court's decision in *Bobbs-Merrill Co. v.*
26 *Straus*, 210 U.S. 339 (1908), and the roots of the "first sale" exception in that decision. He fails

1 to acknowledge, however, that the publisher in that case conceded that it was selling — not
 2 licensing — copies of its books, as indeed it was. *Bobbs-Merrill*, 210 U.S. at 350 (“There is no
 3 claim in this case of contract limitation, nor license agreement controlling the subsequent sales of
 4 the book.”)

5 While agreeing that “owner” should be interpreted the same way for the Section 117(a)
 6 “essential step” exception as for the Section 109(a) “first sale” exception, Mr. Vernor does not
 7 even cite controlling Ninth Circuit precedent defining “owner” in the Section 117 software cases.
 8 Mr. Vernor also fails to address relevant legislative history, including Congress’s amendment of
 9 Section 117 in response to Ninth Circuit precedent, while leaving undisturbed the Ninth Circuit’s
 10 interpretation of “owner.”

11 As demonstrated in Autodesk’s Motion for Summary Judgment (“Mot.”) and below,
 12 Ninth Circuit precedent interpreting “owner[ship]” of computer software for purposes of the
 13 Section 117(a) “essential step” exception is consistent with the plain language of the Copyright
 14 Act and its legislative history, industry usage and practice, and the economic realities of the
 15 software industry. Applying that interpretation to the “essential step” and “first sale” issues in
 16 this case, the Court should hold that Mr. Vernor’s resale of the Software contributes to
 17 infringement of Autodesk’s exclusive Section 106(1) reproduction right and directly infringes its
 18 exclusive Section 106(3) distribution right.

19 ARGUMENT

20 I. THE COURT IS NOT BOUND BY “LAW OF THE CASE” TO ITS PRIOR 21 DECISION

22 Mr. Vernor argues that the law of the case doctrine “foreclose[s]” this Court from
 23 considering Autodesk’s motion for summary judgment because of the Court’s prior decision
 24 denying Autodesk’s motion to dismiss or in the alternative for summary judgment. (Pl. Mot. at
 25 6-7.) The law of the case doctrine, however, “simply ‘expresses’ common judicial ‘practice’; it
 26 does not ‘limit’ the courts’ power. *See Messenger v. Anderson*, 225 U.S. 436, 444 (1912)

1 (Holmes, J.). It cannot prohibit a court from disregarding an earlier holding in an appropriate
2 case” *Castro v. United States*, 540 U.S. 375, 384 (2003) (parallel citations omitted); *see*
3 *also* 11 James Wm. Moore et al., *Moore’s Federal Practice* ¶ 56.10[7] (3d ed. 2009) (“Second
4 motions [for summary judgment] may also be considered sufficiently distinct because of
5 additional facts developed during litigation.”).

6 In *Breeland v. S. Pac. Co.*, 231 F.2d 576 (9th Cir. 1955), the Ninth Circuit held that a
7 district court had properly granted a second motion for summary judgment filed by the
8 defendant, despite the fact that it “was based upon the identical affidavits and exhibits relied
9 upon in the previous motion for summary judgment.” 231 F.2d at 577. As in this case, the
10 initial motion had been brought prior to filing an answer or commencing discovery. *Id.* at 579.
11 The Ninth Circuit considered and rejected the plaintiff’s argument that, as Mr. Vernor contends
12 here, the court’s denial of the first motion precluded its granting the second motion. *Id.* at 579.

13 Mr. Vernor relies on *Richardson v. United States*, 841 F.2d 993, 996 (9th Cir. 1988). But
14 in *Richardson* the Ninth Circuit held that the district court had *erroneously* determined that it
15 was bound by a prior decision of the Ninth Circuit in the same case despite a relevant intervening
16 state court decision. *Richardson* stands for the proposition that a district court is not always
17 bound even by a prior court of appeals decision in the same case. Law of the case is a guiding
18 principle, not a straitjacket. *See Curran v. Ho Sung Kwon*, 153 F.3d 481, 486-87 (7th Cir. 1998)
19 (holding, “both on the law and on the facts,” that the district court was not bound by law of the
20 case to its prior denial of summary judgment on same issue, and noting that the law of the case is
21 “not an inflexible rule”); *see also Hydranautics v. FilmTec Corp.*, 306 F. Supp. 2d 958, 968
22 (S.D. Cal. 2003), *aff’d on other grounds*, 224 F.App’x 675 (9th Cir. 2007) (holding that court’s
23 grant of partial summary judgment after a prior denial on “similar issues” was not barred by law
24 of the case where the record presented in the second motion was more developed).

25 The Court is, therefore, well within its discretion to consider Autodesk’s motion, which is
26 made after the completion of discovery on a full factual record, despite the Court’s denial of

1 Autodesk's prior motion. Facts now before the Court and not in the record in support of
2 Autodesk's prior motion include: (1) the history of Autodesk's licensing policy and procedures,
3 including its switch from a return policy to a destruction policy and the economic basis for that
4 switch (*see* Suppes Decl. (Dkt # 50) ¶¶ 18-19); (2) the complete record of the transaction through
5 which Autodesk transferred the Software to CTA, and the Consent Judgment now entered
6 against CTA in the Northern District of California (*see* Consent Judgment in *Autodesk, Inc. v.*
7 *Cardwell Architects, Inc.*, No. 3:09-CV-00397 (Feb. 6, 2009 N.D. Cal.), attached as Ex. B to
8 Harris Decl.); (3) the facts regarding Mr. Vernor's acquisition of the Software and his attempts to
9 sell the Software, as established in his deposition, including his admission that he advertised the
10 Software as "not currently installed on any computer" without knowing whether or not that was
11 true (Vernor Dep. at 93, Ex. 10 (Harris Decl. pp. 88, 93-98)); (4) the facts regarding Autodesk
12 and industry software licensing practice and usage and the economic realities underlying that
13 practice and usage, as set forth in the declaration of Greg Suppes and the expert declarations of
14 Professor Raymond Nimmer (Dkt # 52 and Reply Declaration submitted herewith); and (5) the
15 relevant legislative history of Sections 109 and 117.

