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TIMOTHY S. VERNOR,
Plaintiff,
v.
AUTODESK, INC.,
Defendant.

No. 2:07-cv-01189-RAJ

**PLAINTIFF TIMOTHY S. VERNOR'S
REPLY IN SUPPORT OF MOTION FOR
SUMMARY JUDGMENT**

**Note on Motion Calendar:
March 27, 2009**

ORAL ARGUMENT REQUESTED

1 **INTRODUCTION**

2 The parties do not dispute the relevant facts in this case, and the only disputed legal issue
3 was resolved in this Court’s denial of Autodesk’s first motion for summary judgment. Even if the
4 Court does not treat law of the case as a bar to reconsideration, it should reject Autodesk’s
5 argument. Autodesk argues for a rule in which a license agreement could restrict resale simply
6 by stating that resale is prohibited. Autodesk’s position would not only transform the Ninth
7 Circuit’s economic-realities test into a meaningless tautology, it would bring that test into direct
8 conflict with *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).

9 **ARGUMENT**

10 **I. The Court Should Follow the Law of the Case.**

11 When a district court “clearly intend[s] to decide the issues at hand” in deciding a party’s
12 motion for summary judgment, those issues are law of the case. *See Fed. Ins. Co. v. Scarsella*
13 *Bros.*, 931 F.2d 599, 601 n.4 (9th Cir. 1991). Here, the Court’s denial of Autodesk’s motion
14 established as a matter of law that Vernor owns the disputed software and is entitled to resell it.
15 The Court should therefore grant summary judgment to Vernor on his claims for declaratory and
16 injunctive relief against Autodesk’s interference with his resale of the software.

17 To be sure, Autodesk is correct that courts allow exceptions to law of the case under
18 certain circumstances. *Richardson v. United States*, for example, allowed reconsideration of a
19 prior decision where intervening authority had undermined that decision. 841 F.2d 993, 996 (9th
20 Cir. 1988); *see also See Planned Parenthood of Ctr. v. Arizona*, 718 F.2d 938, 949 (9th Cir.
21 1983) (holding law of the case inappropriate where “the evidence on a subsequent trial was
22 substantially different, controlling authority has since made a contrary decision of the law
23 applicable to such issues, or the decision was clearly erroneous and would work a manifest
24 injustice”) (internal quotation omitted). But although the rule “should not be applied woodenly
25 when doing so would be inconsistent with considerations of substantial justice, the discretion of
26 a court to review earlier decisions should be exercised sparingly so as not to undermine the

1 salutory policy of finality that underlies the rule.” *Moore v. James H. Matthews & Co.*, 682 F.2d
2 830, 833-34 (9th Cir. 1982). Thus, a court is at least “ordinarily precluded from reexamining an
3 issue previously decided by the same court . . . in the same case.” *Richardson*, 841 F.2d at 996
4 (emphasis added). Autodesk has given no reason that justifies departing from the rule here.

5 Autodesk argues that law of the case is not appropriate because it filed its first motion for
6 summary judgment without the benefit of discovery, Def.’s Resp. (“Resp.”), at 8, or a hearing,
7 *id.* at 10. If Autodesk had relied on relevant evidence obtained in discovery or had asked for a
8 hearing, it might have a point. However, the relevant facts in this case have never been disputed,
9 and both the AutoCAD license agreement and the Cardwell/Thomas Associates (“CTA”)
10 settlement were before this Court when it decided Autodesk’s first motion. *See* Order of July 29,
11 2008 (“Order”), at 15 (“[I]t appears that all evidence relevant to whether the Autodesk-CTA
12 transaction was a sale is before the court.”). Indeed, this Court explicitly considered the
13 provisions on which Autodesk relies, including the provisions governing upgrades and
14 destruction of the software, and held that those provisions were insufficient to establish a license.
15 *See* Order at 10-11 (“Even a requirement that the print be salvaged or destroyed [is] insufficient
16 to negate a sale where the transferee was not required to return the print.”). Moreover, Autodesk
17 extensively discussed the software industry’s practice of “licensing” software in its first motion,
18 and Vernor has never disputed the existence of this practice. As this Court held, such licenses
19 may in some cases give Autodesk an action for breach of contract, but nothing in the Copyright
20 Act exempts the software industry from the first-sale doctrine. *See* Order at 15-16.¹

