Copyright Exhaustion and the Personal Use Dilemma

Aaron K. Perzanowski, Wayne State University
Jason M. Schultz, University of California - Berkeley

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Aaron Perzanowski†
Jason Schultz‡

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† Assistant Professor, Wayne State University Law School.
‡ Assistant Clinical Professor, and Director, Samuelson Law, Technology & Public Policy Clinic, UC Berkeley School of Law.
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INTRODUCTION

Today's digital consumer makes a lot of copies. Consider the purchase of the latest Lil B or Bon Iver CD. Transferring that CD onto a laptop creates at least one copy. Back up that hard drive, and a second copy now exists. Put the music files on your iPod, and you now have a third copy on your hands. Upload it to music locker service, like those offered by Amazon and Google, and you have initiated the creation of not only one copy, but likely dozens or even hundreds of copies. Listen to that music on your phone, your work computer, or a friend's laptop and potentially even more copies are spawned into existence.

Yet despite the ubiquity of such personal copying, copyright scholars and courts have struggled to explain its legal status. Copyright owners—while they generally admit that at least some personal use is lawful—sometimes suggest that such use implicates the exclusive rights of copyright holders to reproduce, distribute, and create derivative works. Consumers, their

1 See John Tehranian, Infringement Nation: Copyright Reform and the Law/Norm Gap, 2007 UTAH L. REV. 537, 543-548 (2007) (describing the many ways in which the daily activity of an average person implicates copyright law); Tim Wu, Tolerated Use, 31 COLUMBIA J. L. & ARTS 617, 618 (2008) (noting that “today every man, woman, corporation and child has the technological ability to copy and distribute, and therefore to potentially infringe copyright in ways both harmful and harmless”).
2 Presumably these services create backups across multiple server farms for reliability purposes.
3 But see Aaron Perzanowski, Fixing RAM Copies, 104 NW. U. L. REV. 1067, 1068 (2010) (arguing against a reading of the Copyright Act that treats temporary instantiations in RAM as copies).
4 The ability to make use of the copies we purchase, after all, is central to the value proposition that motivates consumers to acquire copies in the first place. See Charlie Rose, Interview by Charlie Rose of Bob Iger, President of the Walt Disney Company (PBS television broadcast Mar. 3, 2011), available at http://www.charlierose.com/view/interview/11514 (explaining that consumers “don’t want to be slave to the old format or the old schedule that was forced upon them by a television network or traditional media company…. So what we must do is make the product available to them under flexible or expanded circumstances”). This more accepting position toward personal use evolved over time. See U.S. CONGRESS OFFICE OF TECHNOLOGY ASSESSMENT, COPYRIGHT AND HOME COPYING: TECHNOLOGY CHALLENGES THE LAW (OTA-CIT-422) (Oct. 1989) [hereinafter OTA Study] (noting copyright proprietors argument that aggregate economic effect of individual private use is equivalent to commercial piracy). See also Jessica Litman, Lawful Personal Use, 85 TEX. L. REV. 1871, 1873 (2007) (suggesting that custom might also have been a historical reason for allowing personal uses).
5 See Tom W. Bell, Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine, 76 N.C. L. REV. 557 (1998); OTA
advocates, and third-party facilitators of personal use maintain that these uses and the technologies that enable them are perfectly lawful. Public opinion has generally embraced the notion that consumers are entitled to make personal use of their copies, particularly when that use is non-commercial.

The widely shared intuition that personal use is a healthy component of the copyright ecosystem is rooted in sound policy. Personal use yields a variety of benefits for consumers, innovators, and the copyright system as a whole. It promotes copyright’s goals of increased public access, preservation, and enjoyment of works. It increases economic efficiency through reduction of transaction costs. It encourages innovation. And it protects consumer expectations of autonomy and privacy. But largely overlooked are the ways in which personal use also helps copyright holders. Consumers’ ability to engage in personal use of the copies they own encourages them to continue purchasing legitimate copies of works, compensating rights holders, and—under copyright’s bedrock assumption—inciting artistic creation. Lawful personal use can also help address copyright law’s credibility crisis by closing the gap between rights holders’ interpretations of the law and the public’s understanding of it.

Yet despite these strong normative justifications and the largely shared intuitions about personal use’s legitimacy, the doctrinal rationale for concluding that such acts are non-infringing remains illusive and unclear. Courts and commentators have turned to three doctrines—narrow statutory interpretation of copyright’s exclusive rights, fair use, and implied license—to justify personal uses. While these doctrines all have their place, each of them is limited in important respects and potentially vulnerable to erosion in the long term. Moreover, because personal use has historically been litigated in the context of secondary liability rather than claims for direct infringement.

7 Litman, supra note 4; see infra Part II.A.
8 See OTA Study, supra note 4; Nicole Kobie, Format shifting may finally be legalized, PC PRO, August 2, 2011, http://www.pcpromo.co.uk/news/369064/format-shifting-may-finally-be-legalised (“Private copying is carried out by millions of people [in the UK] and many are astonished that it is illegal in this country.”).
9 See infra Part I.A.
10 See infra Parts I.B-I.D.
against individual users, courts often end up making generalized conclusions about personal use instead of individual assessments. Because fair use and implied license depend heavily on the facts of particular cases, these doctrines prove less reliable, robust, and predictable than we would prefer.

The battle over personal use and its legality is intensifying for four reasons. First, as more devices and services rely on network communications, the capacity to track consumer behavior and identify specific digital files has increased while the cost of detecting personal uses has dropped dramatically. This gives rise not only to increased copyright enforcement against individuals but also increased opportunity and pressure for consumer surveillance. Second, this decrease in the expense of detection has been coupled with an increased perception of market harm arising from personal use. Copyright owners now license uses that serve as substitutes for unlicensed personal uses. For example, while most people agree that ripping a CD one owns onto iTunes is not an act of infringement, the availability of

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that personal use could dissuade a consumer from paying $9.99 for licensed
digital copies of the same songs from iTunes or Amazon.14 Third, new means
of enjoying works have blurred the distinction between private and public
uses. Historically, personal uses were reliably and accurately characterized as
“private” or “home” copying,15 a label that faces genuine definitional
shortcomings in an era of mobile networked information.16 Fourth, and
perhaps most importantly, technologies that facilitate personal use are
becoming more prevalent. This is due to both increased deployment of cloud
computing platforms that move data from the immediate possession of the
consumer17 and an increased effort to architect services that rely heavily on
the actions of users.18 These facilitators, unlike everyday consumers, are
attractive targets for litigation.