16 Facts now in the record regarding Autodesk's replacement of a return policy for software
17 media with a destruction policy and the reasons for that change in policy are of particular
18 significance because the Court in its prior opinion emphasized a return requirement as a "critical
19 factor" in distinguishing a license from a sale. *Vernor v. Autodesk, Inc.*, 555 F. Supp. 2d 1164,
20 1170 (W.D. Wash. 2008). As evidenced by uncontested facts set forth in the declaration of Greg
21 Suppes, and as explained in Autodesk's motion, that change in policy was motivated by
22 economic realities; and distinguishing between a requirement for destruction of the software
23 media and a requirement for return of the media would penalize adoption of a practice that is
24 more convenient and cost effective for software publishers and consumers. (Suppes Decl. ¶ 19;
25 Mot. (Dkt # 49) at 19-20.)
26

1 As further demonstrated in Autodesk's motion, the destruction policy is also more
2 inclusive and relevant than the prior return policy. Because the software must be copied from
3 the disk to a computer to be of any value, and because the digital format of the software allows
4 for easy reproduction on other disks and further use or distribution, return of the originally
5 purchased disk is a minor requirement and insufficient to terminate the purchaser's use of the
6 software. (Suppes Decl. ¶ 7.) Thus, Autodesk's destruction policy requires destruction not only
7 of the original disk that was used to deliver the program, but *all* copies.

8 Considering Autodesk's motion now that a full record has been developed is also
9 particularly appropriate because of the Court's identification of a tension between the Ninth
10 Circuit Section 117 software cases and *United States v. Wise*. The prior motion was decided
11 without a hearing, and the briefs of the parties did not identify or address that tension or how it
12 might be reconciled. Indeed, the parties' briefs mentioned *Wise* and any of the *MAI* trio of cases,
13 *infra*, only in passing.¹ As demonstrated in Autodesk's motion, *Wise* and the Ninth Circuit
14 Section 117 software cases can be reconciled, especially when considered in light of a full record
15 that includes the history and economic context of Autodesk's policy with regard to return or
16 destruction of the software medium and the factual differences between that context and the
17 analog film reels at issue in *Wise*. (See Mot. at 19-20.) This Court should exercise its discretion
18 to consider Autodesk's motion based on a full factual record and full briefing of the pivotal legal
19 issue identified by the Court.

21
22 ¹ Mr. Vernor's opposition to the prior motion cited *Wise* only in a footnote: "*see also*
23 *United States v. Wise*, 550 F.2d 1180, 1187 n.10 (9th Cir. 1977) ('If a vendee breaches an
24 agreement not to sell the copy, he may be liable for the breach but he is not guilty of
25 infringement.')" (Pl. Opp. to Mot. Dismiss (Dkt # 26) at 11.) Autodesk cited *Wise* in its reply
26 memorandum in support of the narrow proposition that "the purported transfer of only limited
rights for a limited purpose" is one of nine indicia of a software license. (Def. Reply in Support
of Mot. to Dismiss (Dkt # 27) at 7.) Mr. Vernor cited *Wall Data Inc. v. L. A. Sheriff's Dep't*,
447 F.3d 769, 774-75 (9th Cir. 2006), only for the proposition that "a number of courts have held
that making a number of copies that exceeds the scope of a license constitutes copyright
infringement." (Pl. Opp. to Mot. Dismiss at 8.)

1 **II. UNDER CONTROLLING LAW, MR. VERNOR'S RESALE OF THE**
2 **SOFTWARE WOULD CONTRIBUTE TO THE INFRINGEMENT OF**
3 **AUTODESK'S SECTION 106(1) EXCLUSIVE RIGHT TO REPRODUCE THE**
4 **SOFTWARE**

5 Whether Mr. Vernor's resale of the Software contributes to infringement of Autodesk's
6 Section 106(1) exclusive reproduction right depends on whether CTA was an "owner" of the
7 Software under Section 117(a). Mr. Vernor does not contest and apparently concedes, as he
8 must, that: (1) if CTA was not the "owner" of the Software within the meaning of
9 Section 117(a)'s "essential step" exception to Section 106(1), neither Mr. Vernor nor anyone to
10 whom he might transfer the Software is an "owner"; (2) use of the Software by anyone to whom
11 Mr. Vernor might transfer it would require making a "new copy" of the Software on the hard
12 drive of the user's computer; (3) under Section 117(a), only the "owner" of a copy of a computer
13 program enjoys the privilege of making a new, "essential step" copy; and, therefore, (4) if CTA
14 was not an "owner" of the Software, Mr. Vernor's sale of the Software is contributory copyright
15 infringement.

16 Nor does Mr. Vernor dispute that, as this Court has previously noted, application of Ninth
17 Circuit Section 117(a) "essential step" precedent — *MAI Sys. Corp. v. Peak Computer, Inc.*,
18 991 F.2d 511, 518-19 & n.5 (9th Cir. 1993); *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330,
19 1333 (9th Cir. 1995); and *Wall Data Inc. v. L. A. Sheriff's Dep't*, 447 F.3d 769, 785 (9th Cir.
20 2006) (the "MAI trio") — compels the conclusion that CTA was a licensee and not an "owner"
21 of the Software. Indeed, Mr. Vernor's brief does not discuss or even cite this Ninth Circuit
22 precedent.

23 As demonstrated in Autodesk's motion, the legislative history of Section 117(a) and
24 parallel provisions of Section 117(c) further support the Ninth Circuit's interpretation of "owner"
25 in the software context. (Mot. at 21-22.) Indeed, although Section 117 was amended in direct
26 response to the Ninth Circuit's decision in *MAI Sys. Corp.*, *supra*, Congress did not alter the
Ninth Circuit's interpretation of "owner," but instead made a narrow exception to Section 106(1)

1 for machine maintenance and repair. Mr. Vernor offers no response to this evidence of
2 congressional intent.

3 The sum of Mr. Vernor's argument with regard to Section 117 is that "Autodesk admits
4 that the meaning of 'owner' in § 117 is the same as the meaning of the same word in the first-
5 sale provision, § 109." (Pl. Mot. at 12.) But Mr. Vernor's argument cuts against him.
6 Mr. Vernor does not explain why this Court is not bound by Ninth Circuit Section 117 precedent
7 with regard to the contributory infringement issue. As demonstrated in Autodesk's motion and
8 below, that precedent is consistent with the Ninth Circuit's interpretation of the Section 109(a)
9 "first sale" exception in *Wise*. Even if it were not, however, this Court would still be bound by
10 the Section 117 precedent and, on that basis, compelled to conclude that Mr. Vernor's resale of
11 the Software is contributory copyright infringement.