21 The only fact that Autodesk claims to have uncovered in discovery is Vernor’s
22 “admission that he advertised the Software [on eBay] as ‘not currently installed on any
23 computer’ without knowing whether or not that was true.” Resp. at 4. Autodesk never explains,

24 ¹ Autodesk’s second motion also relies on *past* versions of its license agreement that, unlike the agreement
25 at issue here, required return of the software at the end of the license term. As explained below, Autodesk’s
26 abandonment of its return requirement, far from advancing its argument, is a virtual admission that the economic
realities of the transaction did not support a true license-style arrangement and that the transaction was, in fact, a
sale. For purposes of law of the case, the important point is that Autodesk did not need discovery to obtain its own
past license agreements, and thus could have made this argument in its first summary judgment motion.

1 however, how Vernor’s eBay listing is relevant to the question whether he was an owner of the
2 software. Vernor did not list the software on eBay until *after* the AutoCAD software had been
3 transferred from Autodesk to CTA and from CTA to Vernor. His eBay listings thus could not
4 have had any effect on the nature of these earlier transactions.²

5 Autodesk puts forward one other “fact” that was not available to it when it filed its first
6 motion for summary judgment—a consent judgment entered between itself and CTA in the
7 Northern District of California. Autodesk relies on this consent judgment for the legal
8 proposition—agreed to by the parties to that case—that CTA did not own the disputed AutoCAD
9 software and thus could never have sold it to Vernor. Defs.’ Mot. for Summ. J. at 14. Although
10 that conclusion flies in the face of this Court’s previous decision in this case, the consent decree
11 relies on authorities Autodesk considers favorable to its position, ignoring *Wise* and citing this
12 Court’s decision only in a “but see” citation. Consent Judgment ¶ 11. To the extent Autodesk is
13 arguing that the consent judgment affects this Court’s decision or otherwise impacts the outcome
14 of this case, its argument is frivolous. “The way in which a consent judgment or consent decree
15 resolves, between the parties, a dispute over a legal issue is not a ruling on the merits of the legal
16 issue.” *Langton v. Hogan*, 71 F.3d 930, 935 (1st Cir. 1995). The consent judgment therefore has
17 no relevance either as a legal precedent or as a bar to Vernor’s claims. *Id.*; *see also Martin v.*
18 *Wilks*, 490 U.S. 755 (1989) (holding that parties to litigation cannot enter a consent judgment
19 that affects the rights of a non-party).

20 Because the consent judgment was negotiated and agreed to by Autodesk and CTA, it is
21 binding only on those parties. *See Langton*, 71 F.3d at 935. In that regard, the consent judgment

22
23 ² Autodesk seems to be suggesting dishonesty on Vernor’s part, but Vernor meant only that *he* had not
24 installed the software on any other computer and had no reason to believe anyone else had retained an installed
25 copy. Nobody selling used software—or, for that matter, used books, music, or videos—can guarantee that all past
26 owners have properly disposed of every stray copy, and no reasonable purchaser would assume that Vernor was
making such a guarantee. Indeed, Autodesk’s argument only highlights the impracticability of imposing
responsibility on Vernor for the acts of all previous owners in the software’s chain of custody. In any case, Vernor’s
statement was, in fact, true. Cardwell-Thomas was the only previous possessor of the software, and it had replaced
Autodesk Release 14 with a newer version before selling it to Vernor. Resp. at 9. Thus, there were no installed
copies when Vernor made the claim.