Consider the looming dispute over Amazon’s Cloud Drive.19 Amazon’s
new offering allows consumers to upload gigabytes of media files for storage,
retrieval, and playback on Amazon’s servers, all without licenses from the
relevant copyright holders.20 Despite drawing threats from content

14 See Nate Anderson, US in 2005: legalizing TiVo, CD ripping “sends wrong
policy/news/2011/05/us-in-2005-legalizing-tivo-cd-ripping-sends-the-
wrong-message.ars; OTA Study, supra note 4, 9-10, 14 (assessing studies of
home recording by both the recording industry and the home electronics
industry and concluding that neither establish sufficient evidence of
economic harm to rights holders), 164 (finding strong public belief that non-
commercial home taping is acceptable).
15 See OTA Study, supra note 4.
(C.D.Cal. Apr. 4, 2011); Ryan Singel, Federal Judge Orders Shutdown of Innovative
DVD-Streaming Service Zediva, WIRED EPICENTER, August 2, 2011,
17 See Behind the Scenes – EMI sues mp3tunes,
http://michaelrobertson.com/archive.php?minute_id=247; Janko Roettgers,
Will the MPAA Target RapidShare, Megaupload or Dropbox?, GIGAOM, Feb. 9,
megaupload-dropbox/.
18 This development can be seen as a direct result of the safe harbors
provided by current models of secondary liability, Section 512, CDA 230,
and the volitional doctrine. See Doug Lichtman and Eric Posner, Holding
Internet Service Providers Accountable, THE LAW AND ECONOMICS OF
CYBERSECURITY (ed. Mark Grady & Francesco Parisi), Cambridge University
Press 2006); RealNetworks, Inc. v. DVD-CCA, 641 F. Supp. 2d 913 (N.D.
2004). See also RIAA v. Diamond, 180 F.3d 1072 (9th Cir. 1999).
19 See infra Part IV.A.
20 Google and Apple have also launched cloud-based music servers, with
Apple striking the most comprehensive licensing deals so far. See Casey
Johnston, Apple details iCloud’s digital storage and syncing, free 5GB of storage, ARS
companies that argued Amazon needed one or more licenses to launch, several theories support Amazon's assertion that this service is permitted under existing law. The most prominent is the lawfulness of consumers’ personal uses. As Amazon explained, “the functionality of saving MP3s to Cloud Drive is the same as if a customer were to save their music to an external hard drive or even iTunes.” This assumption—that it is legal for consumers to save copyrighted music to their personal hard drives—seems so intuitive and self-evident that companies such as Amazon are relying on it as their primary justification for millions of dollars of technological infrastructure development and their primary defense to potentially trillions of dollars in copyright statutory damages. As pressure builds to determine the legality of various personal uses and the technologies they depend upon, courts will have to sort out the proper doctrinal framework if they are to preserve the benefits of personal use without undermining copyright’s core incentive structures.

This Article addresses this growing dilemma, providing both a defense of the normative justifications favoring personal use and a stronger doctrinal justification for its preservation in a networked copyright economy. Our approach focuses on the unique entitlement to make use of a protected

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21 See Jacqui Cheng, Amazon on Cloud Player: we don't need no stinkin' licenses, ARS TECHNICA, March 29, 2011, http://arstechnica.com/media/news/2011/03/amazon-on-cloud-player-we-dont-need-no-stinkin-licenses.ars. The question still remains, however, whether and to what extent such licenses are required by law.

22 See id.

23 This presumption also comes across candidly in the approach of other user-driven content sites. See, e.g., Dropbox Terms of Use (TOU), http://blog.dropbox.com/?p=846 (seeking user licenses on the presumption that they have rights to the content); Google Music TOU 11.4-11.5, http://music.google.com/about/terms.html, (“You retain any rights you already hold in Your Music…You confirm and warrant to Google that you have all the rights, power and authority to grant any permissions and give any instructions to Google that may be required to perform the actions necessary to provide you with the Service. You agree that you will not upload, submit, access, manage, play back, display or use any Content (including any portion of Your Music), or direct Google to do anything with Your Music on your behalf, unless you have all of the necessary rights to do so without infringing the rights of any third party or violating any laws or agreements that apply to you, the Content, or Your Music.”). While many of these terms may be part of various belt-and-suspenders efforts to ensure protection under 17 U.S.C. § 512’s safe harbors and the Cablevision/Costar doctrine of non-volitional conduct, taken at face value, they infer heavy dependence on user authority to justify the reproductions, distributions, adaptations, displays, and performances necessary to implement these services.
work that flows from ownership of a lawful copy of that work. In short, consumers who buy copies should be able to use them. When it comes to consumer purchases, we argue that courts should be mindful of the autonomy and private property interests of consumers. We suggest that these considerations are best brought to light through the doctrine of copyright exhaustion as opposed to fair use, implied license, or narrow interpretations of statutory rights.

Owing a copy of a work entitles a consumer to make certain uses of it, even uses that appear inconsistent with the rights of copyright holders. Narrow statutory interpretation, fair use, and implied license, when they take copy ownership into account at all, do so inconsistently and awkwardly, lacking any obvious doctrinal footing for a careful examination of the question of ownership. Exhaustion—the notion that once the copyright holder parts with a particular copy of a work, its power to control the use and disposition of that copy is constrained—places copy ownership at the center of the digital personal use debate. Under exhaustion, any copy owner has the right to reproduce, modify, and distribute her copy in order to fully realize its value qua copy, regardless of location or media format, as long as only one copy is used at a given time. Exhaustion, therefore, reconciles our intuitions about the proper scope of consumer control over copies they own with our formal legal articulations of the scope of infringement liability.

Part I sets out the normative case for personal use and our concerns with its current over-dependency on doctrines that are imperfectly suited to the analysis when copy ownership is a factor in the user's favor. Narrow constructions of exclusive rights may establish important limits on the scope of copyright, but increasingly courts are resistant to such interpretations when they are hard to square with the plain language of the Copyright Act. In addition, given the individualized nature of many personal uses, customizing an interpretation that is both fair and flexible for myriad personal use scenarios may prove challenging. The fair use factors and case law, while more flexible, have developed with an eye to very different sets of problems, often focusing on transformation of the work as the lynchpin to a particular use's legality. As a result, the fair use factors are not a natural or comfortable fit for many personal use scenarios involving copy ownership. Fair use faces even greater challenges as the markets for personal uses become more concrete and measurable. Implied license also faces challenges, especially in an age of digital content accompanied by explicit terms of use and digital rights management technology. These three imperfect alternatives comprise the personal use dilemma. If the benefits of personal use are to persist, some legal justification is needed. But each of the existing alternatives leaves personal use susceptible to unduly expansive interpretations of the power of copyright holders to control consumer behavior.