12 **III. BECAUSE THE SECTION 117 "ESSENTIAL STEP" DEFINITION OF**
13 **"OWNER" ALSO APPLIES TO THE SECTION 109(a) "FIRST SALE"**
14 **EXCEPTION, MR. VERNOR'S RESALE OF THE SOFTWARE INFRINGES**
15 **AUTODESK'S SECTION 106(3) EXCLUSIVE RIGHT TO DISTRIBUTE THE**
16 **SOFTWARE**

17 In the Section 117(a) "essential step" cases, the Ninth Circuit has held that a purchaser is
18 a licensee, and not an "owner," "if the copyright owner makes it clear that she or he is granting
19 only a license to the copy of software and imposes significant restrictions on the purchaser's
20 ability to redistribute or transfer that copy" *Wall Data*, 447 F.3d at 785. As demonstrated
21 in Autodesk's motion, that standard should also be applied to the Section 109(a) "first sale"
22 exception since it is consistent with the Ninth Circuit's Section 109(a) decision in *Wise*, the
23 legislative history and statutory purposes of Section 109(a) and the Copyright Act, and software
24 industry trade usage and practice.

25 Mr. Vernor does not contest that "owner" should be interpreted the same way in
26 Section 109(a) as in Section 117(a) or that the legislative history and industry usage and practice
support the standard articulated in the Ninth Circuit Section 117 software cases. He argues,
nonetheless, that (1) the Ninth Circuit Section 117 standard is inconsistent with Supreme Court

1 precedent and the Ninth Circuit's decision in *Wise*, (2) the economic reality of the relevant
 2 transaction indicates a sale, not a license, (3) Professor Nimmer's declaration does not support
 3 application of the Ninth Circuit Section 117 standard, and (4) Congress has not adopted that
 4 standard for software. As demonstrated within, each of Mr. Vernor's arguments fails.

5 **A. The Standard for "Ownership" Articulated in the Section 117(a) "Essential**
 6 **Step" Cases Is Consistent with Supreme Court and Ninth Circuit**
 7 **Section 109(a) "First Sale" Precedent**

8 Mischaracterizing Autodesk's position as "that a copyright owner can limit the scope of a
 9 purchaser's distribution rights with a 'notice' that purports to create a 'license,'" Mr. Vernor
 10 contends that this proposition "was rejected more than a century ago by the Supreme Court in
 11 *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339." (Pl. Mot. at 8.) This contention distorts both
 12 Autodesk's argument and the Supreme Court's holding in *Bobbs-Merrill*.

13 Autodesk does not assert that calling a transaction a "license" is enough by itself to
 14 transform a sale into a license. That is a straw man. The standard adopted by the Ninth Circuit
 15 in the Section 117(a) cases and relied on by Autodesk here is, rather, that when the copyright
 16 owner clearly designates that a transfer of software is pursuant to a license *and* places
 17 "significant restrictions on the purchaser's ability to redistribute or transfer that copy, the
 18 purchaser is considered a licensee, not an owner, of the software." *Wall Data*, 447 F.3d at 785.

19 *Bobbs-Merrill* does not contradict that standard. The copyright owner in *Bobbs-Merrill*
 20 made "no claim . . . of contract limitation, *nor license agreement controlling the subsequent*
 21 *sales of the book.*" 210 U.S. at 350 (emphasis added). The purchasers "made no agreement as to
 22 the control of future sales of the book, and took upon themselves no obligation to enforce the
 23 notice printed in the book, undertaking to restrict retail sales to a price of one dollar per copy."
 24 *Id.* The Court, therefore, considered only the attempt of the copyright owner to restrict the price
 25 of resale despite having "parted with the title" to and "sold a copyrighted article, without
 26 restriction" *Id.* It had no occasion to consider what is at issue here and in the Ninth Circuit
 Section 117 software cases: whether, when a copyright owner clearly retains title, "makes it

1 clear that she or he is granting only a license to the copy of [the copyrighted material] and
 2 imposes significant restrictions on the purchaser's ability to redistribute or transfer that copy,"
 3 *Wall Data*, 447 F.3d at 785, the purchaser becomes a licensee or an "owner."²

4 Mr. Vernor argues that there is "no meaningful difference" between the printed statement
 5 by the publisher in *Bobbs-Merrill* purporting to limit the resale price of books sold and the
 6 limitations imposed on CTA in this case. Unlike the purchasers in *Bobbs-Merrill*, however,
 7 CTA, with representation of counsel, specifically *agreed* (in the CTA Settlement Agreement,
 8 which adopted the terms of the Autodesk License), among other things, that (1) Autodesk was
 9 granting CTA only a limited, non-transferable license to use the Software, (2) Autodesk retained
 10 title to the Software, (3) CTA was prohibited from transferring the Software, and (4) if CTA
 11 entered into a new license for an upgraded version of the Software, it was obligated to destroy all
 12 copies of the originally licensed Software. (Declaration of Evelyn LaHaie ("LaHaie Decl.")
 13 (Dkt # 21) (Harris Decl. Ex. A pp. 8-17).)³

14 Indeed, CTA did receive an upgraded version of the Software and paid less than 15% of
 15 the full price for the new license as a result of having obtained the Software under these license
 16 restrictions. (Consent Judgment ¶ 7 (Harris Decl. pp. 26-27).) Mr. Vernor refers to the copies of
 17 the Software that he obtained from CTA as "*authentic*" and "lawfully purchased" (Pl. Mot. at 2),
 18 but in fact CTA was obligated under the express terms of its agreement to destroy those copies as
 19

20 ² *Quality King Distribs. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998), also cited by
 21 Mr. Vernor, similarly did not involve any claim that the copyrighted material had been licensed
 22 rather than sold. The Court held merely that the "first sale" exception applies to Section 602(a),
 23 which provides that importation into the United States of copies made outside the United States
 "is an infringement of the exclusive right to distribute copies . . . under Section 106." 17 U.S.C.
 § 602(a). The Section 109(a) "first sale" exception, of course, applies by its terms to
 Section 106.