1 demonstrates that Autodesk was able to prevail in its claim against CTA for breach of its license
2 agreement (a claim that Autodesk framed as copyright infringement, but could just as easily been
3 framed as breach of contract). At the very least, this fact seriously undermines Autodesk’s claim
4 that it needs an *additional* right of action against every downstream user or seller of the same
5 software, regardless of whether they agreed to Autodesk’s licensing terms.³

6 **II. The Economic Reality of the Relevant Transactions Demonstrates that Vernor Is an**
7 **Owner, Not a Licensee, of the Disputed Software.**

8 Even if this Court is inclined to reconsider its prior decision, it should reach the same
9 result. Autodesk now clearly disclaims any argument that “calling a transaction a ‘license’ is
10 enough by itself to transform a sale into a license.” Resp. at 8 (calling the argument a “straw
11 man”). With this concession, Autodesk appears to accept the central holding of *Wise*, that the
12 *circumstances* of a transaction, rather than the label alone, determine whether a transaction is a
13 license or a sale. Nevertheless, Autodesk continues to follow a formalistic view of the
14 circumstances surrounding a license agreement, arguing that the only circumstance needed to
15 create a license is a prohibition on distribution. *Id.* In focusing on this one factor, Autodesk
16 disregards far more compelling circumstances that conclusively establish a sale.

17 **A. The Relevant Property Is the “Particular Copy” of Software at Issue.**

18 Before examining the circumstances surrounding the relevant transfer in this case, it is
19 important to first understand the property that is being transferred. Under the Copyright Act, the
20 relevant object for purposes of examining the transfer is the *particular copy* of AutoCAD
21 software being sold.

22 The Copyright Act’s first-sale provision, 17 U.S.C. § 109, provides that an “owner” of a

23 ³ Autodesk also refers to the legislative history of section 117 as a “fact” justifying abandonment of law of
24 the case. Legislative history, however, is not a fact, but a legal issue that Autodesk could have made in its first
25 motion. See *Oklahoma ex rel. Dep’t of Human Servs. v. Weinberger*, 741 F.2d 290, 291 (10th Cir. 1983); *Schlothar*
26 *v. Territory of Alaska*, 276 F.2d 806, 815 (9th Cir. 1960). Regardless, Autodesk cites no actual legislative history, in
the form of committee reports or otherwise, supporting its reading of the statute. As explained in Vernor’s motion
for summary judgment, Congress would not have been likely to dramatically expand the power of copyright owners
with a provision that is expressly designed as a *limitation* on copyright owners’ rights. Nor would Congress likely
use an amendment overruling *MAI* to tacitly announce a broad limitation on the first-sale right.

1 copy of a work is entitled to resell that copy “without the authority of the copyright owner.” In
2 arguing that Vernor is not an “owner” under this provision, Autodesk defines the term with
3 respect to the “bundle of rights” over its software, “including the right to convey [the property]
4 to others.” Def.’s Mot. Summ. J. at 10-11. Autodesk assumes that the ownership the Copyright
5 Act refers to is not ownership of a *thing*, but ownership of the *right to distribute* that thing.

6 The statute, however, does not say “owner of the exclusive right to distribute,” it says
7 “owner of a *particular copy*.” 17 U.S.C. § 109(a) (emphasis added). A “copy,” as defined by the
8 Copyright Act, is a “*material object . . . in which a work is fixed*.” *Id.* § 101. For example, the
9 “particular copy” of a book is the paper and binding that make up that copy of that book, along
10 with the printed words inside. The purchaser of a particular copy of a book becomes the “owner”
11 of that physical copy, in the sense of the material object, and thus has the right under the first-
12 sale doctrine to read it, sell it, or destroy it without permission of the copyright owner. See
13 *Krause v. Titleserv, Inc.*, 402 F.3d 119, 122 (2d Cir. 2005); John A. Rothchild, *The Incredible*
14 *Shrinking First Sale Rule*, 57 Rutgers L. Rev. 1, 48-49 (Fall 2004). However, the purchaser does
15 not become owner of any of the copyright owner’s exclusive rights under § 106, and thus has no
16 right to make additional copies of the book or to distribute those additional copies. See 17 U.S.C.
17 § 202 (“Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct
18 from ownership of any material object in which the work is embodied.”).

19 The Copyright Act makes clear that there is no difference between books and software in
20 this regard by providing that a “copy” includes fixation of a work not only by printing on paper,
21 but “by any method now known or later developed,” and regardless of whether the purchaser can
22 read the copyrighted material “directly or with the aid of a machine or device” such as a
23 computer. 17 U.S.C. § 101. Thus, when Vernor purchased a copy of AutoCAD at a garage sale,
24 he became the owner of that “particular copy” of the software, including the compact disc on
25 which the data was stored and the magnetic bits that made up that data. Like the owner of a
26 book, Vernor’s ownership of the particular copy gave him the right to use it, sell it, or destroy it.