Part II lays the groundwork for a new approach to personal use by isolate a central factor common to the reasoning of a number of courts that have considered personal use disputes—the largely overlooked influence of

COPY OWNERSHIP. Regardless of the doctrine at hand, these courts have been swayed by arguments that highlight the defendant’s purchase or rightful ownership of the copy at issue. Although these courts recognized the importance of copy ownership to our intuitive understanding of personal use, absent a doctrine that unambiguously takes ownership into account, they have been forced to shoehorn their intuitions into existing frameworks, lessening the transparency, persuasiveness, and ultimately, the predictability of future decisions. After detailing its influence in the case law, this Part identifies several reasons why copy ownership is such a powerful consideration in personal use cases, among them its resonance with romanticism about private property and its consistency with the incentive structure of copyright.

Part III ties these insights about copy ownership to a promising new approach to personal use—the principle of copyright exhaustion. The exhaustion doctrine has rested, partially latent, in copyright law for over a century. It teaches that once the copyright holder parts with title to a particular copy of a work, its ability to control the use and disposition of that copy is greatly diminished. Exhaustion extends beyond the first sale doctrine’s familiar limitation on downstream control over resale or lending of copies. It applies with equal force to reproduction and derivative work rights. To the extent a copy owner reproduces or adapts her copy in order to enable a personal use, exhaustion insulates her from liability. This Part will introduce the exhaustion doctrine, address its application to personal use, and highlight some important hurdles facing it, most prominently the ongoing struggle to define and identify copy owners in a copyright economy characterized by digital distribution and widespread efforts to license rather than sell copies.

In Part IV, we apply our theory of exhaustion to both pre-digital and digital personal uses—including space-shifting tangible media, storing personal media via cloud computing, and jailbreaking personal electronics—to show how courts can resolve such disputes both elegantly and equitably in the digital era.

I. THE PERSONAL USE DILEMMA

A surprising cross-section of parties share the intuition that many personal uses of copyrighted works are non-infringing. Consumers, courts, device manufacturers, service providers, and even the most aggressive of copyright holders now agree that at least some personal uses, including those not explicitly sanctioned by the Copyright Act, create no liability. This

26 See Charlie Rose, supra note 4 (statement of Bob Iger) (“I ripped legally my Beatles CDs to my Apple devices. But then when it became available not legitimately but through the store I bought that, too, even though it was redundant.”); Litman, supra note 4, at n. 1 (citing Mitch Bainwol, Chairman and CEO, Recording Indus. Ass’n of Am., State of the Union Panel Discussion at the Future of Music Coalition Fifth Annual Policy Summit (Sept. 12, 2005), available at
shared intuition derives, in part, from the widespread benefits personal use offers consumers, rights holders, and society generally. As this Part demonstrates, those benefits underscore the need for a solid doctrinal basis for the legality of personal use.

Despite the general consensus that some personal uses are not infringing, the relevant stakeholders and decision makers would offer no uniform response if asked to identify the rule, doctrine, or principle that renders these acts lawful. Instead, three competing rationales have emerged—narrow interpretation of copyright’s exclusive rights, fair use, and implied license. Below, we demonstrate that, despite their initial appeal, each of these three approaches face significant practical and theoretical challenges to protecting personal use.

A. Justifying Personal Use

Personal use does important work in the copyright system. Some of its benefits have been long recognized by scholars. Personal use can increase public access to, and enjoyment and preservation of, works. Likewise, it safeguards consumer privacy and autonomy. Beyond these established benefits, we identify three new justifications for personal use: increased innovation, transactional clarity, and respect for the copyright system.

Ensuring public access, enjoyment, and preservation of works is among copyright law’s core purposes. In the canonical case of Sony v. Universal, the Court recognized the link between this goal and personal use by consumers. After noting that public access is among the constitutional and


27 See Litman, supra note 4, at 1872 n. 7 (noting studies that have described the legal status of personal use as “ambiguous” and unresolved).

28 It is also worth nothing that there has been no single consistent understanding of what we mean when we talk about personal use. Some characterize it as a use limited to certain populations, such as oneself, one’s friends and one’s family. See Litman, supra note 4, at 1894. Others have viewed it through the lens of copyright’s statutory definitions of public versus private. See Sony v. Universal, 464 U.S. 417, 442 (1984). Others have tried to define it based on commerciality or the location of the use. See OTA Study, supra note 4, at 4 n. 3; Litman, supra note 4, at 1873. n. 17. However, new digital and network technologies continue to dissolve these barriers faster than the law can construct them. With a single click of a key, a private personal use can quickly become publicly available worldwide and one’s friends and family can include thousands. See A&M v. Napster, 239 F.3d 1004; Universal v. Corley, 273 F.3d 429 (2nd Cir. 2001); DVD-CCA v. Bunner, 31 Cal. 4th 864 (2003).

29 Litman, supra note 4, at 1874.
Congressional goals of copyright, the Court held that Sony could not be held liable for the sale of Betamax VCRs, in part, because the devices enabled personal uses that benefitted society by facilitating greater access to the cultural works copyright law was designed to spur. In addition to the Court, many scholars have recognized the positive effect of personal use on access and the closely related benefit of preservation.

Consumer privacy and autonomy offer independent reasons to ensure the ongoing vitality of personal use. Lawful personal uses undermine copyright owner efforts to track their customers through various technological invasions of privacy. If personal uses are not infringing, copyright owners have reduced incentives and imprimatur to track consumer behavior. Such concerns over privacy are closely related to the autonomy interests of consumers. Consumers reasonably expect that when they buy something, they own it. As a result they expect to be able to use, alienate, or dispose of their property as they see fit.

30 See Sony, 464 U.S. at 429 (finding copyright’s constitutional purpose “to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”); id. (noting Congress’ task of balancing incentives to authors with society’s interest in access to ideas, information, and commerce).

31 See id. at 454 (“The District Court’s conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits.”).


33 Litman, supra note 4, at 1875. See also R. Anthony Reese, The First Sale Doctrine in the Era of Digital Networks, 44 B.C. L. REV. 577, 594-95, 599 (2003) (noting greater need for both access and preservation when works or permissions are no longer available from the copyright owner).