24 ³ The agreement also gave CTA the right to make one additional copy of the Software for
 25 use on a second computer, provided that the additional copy was used only by CTA with no
 simultaneous use of the two copies. (LaHaie Decl. Ex. A (Autodesk License Section entitled
 26 "Grant of License") (Harris Decl. p. 55).) "This is an affirmative grant that is indicative of a
 license arrangement, not a simple sale of a copy." (Nimmer Reply Decl., filed herewith, ¶ 12.)

1 a condition of upgrading its license. (*Id.*) Nothing in *Bobbs-Merrill* suggests that one who
2 acquires a copy in a transaction clearly designated as a “license” subject to such restrictions is
3 “one who [has] acquired full dominion over [the copyrighted material],” *Bobbs-Merrill*, 210 U.S.
4 at 350, and is thus an “owner” entitled to the benefit of the “first sale” exception to the copyright
5 owner’s exclusive right to distribute.

6 Moreover, the *Bobbs-Merrill* opinion makes it clear that its holding is purely a matter of
7 statutory interpretation, and therefore of congressional intent, with regard to the unilaterally
8 announced restriction on resale at issue in that case. *Id.* at 349 (“What does the statute mean in
9 granting ‘the sole right of vending the same’?”); *id.* at 351 (Restriction sought by publisher
10 “would give a right not included in the terms of the statute, and, in our view, extend its operation,
11 by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative
12 intent in its enactment.”). The “first sale” exception as adopted by Congress in Section 109 does
13 not “extend to any person who has acquired possession of the copy . . . from the copyright
14 owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.” 17 U.S.C.
15 § 109(d) (emphasis added). As demonstrated in Autodesk’s motion, the legislative history of
16 Sections 109 and 117 supports the interpretation of “owner” in the Ninth Circuit Section 117
17 cases. (Mot. at 20-22; see H.R. Rep. No. 1476, 94th Cong., 2d Sess. 79 (1976) (“first sale”
18 exception applies only to those who acquire copyrighted material by “outright sale”).)

19 Mr. Vernor also relies on *United States v. Wise*, but does nothing to dispel the conclusion
20 that, as demonstrated in Autodesk’s motion, the *Wise* court’s interpretation of the term “owner”
21 and its criteria for distinguishing between a sale and a license are consistent with those later
22 articulated by the Ninth Circuit Section 117 software cases. Indeed, the transaction in *Wise* that
23 Mr. Vernor contends is “most relevant” — the “one between Warner Brothers and actress
24 Vanessa Redgrave regarding the movie *Camelot*” (Pl. Mot. at 7) — supports that conclusion.
25 While the agreement between Warner Brothers and Ms. Redgrave put significant restrictions on
26 her ability to redistribute or transfer the copy of the film print, the Warner Brothers agreement

1 did not make it “clear that [Warner Brothers was] granting only a license,” *Wall Data*, 447 F.3d
2 at 785. The Redgrave agreement (which is reprinted, apparently in its entirety, in the opinion),
3 while not requiring return, has no language reserving title or designating it as a license rather
4 than a sale; and that is the determinative point for the *Wise* court: “While the provision for
5 payment for the cost of the film, standing alone, does not establish a sale, when taken with the
6 rest of *the language of the agreement*, it reveals a transaction strongly resembling a sale with
7 restrictions on the use of the print.” *Wise*, 550 F.2d at 1192 (emphasis added).

8 The Redgrave agreement was one of four “V.I.P. Contracts” reviewed by the *Wise* court.
9 The court’s treatment of the others further supports the conclusion that the criteria it applied
10 were, like those in the later Section 117 software cases, a combination of clear license language
11 and significant restrictions on redistribution. Each of the three other V.I.P. Contracts had clear
12 license language, which the court quoted: (1) the agreement with regard to *The Sting*, “granted a
13 ‘revocable, nonexclusive consent’ to use the print and retained title to the print in Universal
14 Pictures”; (2) the *Paper Moon* film print was “‘loaned’ . . . pursuant to an agreement in which
15 Paramount Pictures retained title to the print”; and (3) “[t]he movie ‘Funny Girl’ was furnished .
16 . . . under an agreement which reserved to Columbia ‘all rights in, to and with respect to’ the film,
17 ‘subject to such limited rights’ as were granted to the V.I.P.’s by the agreement.” *Id.* Of the
18 three agreements found to be licenses, only that with regard to *Paper Moon* “required its return
19 upon the request” of the studio. *Id.*

20 Like the software agreement at issue in *Wall Data* and the agreements deemed licenses
21 rather than sales in *Wise*, the Software in this case was transferred to CTA under an agreement
22 that made “it clear that [Autodesk was] granting only a license to the copy of software and
23 impose[d] significant restrictions on the purchaser’s ability to redistribute or transfer that copy.”
24 *Wall Data*, 447 F.3d at 785; *see also Adobe Sys. Inc. v. Stargate Software, Inc.*, 216 F. Supp. 2d
25 1051, 1060 (N.D. Cal. 2002) (“conclud[ing] that based on the clear and unambiguous language
26 of the relevant contracts, coupled with the multiple restrictions on title placed on the reseller in

1 the above agreements, the transaction should be characterized as a license, rather than a sale”);
 2 *Adobe Sys., Inc. v. One Stop Micro, Inc.*, 84 F. Supp. 2d 1086 (N.D. Cal. 2000) (same).
 3 Therefore, CTA was a licensee, not an “owner,” of the Software and had no rights of ownership
 4 to transfer to Mr. Vernor. Accordingly, Mr. Vernor’s resale of the Software is not entitled to
 5 protection of the Section 109(a) “first sale” exception to Autodesk’s exclusive right of
 6 distribution under Section 106(3).

