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SEPTEMBER 2013

## *Celebrating* 130 Years!

*The Pattishall McAuliffe firm is celebrating its 130th anniversary of practicing intellectual property law and would like to thank you for your continued support over the years.*

## Digital Pegs in Analog Holes: Competing Analogies in Digital Copyright Litigation

*By Andrew Hughes*



Copyright Registrar Maria Pallante has called for a “Next Great Copyright Act” to address the limitations of the current Act as we move further into a digital age.<sup>1</sup> As Ms. Pallante suggests, the current Act is ill-equipped to handle technological advances in how we create, consume, and share content. This leaves courts to address new technologies by choosing between imperfect analogies to old technologies.

The recent case of *Capitol Records, LLC v. ReDigi, Inc.*,<sup>2</sup> provides an example. Defendant ReDigi operates a “pre-owned digital marketplace,” through which users upload (legally purchased) music to ReDigi’s “Cloud Locker” and ReDigi’s software then deletes the music files from the user’s computer. Users are then able to listen to files or sell them, but if they sell them, they are no longer able to listen to them. When a user buys music from another user, the file is moved to the buyer’s Cloud Locker.

Capitol Records sued, claiming that ReDigi violated its reproduction and distribution rights. The case turned on whether ReDigi’s offering for sale of “used” digital music was protected by the first sale doctrine. The court had to choose between competing analogies: was ReDigi’s model more like a used record store or was it more like peer-to-peer file sharing?

ReDigi argued that its sales were protected under the first sale doctrine, a statutory defense to copyright liability, which provides that “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”<sup>3</sup> In other words, ReDigi argued that its users were just like people selling their old LPs.

The court rejected this analogy, however. Relying on a case concerning P2P file sharing, the court concluded that the user’s uploading of a song onto ReDigi’s server violated the owner’s reproduction right. ReDigi argued that it did not reproduce files, but instead “migrated” them from a user’s computer to its server and deleted them from the user’s computer.

1. Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUMBIA JOURNAL OF LAW & THE ARTS 315 (2013).

2. \_\_\_ F.Supp.2d \_\_\_, No. 12 Civ. 95(RJS) (S.D.N.Y. March 30, 2013).

3. 17 U.S.C. § 109(a).

“ WITHOUT THE BENEFIT OF THE FIRST SALE DOCTRINE, COPYRIGHT HOLDERS ARE (NEARLY) FOREVER ABLE TO LIMIT INDIVIDUALS’ RIGHTS TO SELL THEIR DIGITAL PERSONAL PROPERTY. ”

The copy appearing on the server and subsequently downloaded by a purchaser, argued ReDigi, was not a reproduction, but the same file. The court disagreed, concluding that transfer of the file from one computer to another constituted a reproduction, regardless of whether the original file still existed.

Because the first sale doctrine only applies to the distribution right, it could not insulate ReDigi from liability for unlawful reproduction. Further, because the first sale doctrine only applies to copies “lawfully made under” the Copyright Act, the court’s conclusion that ReDigi made unlawful reproductions meant the doctrine did not apply. Finally, court concluded the first sale doctrine protects only distribution by “the owner of a *particular* copy or phonorecord,” and under the ReDigi court’s analysis, the copy that was sold on ReDigi was different from the copy that was bought on ReDigi, which was different from the copy originally purchased. Ultimately, the court concluded, “the first sale defense is limited to material items, like records,” and not digital music files.

ReDigi argued that changing technologies had made the meaning of the first sale doctrine ambiguous. But the court rejected this argument, quoting a congressional report on the Digital Millennium Copyright Act that addressed the question:

Physical copies of works degrade with time and use, making used copies less desirable than new ones. Digital information does not degrade, and can be reproduced perfectly on a recipient’s computer. The “used” copy is just as desirable as (in fact, is indistinguishable from) a new copy of the same work. Time, space, effort and cost no longer act as barriers to the movement of copies, since digital copies can be transmitted nearly instantaneously anywhere in the world with minimal effort and negligible cost ... The ability of such “used” copies to compete for market share with new copies is thus far greater in the digital world.<sup>4</sup>

Congress here framed the first sale doctrine in terms of a used copy’s ability to compete with a newly made copy. Under this reasoning, it is only because ‘used’ copies are imperfect substitutes for ‘new’ copies that owners are allowed to resell their copies. Thus framed, ReDigi does operate like P2P file sharing, in that faithful copies are easily traded between users.

However, as Ms. Pallante notes, the first sale doctrine “is rooted in the common law rule against restraints” on the alienation of tangible property.”<sup>5</sup> Without the benefit of the first sale doctrine, copyright holders are (nearly) forever able to limit individuals’ rights to sell their digital personal property.

In creating the Next Great Copyright Act, Congress should reconfigure the first sale doctrine to protect individuals’ rights to alienate their digital personal property without needing the permission of the creator, while also protecting content owners against the sale of easily made and easily sold bootleg copies. Striking a balance may require putting the onus on content marketplaces to take steps to prevent users from stashing copies of used works that they sell.

With new content delivery models being continually developed, analogies to older technologies can only take us so far. The laws must be changed to keep up with technology. Even now, as policy makers discuss changes to the first sale doctrine to address new digital ownership models, we have begun to move even further away from a traditional hard copy ownership model and towards a licensing model exemplified by services like Spotify and Netflix. With this new model comes an opportunity to strike a balance between providing access to media and compensation for artists. It also provides a new set of challenges and a new urgency for reform, as the old analogies become ever more tenuous. ■

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4. *Id.* at 11 (quoting USCO, Library of Cong., DMCA Section 104 Report (2001) 82-83.