1 Also like the owner of the book, however, he did not own the copyright in the software, so he
2 could not make unauthorized copies of it.

3 Accordingly, the relevant question in this case is not, as Autodesk assumes, whether the
4 company transferred the right to distribute its software to Vernor, but whether it transferred the
5 physical box and media that constitute the “particular copies” of AutoCAD in this case. No
6 matter how many exclusive rights Autodesk purports to withhold, Vernor is an “owner” for
7 purposes of § 109(a) if he owns the *physical media* on which his copy of AutoCAD resides.

8 **B. Autodesk’s Ban on Secondary Market Distribution Does Not Create a**
9 **License.**

10 Believing that the relevant transfer under the Copyright Act is a transfer of its exclusive
11 right to distribute its software, Autodesk argues that the only thing needed to preempt the first-
12 sale doctrine is a license agreement that withholds the distribution right. Resp. at 8. By retaining
13 the right to distribute, Autodesk claims it can deny that right to a recipient of the software.

14 If Autodesk were right that a copyright owner’s prohibition on distribution is enough to
15 preempt the first-sale doctrine, the doctrine would be reduced to little more than a tautology. Any
16 license that allowed resale would make the recipient an owner, and, as an owner, that recipient
17 would be allowed to resell the work. On the other hand, any license that purported to *prohibit*
18 resale would convert the owner into a licensee, thus ensuring that resale would be prohibited.
19 Under this standard, the only thing a software publisher would have to do to eliminate the
20 protections of the first-sale doctrine would be to state that resale is prohibited. The important
21 right recognized by the first-sale doctrine would be reduced to the whim of the copyright owner.

22 Moreover, Autodesk’s position runs headlong into the Supreme Court’s decision in
23 *Bobbs-Merrill*. Like Autodesk, the book publisher in *Bobbs-Merrill* created a “license” that
24 purported to impose a substantial restriction on resale. *Bobbs-Merrill Co. v. Straus*. 210 U.S. at
25 341. Also like Autodesk, the publisher argued that because it had withheld the distribution right,
26 any unauthorized distribution was an infringement of its copyright. *Id.* at 349. The Supreme
Court, however, disagreed. The Court held that the exclusive right of distribution covered the

1 right to distribute each copy *one time*, but did not encompass “the authority to control all future
2 retail sales.” *Id.* at 351. Because the publisher had no right to control downstream sales, it could
3 not withhold that right in its license agreement.

4 Autodesk attempts to reconcile its position with *Bobbs-Merrill* by claiming that the
5 transaction in that case was a sale rather than a license. Resp. at 8. But that argument is circular.
6 In Autodesk’s view, a transfer that calls itself a license and restricts resale *is* a license. Those
7 features were present in *Bobbs-Merrill* (“[n]o dealer is licensed to sell it at a less price, and a sale
8 at a less price will be treated as an infringement of the copyright”) and are equally present in
9 Autodesk’s license agreement here (“Autodesk . . . grants you a nonexclusive, nontransferable
10 license to use the enclosed program . . .”). There is no reasonable basis on which to distinguish
11 the two licenses.

12 Autodesk also relies on *Bobbs-Merrill*’s statement that the case involved “no claim . . . of
13 contract limitation, nor license agreement controlling the subsequent sales of the book.” Resp. at
14 8. Seizing on the second part of this sentence, Autodesk reasons that if the transaction was not a
15 “license agreement” then it must instead have been a sale. *Id.* But the Supreme Court did not use
16 the phrase “license agreement” in the sense that Autodesk uses it here, to mean an alternative to a
17 sale. When the Court wrote that there was “no contract or license agreement controlling . . .
18 subsequent sales,” it meant only that there was no *agreement* governing downstream sale of the
19 books. In other words, the downstream purchaser (Macy’s) had never agreed to abide by the
20 terms of the copyright owner’s license agreement. *Bobbs-Merrill*, 210 U.S. at 350 (noting that
21 Macy’s “made no agreement as to the control of future sales of the book, and took upon [itself]
22 no obligation to enforce the notice printed in the book”).