7 **B. The Economic Reality of the Relevant Transaction — the CTA Settlement**
 8 **Agreement — Demonstrates a License, Not a Sale**

9 Relying on *In re DAK Indus.*, 66 F.3d 1091 (9th Cir. 1995), Mr. Vernor argues that the
 10 “economic reality of the relevant transaction indicates a sale, not a license.” (Pl. Mot. at 9-11.)
 11 *DAK Indus.*, however, is not helpful to Mr. Vernor. It did not interpret “ownership” for purposes
 12 of the Section 109(a) “first sale” exception or the Section 117 “essential step” exception. At
 13 issue was whether a transaction should be considered a prepetition sale under the bankruptcy
 14 code. *DAK Indus.*, 66 F.3d at 1095 (“When applying the bankruptcy code to this transaction, we
 15 must look through its form to the ‘economic realities of the particular arrangement.’”), quoting *In*
 16 *re Moreggia & Sons, Inc.*, 852 F.2d 1179, 1182 (9th Cir. 1988).⁴

17 Second, Mr. Vernor fails to mention, much less discuss, the “relevant transaction”
 18 here — the CTA Settlement Agreement through which CTA licensed the Software from
 19 Autodesk. The “economic realities” of that transaction clearly demonstrate a license not a sale.
 20 Indeed, under the terms of that agreement, CTA was required to *destroy* the very Software copy
 21 that Mr. Vernor now seeks to sell when it upgraded its licenses. (Consent Judgment ¶ 3 (Harris

22
 23 ⁴ Mr. Vernor also cites *Krause v. Titleserv, Inc.*, 402 F.3d 119, 124 (2d Cir. 2005), which
 24 held for purposes of the Section 117(a) “essential step” exception, that “courts should inquire
 25 into whether the party exercises sufficient incidents of ownership over a copy of the program to
 26 be sensibly considered the owner of the copy for purposes of § 117(a).” Unlike here, there was
 no written agreement in that case, and the copyright owner relied on oral statements that the
 court found “confuse[d] ownership of a copyright with ownership of a copy of the copyrighted
 material.” *Id.* Also, unlike here, the computer program at issue was transferred “without
 material restriction.” *Id.* at 124-25.

1 Decl. p. 25).) Moreover, receiving only a license, CTA was allowed to obtain an upgrade at less
 2 than 15% of the cost of a new license. (Consent Judgment ¶ 7 (Harris Decl. pp. 26-27) (by
 3 upgrading rather than purchasing new licenses, CTA paid \$495 for each AutoCAD 2000
 4 software license instead of the \$3,750 price for a new license).) The Autodesk License
 5 incorporated in the CTA Agreement also gave CTA the right to make an additional copy for use
 6 on a second computer used only by CTA, whereas the making of such a copy would otherwise
 7 infringe Autodesk's exclusive Section 106(1) right to reproduction. (LaHaie Decl. Ex. A
 8 (Autodesk License Section entitled "Grant of License") (Harris Decl. p. 13).) As noted by
 9 Professor Nimmer in his Reply Declaration, "[t]his is an affirmative grant that is indicative of a
 10 license arrangement, not a simple sale of a copy." (Nimmer Reply Decl. ¶ 12.)

11 Autodesk's general distribution practices, which are typical of the software industry, also
 12 reflect the "economic reality" of licensing rather than sale.⁵ By using a multi-tier licensing
 13 structure, Autodesk is able to offer different pricing for essentially the same software based on
 14 the differing uses to which the software will be put. (Suppes Decl. ¶¶ 12-15.) Indeed, it is the
 15 varying license terms that the software purchasers obtain. As Professor Nimmer explains:

16 In many situations, the *sole factor* that distinguishes a software product lies in the
 17 license terms since the underlying computer code may be identical. Thus, a copy
 18 of a program may be distributed to one licensee under a single-user license, while
 19 a copy of the same program may be distributed to another licensee under a license
 20 to make and distribute 25,000 copies. The sole difference lies in the terms of the
 21 license. The license fee for one might be \$100, while for the other it might be
 22 \$200,000.

23 A licensor may distribute a database program under a license for consumer use for
 24 \$10 per copy, while making the same program available for "any use" for
 25 \$10,000. The difference lies in the license terms.

26 ⁵ In support of his "economic realities" argument, Mr. Vernor also cites *UMG Recordings, Inc. v. Augusto*, 558 F. Supp. 2d 1055 (C.D. Cal. 2008), which involved the distribution of promotional music CDs. As the court noted in that case, "Unlike the use of software, which necessitates a license because software must be copied onto a computer to function, music CDs are not normally subject to licensing. Therefore, the benefits of a license for software do not exist under these facts." 558 F. Supp. 2d at 1062.

1 A license may allow use of the software internally in a single computer for \$400,
2 while a different license would cover all users at a designated site for \$400,000.

3 (Nimmer. Mot. Decl. ¶¶ 30-32.)

4 “Economic reality” also explains why the Autodesk License now requires destruction
5 rather than return of the software medium in order to prohibit a purchaser from transferring the
6 software to a different user when the purchaser upgrades its license. Autodesk made this change
7 because it was more efficient and resulted in decreased costs to the consumer. (Suppes Decl.
8 at ¶ 19.) This is also true of the software industry generally. Return of the tangible media is not
9 relevant to the economic reality of the transaction. As Professor Nimmer explains,

10 In a license, any tangible media used to make software available to a licensee is
11 treated as a mere conduit, rather than as the focus of the transaction. The parties
12 do not negotiate or set a price focusing on a plastic disk, but on the right to use the
13 digital software contained on the disk. Because of this, many license agreements
14 do not require return of the tangible media when the license ends; returning the
15 disk adds costs, imposes burdens and is not relevant to terminating the rights
16 granted or enforcing the limitations. In software licensing, the economic and
17 business reality is that the medium on which the code is delivered loses
18 significance as soon as the program is loaded into a computer. Requiring a return
19 of that irrelevant, widely-distributed tangible medium would impose large
20 monitoring and enforcement costs without helping in enforcement of the license.

21 (Nimmer Mot. Decl. ¶ 15.)

22 In support of his “economic reality” argument, Mr. Vernor also argues that “everything
23 about the process of buying AutoCAD resembles a traditional retail transaction rather than a
24 licensing arrangement.” (Pl. Mot. at 10.) This argument is without foundation and disingenuous
25 at best.⁶

26 ⁶ Pursuant to Civ. L.R. 7(g), Autodesk objects to paragraph 7 and Exhibit 1 of the Vernor
Declaration on a number of grounds. First, Exhibit 1 lacks foundation because there is no
indication of the dates the web pages were printed, by whom, or the exact internet address of the
pages provided. Furthermore, the web pages themselves are incomplete, and thus misleading
and confusing, as they do not show all of the pages available to a user regarding the AutoCAD
product. Fed. R. Evid. 403. Autodesk also objects to the statement, “There is no apparent
indication to purchasers that the software is not actually being sold or that the purchaser cannot
resell it.” (Vernor Decl. ¶ 7.) Such a statement lacks foundation in that it does not identify a
particular time frame or a particular purchaser, and Mr. Vernor cannot speak from the
perspective of purchasers other than himself. In addition, as discussed herein, that statement is

(Footnote continues on next page.)