35 See OTA Study, supra note 4; Litman, supra note 4, at 1876 (citing L. Ray Patterson, Free Speech, Copyright, and Fair Use, 40 VAND. L. REV. 1, 61 (1987) (“The copyright owner, by reason of the Copyright Act and the copyright clause, has not only no right to interfere, but a duty not to interfere with the consumer’s use of a publicly disseminated work.”)). This rationale has also been endorsed by the Supreme Court in both its copyright and patent
imposing restrictions on reasonable personal uses undermines this sense of autonomy and the basic common law notions of personal property that form its basis.\textsuperscript{36}

Moreover, because consumers have deeply held beliefs about the consequences of ownership and their rights to personal uses, acknowledgement of such uses as lawful acts increases the perceived legitimacy of copyright law as a whole. For decades, copyright law has faced a crisis driven by the widening gap between the norms and practices of the public and a legal code intended to govern that conduct. In part, this gap reflects the abrupt and sweeping changes in consumer behavior ushered in by early peer-to-peer networks. But it is also a reflection of the occasional absurdity that occurs when a copyright act drafted with an eye fixed on commercial infringement committed by competitors is applied against the average consumer.\textsuperscript{37} Although additional protections for personal use alone cannot reverse this trend, a rule that validates the deep conviction held by many consumers that they are entitled to use and enjoy the copies they purchase might partially restore their confidence in the copyright system as a body of law that reflects some degree of fairness and deserves our collective respect.\textsuperscript{38} The opposite outcome, one that threatens to impose liability on consumers for engaging in incidental copying for their personal use only reinforces the notion that copyright infringement can be justified as some expression of civil disobedience in protest of a manifestly unjust body of law.\textsuperscript{39}

exhaustion cases. See Quanta Computer Inc. v. LG Electronics, Inc., 553 U.S. 617, 626 (2006) (“[T]he right to vend is exhausted by a single, unconditional sale, the article sold being thereby carried outside the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it.”) (quoting Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 509, 516 (1917)); Bobbs-Merrill v. Straus, 210 U.S. 339, 350 (1908) (“In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.”)

\textsuperscript{36} See id.


\textsuperscript{38} As we will discuss below, exhaustion provides a particularly apt doctrine for achieving this goal of legitimacy, as it shares man of the same normative justifications as personal use. See infra Part III.

\textsuperscript{39} See Kobie, supra note 10.
The positive impact of personal use on innovation is yet another strong justification for its legality. Developers of devices and services that enable consumers to interact with copyrighted works in new ways frequently face threats from copyright holders. Sony became one of the first high profile facilitators of personal use when it released the Betamx video tape recorder. The Supreme Court held Sony was not liable for contributory infringement since the Betamx was capable of substantial non-infringing uses, namely it enabled personal non-commercial time-shifting of television shows. Today, almost every cloud service provider or consumer electronics manufacturer must consider the legality of personal uses when it designs a new product or service. Obtaining ex ante permission for those uses through licenses poses substantial costs that could hinder the development of new technologies that, like the VCR, benefit consumers and copyright holders alike. Licenses can be cost prohibitive, and often take months if not years to negotiate. And the sheer multitude of rights holders involved could prevent comprehensive licensed offerings. If the lawfulness of personal use can inoculate developers from infringement liability, more breathing room for innovation will exist. Moreover, when consumers have the freedom to innovate with the items they own, they are prolific. Given that such innovations are difficult to predict, especially for the original copyright holder, it is even more important to allow consumers the freedom to tinker with the copies they own.


41 See supra note 23 and accompanying text.


45 See *Digital Exhaustion*, supra note 26, at 897-8. See also Microstar v. Formgen Inc., 154 F.3d 1107, 1109 (1998) (noting user creation of 300 additional levels for the videogame Duke Nukem, which originally shipped with 29 levels).

46 See *Digital Exhaustion*, supra note 26, at 898 n. 38.

In this sense, personal user innovation is a version of what Molly Van Houweling and Julie D. Mahoney call “the problem of the future” –
Finally, lawful personal use supports economic efficiency by simplifying the contours of consumer purchases. First, it simplifies transactions by allowing the purchaser of a copy to use it without first referring to an exhaustive contractual articulation of permissions and restrictions imposed by the rights holder. For example, the most recent Terms of Service for the iPhone’s iTunes app contains over 61 screens of information that users are assumed to have read and accepted. The mere cost of reading the terms is likely to far exceed the value of any additional rights granted to the consumer. The simplicity of treating personal uses as lawful is particularly appropriate where consumers are enticed to “buy,” “purchase,” and “own” digital goods like songs, movies, and apps. Such characterizations, coupled with the other economic realities of such transactions—one time payment and perpetual possession among them—signal to consumers that they have the same rights in those goods as they would in any personal property they might acquire.

Taken together, these benefits of personal use offer a strong case in favor of treating many, if not most, personal uses as lawful as a matter of copyright policy. The question that remains is how courts should implement that policy as a matter of copyright doctrine. Below, we turn to the leading approaches for analyzing personal use. While we recognize that these approaches can, have, and will continue to enable courts to excuse personal uses as non-infringing, each of these approaches must contend with shortcomings that could jeopardize personal use.

unanticipated future benefits or desires that cannot easily be realized in a cost-effective manner if current owners of an item must find and renegotiate with the former owners for new permissions. Courts have historically solved this problem via their distaste for ongoing servitudes on personal property. See Digital Exhaustion, supra note 26, at 899 n. 46.

48 See Molly Van Houweling, The New Servitudes, 96 GEO L.J. 885, at 897-98 (“The existence of unusual property rights increases the cost of processing information about all property rights. Those creating or transferring idiosyncratic property rights cannot always be expected to take these increases in measurement costs fully into account, making them a true externality.”) (citing Thomas W. Merrill & Henry E. Smith, Optimal Standardization in the Law of Property: The Numerus Clauses Principle, 110 YALE L. J. 1, 8 (2000); id. at 3 (“[T]he law will enforce as property only those interests that conform to a limited number of standard forms.”)).


B. Personal Use as Unregulated Use

The rights of copyright holders are not plenary. The rights they enjoy over the use of their works are limited. And many personal uses are simply beyond the scope of those limited statutory rights. Thus personal uses of copyrighted works such as singing in the shower or silently reading a paperback are lawful because they simply not covered by any of the Section 106 rights. In particular, the Copyright Act draws distinctions between public uses and private ones, most explicitly in the context of display, performance, and distribution. In addition, Congress has expressly exempted certain personal uses as exceptions or limitations to otherwise applicable exclusive rights. These include the transfer or display of a particular copy of a work and or the adaptation or backup of a computer program.

Thus, as Jessica Litman and others have argued, one can imagine that Congress never intended the exclusive rights of the copyright holder to intrude upon the personal uses of individuals but meant them to be solely enforceable against commercial competitors or other wholesale appropriators. Litman makes a strong argument that this approach makes particular sense given the historical sensitivity that copyright has shown to the interests of readers and users. For example, one could interpret Section 106 as excluding personal copying from the reproduction right and personal adaptation from the derivative right when these restrictions would interfere with the rights of readers, listeners, or viewers of copyrighted material and are not outweighed by increased incentives that further the other goals of the copyright system.