23 The significance of the language Autodesk quotes is thus only to make clear that the case
24 was about copyright, not contract law. Because the book publisher had no privity with Macy’s, it
25 asserted no claim for breach of contract, just as Autodesk asserts no such claim here. If there
26 were any doubt that this was the Supreme Court’s intended meaning, the Court resolved it in

1 *Quality King*. There, the Court quoted the same portion of *Bobbs-Merrill* on which Autodesk
2 relies, explaining the passage as “emphasiz[ing] the critical distinction between statutory rights
3 and contract rights.” *Quality King Distrib. v. L’anza Rsch. Int’l, Inc.*, 523 U.S. 135, 143 (1998).

4 Autodesk’s second argument for distinguishing *Bobbs-Merrill* also founders as a result of
5 Autodesk’s failure to distinguish between copyright and contract law. Autodesk argues that,
6 “unlike the purchasers in *Bobbs-Merrill*, . . . [CTA] specifically agreed” to the license terms.
7 Resp. at 9. Whether parties have agreed to specific terms, however, is a point relevant to a breach
8 of contract claim, not to a claim of copyright infringement. Regardless of what CTA agreed to,
9 *Vernor* never agreed to the license terms.

10 **C. All Other Circumstances Point to a License Rather Than a Sale.**

11 Courts have consistently recognized that certain characteristics are typical of a
12 transaction that is truly a “license,” while others are more indicative of a sale. Aside from the
13 restrictions on resale in Autodesk’s license agreement, all the circumstances surrounding the
14 transaction in this case indicate that it is a sale.⁴

15 To begin with, as this Court has recognized, Autodesk’s license agreement establishes
16 that the company maintains no real interest in “particular copies” of AutoCAD after it parts with
17 them. The agreement does not require recipients to return the copies at the end of a license
18 period, and Autodesk makes no effort to reclaim them. The recipient can keep the software
19 forever or throw it away. If the software is lost or destroyed, the license agreement imposes no
20 consequences. Put simply, once a particular copy of AutoCAD is out of Autodesk’s hands, the
21 company has no interest in the copy other than to prohibit it from being transferred or sold. As
22 other courts have recognized, a copyright owner’s permanent loss of possession over a particular
23 copy is a strong indication that the transaction is not a license. *See UMG Recordings, Inc. v.*

24
25 ⁴ Autodesk accuses Vernor of failing to address the CTA settlement agreement, which it claims is the
26 relevant transaction in the case. Resp. at 1. The settlement agreement, however, simply incorporates the AutoCAD
software license agreement. If anything, the agreement lends some weight to the conclusion that the transfer was a
sale. The settlement contract refers to the “acquisition” by Cardwell/Thomas of ten packages of AutoCAD, a term
that sounds more like a purchase than a lease-like arrangement. LaHai Decl. Exh. B at 1.

1 *Augusto*, 558 F. Supp. 2d 1055, 1061 (C.D. Cal. 2008) (“[T]he music industry insiders’ ability to
2 indefinitely possess the Promo CDs is a strong incident of ownership through a gift or sale.”). A
3 video-rental store, for example, would not lend out a DVD without any hope of seeing it again.
4 Rather, the store would expect the borrower to return the DVD at the end of a rental period, and,
5 if the DVD is lost or destroyed, to pay the price of replacement media.

6 Because the current version of Autodesk’s license agreement lacks a return requirement,
7 Autodesk attempts to rely on *past* versions of the agreement, which Autodesk claims formerly
8 imposed such a requirement. Autodesk cites no authority for the proposition that terms in its past
9 license agreements have any relevance for parties to subsequent agreements lacking those terms.
10 Indeed, the presence of the terms in the previous versions of Autodesk’s license agreements only
11 demonstrates Autodesk’s conscious decision to drop them. *See, e.g., Patten v. Signator Ins.*
12 *Agency, Inc.*, 441 F.3d 230 (4th Cir. 2006) (holding the omission of a term from a superseding
13 agreement showed that the omission was intentional and should be given effect). Paradoxically,
14 Autodesk also suggests that its requirement that media be destroyed after an upgrade indicates
15 the existence of a license instead of a sale. A company with a true ownership interest in a
16 *particular copy*, however, would be unlikely to demand that the copy be destroyed. *See United*
17 *States v. Wise*, 550 F.2d 1180, 1193 (9th Cir. 1977) (noting that sales of copyrighted film for the
18 purpose of salvage would “of course” constitute a sale).⁵