1 First, Mr. Vernor asserts that “AutoCAD Release 14 software is sold retail in
2 shrinkwrapped boxes, with the license agreement inside and no indication on the outside of the
3 box that the buyer is acquiring anything less than full ownership.” (*Id.*) Vernor offers no
4 foundation for this statement about how AutoCAD Release 14 was sold in a retail setting.⁷
5 Indeed, he has acknowledged that when *he* purchased the already opened, used Software from
6 CTA at an office liquidation sale, he saw stickers on the jewel cases that stated: “This software
7 is licensed subject to the license agreement that appears during the installation process or is
8 included in the package.” (Vernor Dep. at 88 (Harris Decl. p. 84); Vernor Dep. Ex. 9 (Harris
9 Reply Decl., filed herewith, Ex. A, pp. 9-10).) As admitted in his deposition, he understood the
10 terms of the license agreement when he purchased the Software:

11 Q. To say it a little bit differently, you understood the terms of Autodesk’s
12 software license agreement?

13 A. Yes.

14 Q. And you understood those terms at the time you purchased the software
15 from CTA?

16 A. Yes.

17 (Vernor Dep. at 97-98 (Harris Reply Decl. Ex. A, pp.7-8).) Mr. Vernor also has acknowledged
18 that he found the license agreements in the AutoCAD packages, and moreover, he included that
19 information in his eBay listings for the Software. (Vernor Dep. at 88-89 & Ex. 9 (Harris Decl
20 pp. 84-85, 93-98.)

21 Second, Mr. Vernor points to recent retail website listings for AutoCAD[®], and states
22 “these websites fail to do anything to dispel the impression that they propose something other

(Footnote continued from previous page.)

23 inaccurate based on the language in the cited websites themselves. Accordingly, pursuant to Civ.
24 L.R. 7(g), Autodesk requests that the Court not consider paragraph 7 and Exhibit 1 of the Vernor
25 Declaration.

26 ⁷ Autodesk distributed AutoCAD Release 14 from 1997 until 2001. (Suppes Reply Decl.,
filed herewith, ¶3.) According to his Declaration, Mr. Vernor first purchased a copy of
AutoCAD Release 14 at a garage sale in 2005, and then purchased four copies of AutoCAD
Release 14 from CTA in 2007. (Vernor Decl. ¶¶ 6, 14.)

1 than a typical retail transaction.” (Pl. Mot. at 10.) The websites cited by Mr. Vernor, however,
 2 contradict his assertion. On the Dell site, for example, if one clicks on the “Tech Specs” tab for
 3 the AutoCAD[®] 2008 product, one sees the following:

4	License Type	Complete package
5	License Type	Complete package
6	License Qty	1 user
7	License Qty	1 user
8	License Pricing	Standard
9	License Pricing	Standard
10	Licensing Details	For Autodesk National Fulfillment Channel

11
 12 (Harris Reply Decl., Ex. B (p. 14-15).) The “Glossary and Resource” tab on that same
 13 AutoCAD[®] 2008 page explains that “License Qty is defined as number of product/software
 14 copies that a user can use legally”; “License Type is a contract that grants a party explicit right to
 15 use product”; and “Licensing Details is the information about the terms and condition [*sic*] that
 16 must be followed.” (*Id.* (p. 19).)

17 Likewise, the CDW web page provided with the Praecepte to Mr. Vernor’s Declaration
 18 includes similar license details about the AutoCAD[®] 2009 product:

19 Category: Creativity application
 20 Distribution Media: DVD-ROM
 21 License Category: Shrinkwrap
 22 License Pricing: Standard
 23 License Qty: 1 user
 24 License Type: Complete package
 25 Licensing Details: For Autodesk National Fulfillment Channel
 26

1 (Vernor Praeipse to Decl. Ex. 1 (Dkt # 56).)⁸

2 Finally, Mr. Vernor’s reference to online purchasing of AutoCAD[®] software on the
3 Autodesk website is also misleading because it includes only one of many pages an online
4 purchaser would see. Under the “How to Buy” Section of the Autodesk website, for example,
5 there is a web page entitled “Licensing, Registration and Activation,” which explains:

6 Learn about the various types of Autodesk software licenses, and decide which
7 one is right for you and your organization. If you have already obtained licenses,
8 learn how to activate the type of license you’ve purchased.

8 (Harris Reply Decl., Ex. C (p. 26).)

9 Thus, each of the examples cited by Mr. Vernor demonstrates that the “economic
10 realities” of the situation, and not merely the piece of paper included in the box, plainly indicate
11 to consumers that the software is being licensed.

12 **C. Professor Nimmer’s Analysis Supports the Conclusion that the Transfer to**
13 **CTA Was a License, Not a Sale**

14 Somewhat paradoxically, Mr. Vernor argues that “Professor Nimmer’s Declaration does
15 not support Autodesk’s position.” (Pl. Mot. at 12.) This argument seems to be founded, at least
16 in part, on confusing the declarant, Professor Raymond Nimmer (“Professor Nimmer”), with
17 David Nimmer and/or the late Melville Nimmer, whose treatise, *Nimmer on Copyright*,
18 Mr. Vernor quotes at pages one and fourteen. (*See* Nimmer Reply Decl. ¶ 3.)

19 Mr. Vernor characterizes Professor Nimmer’s “background [as] dominated by his
20 experience as a professor and scholar of copyright law” (*id.*) — something that might be truly
21 said of David and Melville Nimmer — but not of Professor Raymond Nimmer, who, “while [he]
22 has done extensive work on copyright, [has] had an equally extensive connection with software
23 licensing and related practices.” (Nimmer Reply Decl. ¶ 3.) In addition to authoring treatises on

25 ⁸ Contrary to his suggestion, the “lease” option cited by Mr. Vernor refers to different
26 types of payment plans, not to different software licensing options. (*See* Vernor Praeipse to
Decl. Ex. 1 (CDW portion); Harris Reply Decl., Exh. D, p. 29.)