These arguments, however, face challenges in the era of digital distribution of copyrighted works. First, while many analog personal uses were clearly outside of the scope of any section 106 rights, a significant portion of digital personal uses are arguably within their ambit. For example, a consumer who wants to read a legitimately purchased e-book on an unauthorized device or store it on a back-up server will need to make unauthorized reproductions of the e-book and perhaps even adapt it to a new format. The same may be true if one wants to privately view a

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51 The Copyright Act defines these rights in Section 106. 17 U.S.C. § 106; see also Twentieth Century Fox v. Aiken, 422 U.S. 151, 155 (1975) (“Accordingly, if an unlicensed use of a copyrighted work does not conflict with an ‘exclusive’ right conferred by the statute, it is no infringement of the holder’s rights. No license is required by the Copyright Act, for example, to sing a copyrighted lyric in the shower.”)
52 See Litman, supra note 4, at 1882. See also OTA Study, supra note 4 (defining personal use in terms of “home” copying).
53 See 17 U.S.C. §§ 109(a), (c).
55 Litman, supra note 4, at (citing Patterson).
56 Id. at 1883-1894.
57 Id.
58 See, e.g., PDF Expert application for iPad,
purchased movie on an unlicensed home computer. Because these activities seem to fall within the plain meaning Section 106, we worry that courts may be reluctant to read the text of the Copyright Act as excluding personal reproductions or derivative works. Unlike displays, performances, and distributions, there is no textual suggestion that Congress intended to distinguish between private reproductions and public ones.\footnote{Further complicating the question of statutory interpretation, the nature of what is “public” versus “private” when it comes to digital personal uses has changed dramatically. Take, for example, the recent preliminary injunction motion brought against the startup DVD service Zediva. Zediva offers a service whereby it purchases DVDs and inserts them into players in its warehouse. Members then log into the Zediva website and select a particular movie in a particular player to watch. The player then streams the movie over the Internet to the private device of the member’s choosing. In granting the Motion Picture Association of America’s preliminary injunction motion against Zediva, the Court found that even though Zediva had purchased legitimate copies of movies and many consumers were likely watching those movies in the privacy of their own homes, the streaming of the movie still constituted a public performance. See supra, note 18; See also Columbia v. Redd Horne, 749 F.2d at 160; On Command Video Corporation v. Columbia Pictures Industries, 777 F. Supp. 787 (N.D. Cal. 1991). But see Columbia Pictures v. Professional Real Estate Investors, Inc., 866 F.2d 278 (9th Cir. 1989).} While we do not embrace this sort of unreflective textualism when it comes to interpreting the scope of copyright exclusivity, we recognize it as a practical threat to personal use.

Second, we question whether separating lawful personal uses from infringement through the initial filter of the scope of statutory rights is preferable to identifying them through more granular defenses and exceptions to infringement. To reflect both text and legislative intent, courts must have some leeway to provide common law—and common sense—interpretations that make sense of the gaps in the statutory text. However, we worry that narrowing the scope of exclusive rights in order to exclude personal uses could unintentionally tie courts’ hands in future cases, preventing them from addressing subtle differences between uses deemed lawful today and those that may arise in the future. The statute, after all, should not be read to have multiple meanings. If courts separate lawful personal uses from infringing reproductions through narrow readings of Section 106 rights, they may be paving the way for unforeseen consequences to the copyright system more broadly. Moreover, they may be setting the stage for a cascading series of inconsistent and opaque interpretations of the rights that form the core of the copyright grant. By moving the personal use
inquiry to the secondary screening mechanism of defenses and exceptions, courts might be able to offer greater transparency and predictability in their reasoning.

C. Personal Use as Fair Use

The second and most common approach to justifying personal uses lies in the fair use doctrine. Fair use developed at common law as an equitable defense to copyright infringement, allowing for uses that, notwithstanding the copyright owner’s right to exclude, would serve some socially beneficial purpose.\(^{60}\) In 1976, Congress recognized this common law approach in Section 107 of the Copyright Act, emphasizing four non-exclusive factors courts should consider when evaluating whether or not a particular use should be considered fair:

1. the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. the nature of the copyrighted work
3. the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. the effect of the use upon the potential market for or value of the copyrighted work.\(^{61}\)

In addition, Congress identified several illustrative fair uses, including teaching, news reporting, criticism, commentary, scholarship, and research. However, fair uses have not been confined to this list; they have included search engines copying web pages in order to provide better results, software companies reverse engineering products in order to create compatible offerings, and education services copying student essays in order to detect plagiarism.\(^{62}\)

Because of its flexibility, fair use has some appeal for protecting personal uses. Fair use began as an equitable defense, implying that circumstances such as good faith or fairness should help consumers who make personal uses defend against accusations of infringement.\(^{63}\) And it

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\(^{62}\) See A.V. v. iParadigms, LLC, 562 F.3d 630 (4th Cir. 2009) (plagiarism detecting); Perfect 10 v. Amazon.com, 508 F.3d 1146 (9th Cir. 2007) (information location tools); Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003) (same); Sony Comp. Entm’t v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000) (reverse engineering); Sega Enterprises Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992) (same).

\(^{63}\) See Wall Data v. LA County Sheriff’s Dep’t, 447 F.3d 769 (9th Cir. 2006) (noting that fair use may be appropriate where the “custom or public policy” at the time would have defined the use as reasonable.) (citing Study No. 14, Fair Use of Copyrighted Works: Hearing Before the Subcomm. on Patents, Trademarks
reflects a longstanding preference for non-commercial and socially beneficial uses. However, as fair use case law has evolved, these two indicia of fair use have become more myth than reality in terms of their impact on the court’s ultimate conclusion. Instead, courts have increasingly looked to factors emphasized by the Supreme Court and the leading fair use circuits—the Second and Ninth. Today, fair use is dominated by the question of transformation under the first factor and the question of market harm under the fourth factor.

The transformation test, championed by Judge Pierre Leval in the Second Circuit and eventually adopted by the Supreme Court, asks “whether the new work ‘merely supersedes[s] the objects’ of the original creation ... or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” Transformation tends to focus on the creation of new content


65 See, e.g., H.R. REP. NO. 94-1476, 94th Cong. (2d Sess. 1976) (“Another special instance illustrating the application of the fair use doctrine pertains to the making of copies or phonorecords of works in the special forms needed for the use of blind persons. These special forms, such as copies in Braille and phonorecords of oral reading (talking books), are not usually made by the publishers for commercial distribution. While making multiple copies or phonorecords of work for general circulation requires the permission of the copyright owner, a problem addressed in section 710 of the bill, the making of a single copy or phonorecord by an individual as a free service for a blind person would properly be considered a fair use under section 107.”); Sony v. Universal, 464 U.S. at 456 n. 40 (stating that copying “of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying.”).