19 Autodesk responds to this point by arguing that requiring return of the software would
20 not reflect the “economic realities” of the situation and that the Court should not “penalize
21 adoption of a practice that is more convenient and cost effective.” Resp. at 4. Autodesk is correct
22 that return of the software would serve no purpose, but it gets the significance of this point
23 backward. The reason that return of particular copies would serve no purpose is precisely

24 ⁵ *See also United States v. Atherton*, 561 F.2d 747, 750 (9th Cir. 1977) (following *Wise* and rejecting the
25 argument that the first-sale doctrine did not apply to works “licensed . . . for limited purposes and for limited periods
26 of time”); *Krause*, 402 F.3d at 124-25 (finding a sale where the purported licensee had the right to “discard or
destroy it at will”); *UMG Recordings*, 558 F. Supp. 2d at 1061 (finding a transfer of promotional CDs to be a sale
where “[t]here were no consequences for the recipient should she lose or destroy the Promo CDs—which [the
copyright owner] allegedly considers its property”).

1 because Autodesk has no real interest in those copies. Indeed, Autodesk’s acknowledgement that
2 “the change in policy was motivated by economic realities,” *id.*, is practically a concession that
3 the transfer was not a license, but a sale. Given this admission, even if Autodesk *did* require its
4 software media to be returned, the requirement would not be a reflection of the economic
5 realities of the transaction, but a sham adopted for the purpose of getting around the first-sale
6 doctrine.

7 Another indicia of a sale in this case is Autodesk’s practice of collecting the entire price
8 of its software up-front, in a single lump-sum payment. As the Ninth Circuit recognized in *In re*
9 *DAK Indus.*, 66 F.3d 1091 (9th Cir. 1995), licenses are typically characterized by repeating
10 royalty payments rather than a single lump sum. Once a software company receives the full price
11 of its software, its interest in the exchange is complete. *Id.*; *see also Parfums Givenchy, Inc. v.*
12 *C&C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1389 (C.D. Cal. 1993) (“[T]he distribution right
13 and the first sale doctrine rest on the principle that the copyright owner is entitled to realize no
14 more and no less than the full value of each copy or phonorecord upon its disposition.”).
15 Autodesk has no response to this point, other than to distinguish *In re DAK* on the ground that it
16 is a bankruptcy case rather than a first-sale decision. Resp. at 12. But the disposition of assets in
17 a bankruptcy is exactly the sort of real-world situation that the Court *should* look to in
18 determining whether the economic realities indicate a license or a sale.

19 **III. Section 117 Does Not Change the First-Sale Analysis.**

20 Both parties agree that the meaning of “owner” is the same under § 109 and § 117.
21 Therefore, if the Court concludes that Vernor is an “owner” under § 109, there is no need to
22 engage in a separate analysis under § 117.

23 Autodesk devotes much of its argument to *MAI* and the other Ninth Circuit cases to
24 interpret § 117, but this Court has already held those cases to be preempted by the Ninth
25 Circuit’s earlier decision in *Wise*. In addition, these cases’ analysis of the ownership issue is, as
26 this Court noted, extremely cursory. Indeed, the defendant in *MAI* did not even assert a § 117

1 defense, and the court’s discussion of the issue was therefore limited to dicta, while the issue of
2 ownership in *Triad* was mentioned only as part of the case’s factual background. In *Wall Data*,
3 the court cited the dicta in *MAI*, acknowledging the heavy academic criticism of the decision
4 before turning to an alternative, “more fundamental” basis to decide the case. *Wall Data*, 447
5 F.3d at 786 n.9. The *Wall Data* holding was therefore, once again, only dicta.