1 Computer Law and Modern Licensing Law, both of which have substantial coverage of software
2 licensing, Professor Nimmer was the chief reporter for what became the Uniform Computer
3 Information Transactions Act (UCITA), which deals primarily with digital transactions,
4 including particularly software industry transactions. (*Id.* ¶ 1.) Through his professional
5 activity, including representation of a wide range of clients in the computer software industry,
6 Professor Nimmer has “had broad contact with and obtained knowledge of the distribution
7 methods used throughout the computer software industry.” (*Id.*)

8 Mr. Vernor also complains that Professor Nimmer “never offers an opinion about the
9 particular facts of *this case*” and “restates the language of the license agreement [but] draws no
10 legal or factual conclusions from it.” (Pl. Mot. at 13 (emphasis in original).) To dispel any
11 doubt as to the application of the principles set forth in his prior declaration to the Autodesk
12 License at issue here, Professor Nimmer has set forth his analysis in his Reply Declaration.
13 (Nimmer Reply Decl. ¶¶ 4-13.) Professor Nimmer explains, first of all, the relationship between
14 the transfer agreement and the determination of whether a transaction creates a sale or a license.

15 In my opinion, whether an agreement conveys ownership of the copy depends on
16 the terms of the agreement and the limitations it places on the purchaser. A
17 purchaser is a licensee, on the one hand, or an owner, on the other, as a result of
18 the terms of the agreement.

18 . . .

19 I disagree with Plaintiff’s allegation that the agreement, or, as Plaintiff refers to it,
20 the contract, between Autodesk and CTA is not at issue here. That agreement
21 controls the characterization of the initial distribution of the software and
22 determines whether CTA was an owner or a licensee.

21 (*Id.* ¶¶ 6, 13.)

22 Based on his analysis of the terms of the agreement between Autodesk and CTA,
23 Professor Nimmer finds that “[t]he Autodesk SLA establishes restrictions on CTA that are
24 materially inconsistent with CTA being an owner of the copy of the software.” (*Id.* ¶ 11.) He
25 also finds that the intent of the parties “to create a license relationship,” as expressed in the
26 language of the agreement, is “explicit, conspicuous, and without doubt understood by the parties

1 involved.” (*Id.* ¶ 10.) He concludes, based on his analysis, that “CTA was never an owner of the
2 software it received pursuant to the [Autodesk License].” (*Id.* ¶ 13.)

3 Professor Nimmer also takes issue with the passage that Mr. Vernor cites from the
4 David Nimmer treatise regarding the relationship between contractual terms and the operation of
5 the “first sale” exception. As Professor Nimmer explains:

6 This is a quotation from the David Nimmer treatise in which he attempts to argue
7 that the provisions of first sale law over-ride contractual terms. But the reality is,
8 and has long been, that the contract determines whether a sale or a mere license
9 occurs. If there is no sale, then the doctrines that David Nimmer writes about are
10 simply inapplicable. Congress might have been able to provide otherwise, but it
11 did not.

12 (*Id.* ¶ 14.)

13 **D. The Ninth Circuit’s Interpretation of “Owner” in the Section 117 Cases Is
14 Consistent with the Plain Language of the Copyright Act and Its Legislative
15 History**

16 Mr. Vernor argues finally that Congress has not given special protection to software and
17 that only Congress can do so. (Pl. Mot. at 14-15.) This argument misapprehends Autodesk’s
18 argument and the significance of trade industry usage and practice in applying the “first sale”
19 exception to software transactions.

20 The plain language of Section 109 makes it clear that the “first sale” exception applies
21 only to “owner[s]” of copies of copyrighted material, 17 U.S.C. § 109(a), and not to those who
22 obtain copyrighted material “by rental, lease, loan, *or otherwise*, without requiring ownership of
23 it,” 17 U.S.C. § 109(d) (emphasis added). The legislative history reinforces that Congress
24 intended this exception to a copyright owner’s Section 106(3) exclusive distribution rights to
25 apply only to those who acquire the copyrighted material by “outright sale.” H.R. Rep.
26 No. 1476, 94th Cong., 2d Sess. 79 (1976).

This distinction between outright sale and other forms of transfer, including licensing,
applies to all forms of copyrighted material, not just to software. The ability to license rather
than sell software copies is particularly crucial, however, to the software industry because it

1 allows software publishers “to fit their software products to the relevant market and to the price
2 charged.” (Nimmer Decl. ¶ 26.) As Professor Nimmer elaborates:

3 The important point is that the license differentiates among permitted uses of the
4 software. The ability to do so and to enforce the differences between license
5 grants, not only against immediate parties to a contract but also against others
6 who distribute or copy software, is critically important to the entire structure of
the software industry. Reducing the ability to do so would be costly and
inefficient and would impose costs disproportionately on those users who are now
able to benefit from lower prices.

7 (*Id.* ¶ 33.)

8 The ability to license rather than sell is also necessary to protect against unauthorized
9 reproduction because of the ease with which computer software can be reproduced, transferred
10 and used without retention of the original medium that conveyed the software copy. (Suppes
11 Decl. ¶ 17.) This case demonstrates that need. As Mr. Vernor has admitted, he did not even
12 know whether CTA had deleted from its computers copies of the previously installed Software
13 that Mr. Vernor purchased from CTA. (Vernor Dep. at 89-90, 93 (Harris Decl. pp. 85-86, 88).)

14 The widespread use of licensing in the software industry is relevant to the interpretation
15 of a software transaction because it “amount[s] to an ordinary usage of trade” and therefore
16 “reflects the background against which transactions should be interpreted, especially when, as in
17 this case, the terms of the agreement are consistent with the existing trade usage.” (Nimmer
18 Decl. ¶ 23.) Applying the parallel Section 117 “essential step” “owner” requirement to software
19 transactions, the Ninth Circuit has held that a transaction is a license rather than a sale if the
20 transaction is clearly designated as a license and imposes significant restrictions on redistribution
21 or transfer of the software copy by the purchaser. *Wall Data*, 447 F.3d at 785. That holding is
22 consistent with congressional intent as expressed in the plain language of the statute. Moreover,
23 Congress has left that interpretation intact despite revisiting Section 117 in response to the Ninth
24 Circuit’s decision in *MAI Sys. Corp.*, *supra*.