66 Neil Netanel, Making Sense of Fair Use, 15 LEWIS & CLARK L. REV. 715 (2011); Litman, supra note 4, at 1902 (noting most fair use cases involve public commercial uses). There is likely also some path dependency in the lure to invoke fair use, both because of our familiarity with it and because there are so few other plausible defenses when once scans the contents of Title 17.

67 Netanel, supra note 66 at 734 (“the transformative use paradigm ... overwhelmingly drives fair use analysis in the courts today”); Litman, supra note 4, at 1899.


69 Id.
out of old, favoring uses including parody, commentary, and criticism.  

Personal use, however, is rarely “transformative” in this classic sense. Consumers engaged in personal use are not seeking to critique the copies they own; they simply want to enjoy them. Even when we transfer a work from one medium to another, we hope that there will be no significant transformation in its content. For example, when we rip a CD and copy the music onto our personal hard drives, we hardly transform the music; instead, we seek to replicate it as faithfully as possible. Thus, in many ways, the transformation test that dominates the fair use inquiry is at odds with the very nature of personal use.

Moreover, the concept of transformative use has proven cognitively challenging for many courts when the use at issue does not involve some kind of expressive or innovation-driven change. Given that many personal uses will lack these indicia, judges may have difficulty reconciling ordinary consumer uses with those of creators and innovators, uses that often differ immensely in their purpose and character.

In addition, accommodating personal use could stretch transformation in too many directions, risking doctrinal incoherence and unpredictability. Fair use is the Swiss Army knife of copyright exceptions and limitations. From parodies, appropriation art, scholarly research, and news reporting to web caching, thumbnails, and reverse engineering, fair use is enlisted to deal with seemingly any close case that arises. But the doctrine is straining under this unreasonable workload. The notion of transformation in particular, as the contemporary touchstone of fairness, has been stretched, contorted, and manipulated to apply to a range of uses far beyond the concept’s original application.

Expecting fair use to deal with all personal uses compounds this burden. One method of relieving some of fair use’s burden is by channeling away some of these cases that can be decided under other doctrines. Rather than forcing fair use to contort itself in order to accommodate every personal use case, we might do better to remove those cases from its docket and allow fair use to focus on the sorts of questions it was designed to answer. By lightening fair use’s load, we can achieve both more coherent and predictable results in both personal use and fair use cases.

70 See Netanel, supra note 66.
71 In fact, Apple and other vendors have specifically invested in technology to accomplish this. See, e.g., http://en.wikipedia.org/wiki/Free_Lossless_Audio_CODEC.
72 See Litman, supra note 64, at 1898-1901; Rebecca Tushnet, Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It, 114 YALE L.J. 535-590, 554 (2004) (noting fair use evolved to deal with unusual or exceptional cases, not common widespread everyday copying).
73 See supra, notes 60-62 and accompanying text.
Courts may also struggle with justifying personal use under the fourth fair use factor. That factor considers the effect of the use on both the current and potential market for the copyrighted work. In the past, copyright owners had difficulty showing that personal uses presented a risk of market harm because copyright holders had little ability to identify, much less monetize those uses. For example, in *Sony*, the Court examined the practice of time shifting—recording broadcast television programs on the VCR for later viewing. The Court held that such practices were fair use for two primary reasons. First, it recognized a finding from the District Court that a substantial number of copyright holders who license their works for broadcast on free television were unlikely to object to having their broadcasts time-shifted by private viewers. And second, that the copyright owners in the case failed to demonstrate that time-shifting would cause any likelihood of non-trivial harm to their works.

The emergence of granular markets for particular uses of digital copies significantly challenges this rational. This is especially true if one looks at the fourth fair use factor as a proxy for licensing market failures, where uses that are unprofitable or impractical for the copyright owner to license are more likely permissible. As markets for licensed services that serve as substitutes for unlicensed personal uses continue to develop, the market failure approach will no longer support those once-lawful uses. As a result, fair use determinations may become less reliable over time. Such rulings would also likely contribute to the already controversial sense that copyright holders are entitled to control any use for which consumers are willing to pay. With markets for new uses of digital copies developing quickly and with considerable success, a fair use analysis driven by the fourth factor may lead to fewer personal uses, not more.

Over-reliance on fair use may also upset consumer expectations. A consumer who purchased a CD a year ago may well have done so on the understanding that her purchase included the right to make personal uses, among them uploading the contents of that disc to a digital locker. But should a court later rule that such uses are infringing because later-developed

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75 See OTA Study, supra note 4.
Exhaustion & Personal Use

Licensed services now offer close substitutes for unlicensed lockers, this once lawful personal use could becoming less lawful by the minute. To the extent we want to avoid placing consumers on ever-shifting legal footing, fair use is not an ideal tool.

Similarly, the third fair use factor, the amount of the protected work copied, almost invariably aligns against personal users since they want to read, watch, or listen to the work in its entirety. When a consumer makes a backup of her digital goods, it is unlikely that she would ever want less than 100% of the content copied. The same is true for ripping CDs, transferring books to a new e-book reader, or watching a movie on a remote device. Copying anything less than the entire work in such circumstances would be akin to ripping out the last page of a novel. While there have certainly been numerous cases where courts have found it reasonable to copy the entirety of a work, it does not make sense doctrinally to have personal use constantly at odds with the very legal test meant to ensure its safety and longevity.

Although we agree with the ultimate holdings of those courts that characterized personal uses as fair, the fact that so many of the fair use factors consistently align against personal uses suggests that some other approach might be preferable.

Finally, fair use has earned a reputation for unpredictable and inconsistent outcomes that offer potential defendants little guidance. Larry

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82 See Sony v. Universal, 464 U.S. at 454-55 (personal copying of 100% of work fair when used for non-commercial time shifting); See Kelly, 336 F.3d at 815; Perfect 10, 508 F.3d at 1146; Nuñez v. Caribbean Int’l News Corp., 235 F.3d 18, 24 (1st Cir. 2000) (use of an entire photograph “of little consequence to our [fair-use] analysis”); Bond v. Blum, 317 F.3d 385, 393 (4th Cir. 2003) (use of an entire book protected by fair use); iParadigms, 562 F.3d at 642 (use of student papers protected by fair use). Accord In re Aimster, 334 F.3d 643 (7th Cir. 2003); RIAA v. Diamond, 180 F.3d 1072 (9th Cir. 1999).

83 The remaining second factor—the natural of the work—is less relevant to most fair use analyses and will most often be either neutral or against personal use, as it is intended to weaken fair use defenses when they involve non-factual creative works. See Campbell, 510 U.S. at 586 (noting second factor is “not much help” when considering transformative uses); Blanch v. Koons, 467 F.3d at 257 (second factor has limited weigh when use is transformative); Mattel, Inc. v. Walking Mountain Productions, 353 F.3d 792, 803 (9th Cir. 2003) (second fair use factor “typically has not been terribly significant in the overall fair use balancing” (quoting Dr. Seuss, Enters. v. Penguin Books, 109 F.3d 1394, 1402 (9th Cir. 1997)).