6 Not only are the *MAI* trio, at most, shaky authority, but they involved, as Vernor has
7 argued, restrictions much more stringent than those maintained by Autodesk, limiting not only
8 distribution of software, but also those who were allowed to access the computers on which the
9 software was installed. *See Storage Tech. Corp. v. Custom Hardware Eng’g & Consult., Inc.*,
10 421 F.3d 1307, 1317 (Fed. Cir. 2005) (noting that *MAI* rested its decision on the “severe, explicit
11 restrictions” in the agreement there). Perhaps more importantly, the software in both *MAI* and
12 *Triad* came installed on hardware that was owned and maintained by the copyright owner. *Id.*
13 Because the copyright owners maintained continued rights over and access to the copyrighted
14 work, the agreement in fact resembled something akin to a lease of a computer system. *Id.* And
15 in *Wall Data*, the defendant installed copyrighted software on 6,007 computers despite having a
16 license to install only 3,663. *Wall Data Inc. v. Los Angeles Sheriff’s Dep’t*, 447 F.3d 769, 774-75
17 (9th Cir. 2006). The defendant could not have been an “owner” of copies of software created
18 without authorization of the copyright owner.

19 **IV. Autodesk’s Attempt to Eliminate the First Sale Doctrine as to Its Software Is**
20 **Copyright Misuse.**

21 A prohibition on downstream transfer of Autodesk’s software is more than an “ordinary
22 incident[] of licensing copyrighted material.” Resp. at 21. It is an attempt to alter the balance that
23 Congress struck between the rights of copyright owners and the rights of consumers. The
24 Copyright Act recognizes several key limitations on the scope of a copyright owner’s rights,
25 including (1) the expiration of copyrights, (2) fair use of copyrighted works under §106, (3) the
26 uncopyrightability of facts and ideas, and (4) first-sale doctrine. *See Rothchild, supra* at 9-10,
103. Copyright misuse occurs when a copyright owner attempts to alter these fundamental limits

1 “in a manner violative of the public policy embodied in the grant of copyright.” *Lasercomb Am.*
2 *v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990); *see also Practice Mgmt. Info. Corp. v. AMA*, 121
3 F.3d 516, 520 (9th Cir. 1997) (recognizing misuse where copyright is used to “secure an
4 exclusive right or limited monopoly not granted by the Copyright Office”). Thus, *Shloss v.*
5 *Sweeney* found a claim for copyright misuse where the copyright owner had used its copyright to
6 obstruct use of non-copyrightable facts and use of copyrighted materials under the fair use
7 doctrine. 515 F. Supp. 2d 1068, 1080 (N.D. Cal. 2007). A copyright owner could also commit
8 misuse by violating one of the other public policy choices embodied in the Copyright Act, such
9 as by using a license agreement to extend the length of its copyright monopoly.

10 The function of the first-sale doctrine is to balance the incentive for copyright owners to
11 create new works with the rights of the public to control the things they own. The balance struck
12 by the Copyright Act was to give the copyright owner an exclusive right to distribute each copy
13 of its work *one time*. “The first sale doctrine ensures that the copyright monopoly does not
14 intrude on the personal property rights of the individual owner, given that the law generally
15 disfavors restraints of trade and restraints on alienation.” *Brilliance Audio v. Haights Cross*
16 *Comms.*, 474 F.3d 365 (6th Cir. 2007). Giving copyright owners that limited right provides all
17 the incentive that copyright owners need to produce works. *Id.* After that, the fundamental policy
18 embodied in the Copyright Act recognizes that any extra incentive generated to copyright owners
19 is not worth the corresponding intrusion into the public’s rights. *Id.*

20 Autodesk’s license agreement, by eliminating the first-sale doctrine as to its software,
21 unilaterally extends the company’s copyright monopoly in a way that fundamentally alters the
22 balance reflected in the Copyright Act. It is therefore a core example of copyright misuse.

23 CONCLUSION

24 The Court should grant Vernor’s cross-motion for summary judgment.
25
26

Respectfully submitted,

/s/ Gregory A. Beck

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CERTIFICATE OF SERVICE

I hereby certify that on March 27, 2009, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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2 or messenger to the following:

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4 DATED this 27th day of March, 2009.

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