IV. AUTODESK HAS NOT ENGAGED IN COPYRIGHT MISUSE

Mr. Vernor argues that through “restrictive licensing agreements that cut off the right of resale,” Autodesk has eliminated a “secondary market” for its software, and that “Autodesk’s prohibition of the secondary market is misuse.” (Pl. Mot. at 16.) As the cases cited by Mr. Vernor demonstrate, however, no court has found copyright misuse on anything close to comparable facts.

The conduct described by Mr. Vernor as “copyright misuse” is nothing more than the ordinary incidents of licensing copyrighted material. A copyright holder’s exclusive rights include the right to refuse to license a copyrighted work, or to do so “only on terms the copyright owner finds acceptable.” *A&M Records v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001). No court has held that a copyright holder is liable for misuse merely as a result of its enforcing exclusive statutory rights of reproduction and distribution. 17 U.S.C. §§ 106(1) & (3).

Computer software licensing is a long-established means of providing access to valuable intellectual property. (Nimmer Decl. ¶¶ 17-25.) End User License Agreement limitations on transfer are commonplace. (*Id.* ¶ 44.) Software licensees commit copyright infringement by exceeding the limitations of their licenses, and courts enforce software licenses as a matter of course. *See, e.g., S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989). Autodesk’s AutoCAD licensing is in no way extraordinary. It prescribes the number of permitted users, restrictions on resale, limitations on copying, and other typical software licensing restrictions. Mr. Vernor cites no authority for the proposition that Autodesk, or any other software licensor, may not as a matter of public policy enforce the limitations of its license.

Mr. Vernor relies primarily on two cases that have expanded the scope of the copyright misuse doctrine beyond application to antitrust violators: *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516 (9th Cir. 1997), and *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990). Rather than supporting Mr. Vernor’s theory, these cases demonstrate the distinction

1 between Autodesk's ordinary licensing practices and anticompetitive conduct that could
2 constitute copyright misuse.

3 The Fourth Circuit held in *Lasercomb* that the "parallel policies" of copyright and patent
4 law justify recognizing a misuse defense for copyright similar to that in patent law. *Lasercomb*,
5 911 F.2d at 974. The plaintiff in that case had required its licensees to agree to noncompete
6 language proscribing the licensee, and its "directors, officers and employees," from directly or
7 indirectly "writing, developing, producing or selling" potentially competing software. *Id.* at 973,
8 978. The court noted that "[t]he period for which this anticompetitive restraint exists is ninety-
9 nine years, which could be longer than the life of the copyright itself." *Id.* at 978. The court held
10 that the rightholder cannot be permitted to improperly use its granted monopoly on an invention
11 or a work to secure monopoly power to "property not covered by the patent or copyright." *Id.*
12 at 976.

13 In stark contrast to *Lasercomb*, in which the plaintiff sought to project monopoly power
14 beyond its own protected work, Autodesk's license terms only limit resale of its *own* copyright
15 protected software. Mr. Vernor offers no authority to support his assertion that a copyright
16 owner may not license the use of its work in a way that will limit resale or that will better enable
17 the owner to protect against illegal copying of its copyrighted material. Indeed, *Lasercomb*
18 explicitly recognized this right: "Lasercomb undoubtedly has the right to protect against copying
19 of the [software] code." *Id.* at 978. The Lasercomb license was improper because it went further
20 and attempted to suppress independent innovation in the development of competing software.
21 *Id.* Mr. Vernor charges, in effect, that Autodesk is trying to monopolize the sale of its *own* work.
22 Neither *Lasercomb*, nor any other court, has required the owner of a copyrighted work to
23 distribute it solely on terms that would facilitate a "secondary market."

24 The Ninth Circuit's recognition of a copyright misuse defense in *Practice Mgmt. Info.*
25 *Corp.* is also highly distinguishable. In that case, the American Medical Association ("AMA")
26 granted the U.S. Health Care Financing Administration ("HCFA") a license to its proprietary

1 medical procedure coding system, with the restriction that HCFA “not use any other system.”
2 The AMA also required use of it’s coding system in all HCFA programs, “by its agents, and by
3 other agencies whenever possible.” 121 F.3d 516 at 517-18 (quotations omitted); *see also id.* at
4 521 (“The controlling fact is that HCFA is prohibited from using any other coding system . . .”).
5 Using its copyright license to prohibit use of competitors’ products gave the AMA “a substantial
6 and unfair advantage over its competitors.” *Id.* As in *Lasercomb*, the court found misuse
7 because of the attempt to secure a monopoly or competitive advantage outside of the scope of the
8 copyrighted work itself.

9 Lasercomb specifically inhibited competition in its software license, and the AMA
10 demanded exclusivity to the detriment of competitors through its coding system license.⁹
11 Autodesk licensees, by contrast, may develop and sell software, and may use competing
12 software.

13 “In sum, the existing case law teaches that the misuse defense applies when a copyright
14 holder leverages its copyright to restrain creative activity.” *See MGM Studios, Inc. v. Grokster,*
15 *Ltd.*, 454 F. Supp. 2d 966, 997 (C.D. Cal. 2006). Mr. Vernor has not alleged and cannot allege
16 any such restraint by Autodesk in this case. Enforcement through license of its exclusive rights
17 of reproduction and distribution is not copyright misuse.

18
19
20
21
22
23
24 ⁹ *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007), cited by Mr. Vernor, also
25 typifies the kind of innovation-constraining inequitable conduct that might be regarded as
26 copyright misuse and is also highly distinguishable from Autodesk’s mere enforcement of its
license restriction on resale. The defendant in *Shloss* used the copyrights he controlled as an
agent of James Joyce’s estate to prevent the creation of a new work using materials over which
he had no rights.

1 **CONCLUSION**

2 For all of the reasons stated above and in Autodesk's Motion for Summary Judgment, the
3 Court should grant Autodesk's motion, deny Mr. Vernor's motion, and enter judgment for
4 Autodesk on Mr. Vernor's claim for declaratory and injunctive relief.

5 DATED: March 20, 2009

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