84 Concern over this uncertainty has led Gideon Parchomovsky and Phil Weiser to suggest an approach that would supplement fair use doctrine with legislatively nudged and privately developed user privileges to make use of digital media. See Gideon Parchomovsky and Philip J. Weiser, Beyond Fair Use, 96 Cornell L. Rev. 91 (2010). We agree that a set of defined user privileges would lend consumers much needed clarity. But as outlined below, we believe those privileges already exist in the common law of copyright.
Lessig has famously called fair use “the right to hire a lawyer,” suggesting that absent litigation no use can be safely deemed fair. However, recent scholarship suggests that this dire characterization of fair use is an overstatement. As Pam Samuelson has demonstrated, if we cluster fair use cases together on the basis of common factual predicates, we can start to make sense of the tangle of case law. For some constituencies, such as manufacturers of consumer electronics or some artists and follow-on creators, fair use can even translate into meaningful guidelines. But in the personal use context, fair use’s reputation as something of a crapshoot remains apt. Fair use cases have primarily been decided by analogy as much as first principles or reference to statutory text. When it comes to personal uses, there is precious little case law from which courts can draw. In the absence of any real guidance, consumers have little certainty about the lawfulness of their uses.

D. Personal Use as Impliedly Licensed Use

The third popular line of defense for personal use has been the doctrine of implied license. Under this doctrine, courts have implied permission to make certain uses of copyrighted works based on the intent of the parties as judged by their conduct. In this regard, courts have taken two approaches. First, when there is evidence that both the copyright owner and the consumer intended that a work be used for a specific purpose, such as when an architect draws up plans and delivers them to a home owner, courts have found an implied license for the home owner to build the structure depicted. Second, copyright owner may grant a nonexclusive license impliedly through conduct if the copyright holder engages in conduct

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88 Wu, supra note 3, at 620; Samuelson, supra note 71.
89 Litman, supra note 4, at 1902-3. Michael Grynberg, Property Is A Two-Way Street: Personal Copyright Use And Implied Authorization, 79 Fordham L. Rev. 435, 451 (2010); OTA Study, supra note 4, at 147, 164 (finding that consumers have very little understanding of how copyright law applies to personal uses but a strong normative sense of appropriate personal use based on ownership of a copy).
90 See Patry on Copyright § 5:131.
“from which [the] other [party] may properly infer that the owner consents to his use.” 92 Applied to personal use, the theory is that when a consumer buys a digital good, the copyright owner has given implied permission for the consumer to make certain limited uses consistent with the bargain struck, such as an implied license for the owner of a CD to transfer it to her iPod.

However, again, there are both structural and doctrinal flaws with this approach to personal use. First, while such an approach may seem appropriate for commissioned copyrighted works, such as a work of art or a contribution to a motion picture, it does not map well to consumer purchases of mass marketed copies. Consumer mass-market transactions occur at more than arms length without a single word exchanged between the consumer and the copyright owner. With the burden of proving the implied license on the accused infringer, 93 this defense is challenging at best in mass-market contexts. 94

Perhaps even more concerning, however, is the increasing use of explicit text and technological measures to indicate the intent of the copyright owner with regard to permitted uses of the work. While most analog copies are sold without explicit use restrictions, 95 most digital goods distributed today comes with some form of End User License Agreement (EULA) or Terms of Use (TOU) attached. These documents almost inevitably specify the set of permissions and uses that the copyright owner wishes to allow, leaving very little room if any for consumers to argue that they have implied permission to put their copies to some other use. 96 For example, Apple’s iTunes Store Terms and Conditions expressly state that consumers are allowed to download their content to “10 Associated Devices, provided no more than 5 are iTunes-authorized computers.” 97 Arguing an implied license allows further copies would be quite difficult. Many copyright owners also employ Digital Rights Management (DRM) technologies on digital goods, which could also serve to indicate the copyright holder’s intent as to what consumers are allowed to do with the goods they purchase. Thus, through both legal and technological instruments, copyright owners are leaving less and less of their intentions unspoken when it comes to personal use.

Even assuming that consumers could argue—notwithstanding any EULA, TOU or DRM—that every purchase of a copyrighted work came

93 See Bourne v. Walt Disney Co., 68 F.3d 621, 631 (2d Cir. 1995).
94 See SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc., 211 F.3d 21, 25 (2nd Cir. 2000) (noting that implied licenses are found only in narrow circumstances).
95 There are a few exceptions. See, e.g., Strauss v. Victor Talking Mach. Co., 243 U.S. 490, 501 (1917); but see UMG v. Augusto, 628 F.3d 1175 (9th Cir. 2011) (generally rejecting labels as restrictions); Bobbs-Merrill v. Strauss, 210 U.S. 339 (1908) (same).
96 See, e.g., Wall Data, 447 F.3d 769 (9th Cir. 2006)
with an implied license for personal use, there are additional limits and vulnerabilities inherent in this approach. First and foremost is the threat of revocation. Implied licenses are just that—implied. Almost all jurisdictions allow copyright owners to explicitly revoke any implied license for use of a copyrighted work. An email, public notice, or even a change to the terms of use of an associated service could be sufficient to remove permission for personal uses. This would place the legality of personal use at the pleasure of the rights holder, undermining consumer confidence in their ability to make such uses and potentially spelling their end.

To address some of these concerns, Michael Grynberg has proposed incorporating an element of reasonableness into the implied license doctrine. By shifting from subjective permission based on intent to a more objective notion of authorization, Grynberg hopes to bring some stability to the rights of consumers. Under this new approach, courts would preserve personal uses as part of the balance between the intellectual property rights of the copyright holder and the personal property rights of the consumer who bought the copy of the work. Grynberg proposes that courts should then consider lawful any conduct that consumers make of their copies as long as it was objectively reasonable to do so.