5. Pallante, *supra* at 311.

## NEW ASSOCIATE

### ■ Paul A. Borovay



Paul has rejoined the firm after working as a summer associate in 2012. Paul received his J.D., *cum laude*, from

the University of Wisconsin Law School, where he also served as Vice President for the Latino Law School Association. As part of his receiving the prestigious Foreign Language and Area Studies Fellowship from the U.S. Department of Education, Paul learned Brazilian Portuguese and studied the differences between the American intellectual property system and that of Brazil. As a participant of the University of Wisconsin's Moot Court Board, Paul and his colleagues received Third Place recognition overall in the Saul Lefkowitz Intellectual Property Competition.

## NEW PARALEGAL

### ■ Sharon Stolfa



With almost ten years of trademark experience, Sharon's specialties include large global portfolio management; strategic planning,

execution and management of new product launches; brand enforcement; mergers and acquisitions; and assignments. Her trademark prosecution experience spans over 190 countries. Prior to joining Pattishall, Sharon worked in-house for major companies in the pharmaceutical and food processing industries. With a deep understanding of client needs from the corporate perspective,

clients can feel confident that Sharon's experience will be beneficial in all their trademark matters, whether in domestic efforts or as clients expand their brands in a globally diverse marketplace.

## APPOINTMENTS

### ■ Phillip Barendolts

Phil has been appointed to the ABA Intellectual Property Law Section CLE Board.

### ■ Thad Chaloeintiarana

Thad was appointed to a second term as the Chair of the Trademark Division for the American Bar Association, Section of Intellectual Property Law.



### ■ Jonathan S. Jennings

Jonathan has been appointed to the Board of the Public Interest Law Initiative (PILI). Jonathan was also appointed to the Nominating Committee for the ABA Intellectual Property Law Section, to Co-Chair the Section's 29th Annual Intellectual Property Law Conference in Washington, D.C. in 2014, and to the CLE Board.

### ■ Robert W. Sacoff

Bob served as Chair of AIPPI Working Question Q234, "Relevant public for determining the degree of recognition of famous marks, well-known marks and marks with reputation," which led to a Resolution at the AIPPI Executive Committee Meeting in Helsinki, Finland, September 5-11, 2013. Bob has also been appointed Chair of the AIPPI US Group Nominating Committee.

### ■ Belinda J. Scrimenti

Belinda has been appointed Co-Chair of the Women's Bar Association of Illinois' October 29, 2013 reception honoring Illinois' new women chief jurists, Hon. Rita Garman, Chief Justice, Illinois Supreme Court, and Hon. Diane P. Wood, Chief Judge, United States Court of Appeals for the Seventh Circuit.

## PRESENTATIONS

### ■ Ashly Iacullo Boesche

Ashly presented "Trademarks in Practice: Searching, Clearance and the Application Process in the U.S.," at the Practising Law Institute's *Understanding Trademark Law in the Global Marketplace* Program in New York City, on July 16, 2013.

### ■ Dale E. Qualls

Dale is the Emerging Technologies Peer Group Vice President for the International Legal Technology Association. He presented "Secure Network Design" at the Inaugural Legal SEC Summit in Lombard, Illinois, on June 13, 2013. Dale also moderated "Cutting-Edge Server Room Technology: What's New and Cool?," and gave presentations on "10 Easy-To-Setup OSS Utility Servers" and "Win Big with [Insert Open Source App Here]" at the ILTA 2013 Catalyst Conference in Las Vegas, on August 21, 2013.

### ■ Robert W. Sacoff

Bob will present "The Ethics of Deception" at the Intellectual Property Law Association of Chicago (IPLAC) Annual Meeting on November 8, 2013.

## Chicago's Best Lawyers, 2013 Edition

David C. Hilliard was honored as the Chicago Intellectual Property Law "Lawyer of the Year."

Robert M. Newbury was honored as a "Best Lawyer" in intellectual property law.

## Leading Lawyers Magazine, Business Edition

Robert M. Newbury, David C. Hilliard, Robert W. Sacoff, Joseph N. Welch II, Brett A. August and Jonathan S. Jennings have been selected as Top Business Lawyers in Intellectual Property Law in Illinois. Joe and Jonathan have also been selected as Top Business Lawyers in Copyright & Trademark Law in Illinois.

## NOTEWORTHY

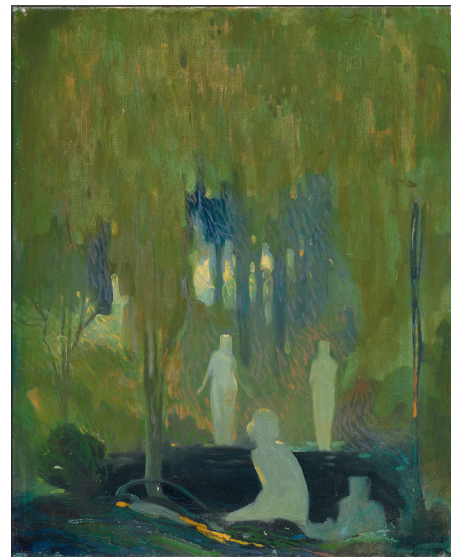
### 130th Anniversary

Pattishall McAuliffe is proud to celebrate 130 Years of service to the IP community and the community at-large. Recent Firm cases have resulted in more than 140 leading federal appellate and district court opinions in intellectual property law. The Firm wishes to thank all of its clients, colleagues and friends for being a part of its historic journey.

### Dreams and Echoes Exhibition

The Art Institute of Chicago will honor the vision and generosity of David and Celia Hilliard with a showcase of 115 works from their collection (61 of which have been given or promised to the museum) in "Dreams and Echoes: Drawings

and Sculpture in the David and Celia Hilliard Collection." The exhibition runs October 20, 2013 through February 16, 2014.



Edward Steichen, *Landscape with Figures*  
Dreams and Echoes Exhibition