However, even his innovative approach still seems limited by the inherent doctrinal structure and nature of implied licenses in that they are must be both implied and a license. As noted above, in the age of EULAs, 3

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98 Grynberg, supra note 92, at 454-5.
99 See PATRY ON COPYRIGHT § 5:132 (citing Berg v. Symons, 393 F. Supp. 2d 525 (S.D. Tex. 2005) (“Absent any consideration, an implied license is revoked when the files an infringement action”). See also Grynberg, supra note 92, at 454. But see Carson v. Dynegy, Inc., 344 F.3d 446, 451–452 (5th Cir. 2003); Lulirama Ltd., Inc. v. Axcess Broadcast Services, Inc., 128 F.3d 872, 882 (5th Cir. 1997) (citing 3 NIMMER ON COPYRIGHT § 10.02(b)(5)).
100 For example, in Sony, the Supreme Court held that using a VCR to personally time-shift television programs was a fair use, in part because a substantial number of copyright owners did not object to the practice. 464 U.S. at 456. However, immediately after the decision, several copyright owners who were part of the non-objector group came forward and reversed their position. https://w2.eff.org/legal/cases/betamax/betamax_petition_rehearing.pdf. Had the court premised its holding on an implied license theory, this could have shifted the result significantly. See also Quanta, 553 U.S. at 637 (“LGE points out that the License Agreement specifically disclaimed any license to third parties to practice the patents by combining licensed products with other components…. But the question whether third parties received implied licenses is irrelevant because Quanta asserts its right to practice the patents based not on implied license but on exhaustion. And exhaustion turns only on Intel's own license to sell products practicing the LGE Patents.”).
TOUs, and DRM, the argument that copyright owners have implied anything—be it permission or authorization—becomes weaker every day.\textsuperscript{102} Second, while making revocation only available under “reasonable” circumstance has its appeal, it finds little grounding in the history or common law of implied license and would require courts to completely restructure the doctrine to counter the long-standing preference for allowing copyright holders to remove specific licensed permissions at a later time.

Ultimately, we are skeptical that implied license, absent a near total reinvention of existing doctrine, can offer the secure doctrinal foothold that personal use currently lacks. Nonetheless, Grynberg’s approach recognizes the powerful role that personal property can play in limiting the scope of intellectual property exclusivity. Grynberg identifies the property rights of consumers in their lawfully acquired copies of protected works as a promising basis for establishing the legality of personal use.\textsuperscript{103}

The next Part explores in greater detail the persistent influence of copy ownership on courts’ thinking about personal uses. But while we agree that the property interests of consumers are central to the personal use dilemma, we will argue that copyright exhaustion offers a preferable doctrinal vehicle for concerns over copy ownership.

II. THE CENTRALITY OF COPY OWNERSHIP

Imagine a consumer who returns from her local record store with a new CD in hand. Perhaps it was Record Store Day,\textsuperscript{104} and her favorite artist released a limited edition disc that could only be purchased in one of a dwindling number of brick and mortar music retailers. She paid the $12.99 asking price for the disc, struggled to remove the cellophane packaging, and now stands poised to insert the CD into her laptop and copy its contents to her hard drive. Doctrine aside, our intuition tells us that creating such a copy is a perfectly lawful act.\textsuperscript{105}

Now imagine a second consumer. Much like the first, this consumer heads to her local record store, comes home with a shiny new CD, and copies it to her computer’s hard drive. Unlike the first consumer, however, she didn’t pay for her CD; she shoplifted it. She too returns home and promptly copies the contents of the disc to her device of choice. Although her act of reproduction is identical to that of the first consumer, our shared

\textsuperscript{102} Grynberg’s new theory of implied authorization attempts to establish some independence, or at least distance, from copyright owner intent in order to provide sufficient breathing room for permanent personal use. However, this is quite difficult to reconcile with the history and application of the doctrine. In essence, he wishes for a new rule with an old name.

\textsuperscript{103} See Grynberg, supra note 92, at 467-8.

\textsuperscript{104} http://www.recordstoreday.com/CustomPage/614

\textsuperscript{105} See Samuelson, supra note 71 at 2591 (concluding that “personal uses are often within the sphere of reasonable and customary activities that copyright owners should expect from consumers, especially those who have purchased copies”).
intuition likely points to a different conclusion about its lawfulness.

These two hypotheticals suggest that the difference between copy ownership and simple possession of a copy plays an important, if largely overlooked, role in shaping our perceptions about the reasonableness and the legality of some personal uses. Our intuitions tell us that personal uses made by the owner of a lawfully purchased copy are perfectly legitimate while the same uses made by a non-owner are more dubious. This Part explores why. In it, we identify instances where copy ownership has influenced courts in copyright cases and explore the characteristics of copy ownership that explain the strength of its influence.

A. Copy Ownership’s Role in Judicial Reasoning

When faced with infringement claims arising out of personal uses of protected works, courts have turned on a number of occasions almost reflexively to the fact of copy ownership in their attempt to separate infringement from lawful use. This observation is surprising for at least two reasons. First, because personal uses until recently have largely escaped the seemingly lidless eye of copyright litigants, there are very few cases from which to draw. Second, the dominant doctrines for analyzing personal uses fail to provide courts with an appropriate framework to emphasize copy ownership.

In fair use cases, courts have little reason to concentrate on copy ownership. None of the four factors that have come to dominate modern fair use analysis takes copy ownership into account directly. Driven by the

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106 OTA Study, supra note 4.

107 See Samuelson, supra note 71 at 2588 (2009) (noting the paucity of case law addressing personal uses).

108 Although it is not identified among the four statutory factors, courts have found at least four ways to shoehorn copy ownership into the fair use analysis. Most commonly, courts consider the means by which a copy was acquired under the first fair use factor incorporate on the theory that “the propriety of the defendant's conduct” is relevant to the character of her use. Haberman v. Hustler Magazine, Inc., 626 F. Supp. 201, 211 (D. Mass. 1986) (noting that “copies of the postcards were placed on sale by Haberman and fairly acquired by Hustler”); see also Lish v. Harper’s Magazine Foundation, 807 F. Supp. 1090, 1097 (1992) (noting under the first factor that “it does not appear that the Letter was obtained in bad faith since … the Letter was sent by Lish to the source, who was free to deliver it to Harper’s”); Nunez v. Caribbean Intern. News Corp., 235 F.3d 18, 23 (2000) (noting under the first factor that (“El Vocero obtained each of the photographs lawfully. An unlawful acquisition of the copyrighted work generally weighs against a finding of fair use; no such theft occurred here.”)

Copy ownership can also come into play under the second fair use factor in cases alleging infringement of unpublished works. See Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539, 542-43 (1985) (holding that the publication of excerpts from a “purloined manuscript”
four statutory factors and the Supreme Court’s emphasis on them, few courts have looked beyond the section 107 framework in their analysis. In the implied license context, courts sometimes look to whether the plaintiff “handed over” a copy to the defendant as one of three relevant factors. But as discussed above, implied license cases tend to hinge on questions of intent and personal use cases more often involve mass-market copies than the traditional commissioned copies that implied licenses most often cover.

Despite the small universe of available cases and the poor fit between existing doctrine and consideration of copy ownership, several cases suggest that, in a variety of doctrinal contexts, lawful title to a copy of a work bolsters the likelihood of a finding of noninfringement. When a defendant can demonstrate that she lawfully acquired ownership of a copy of a work, the court is more likely to view her use as non-infringing.

Consider the contrast between the Ninth and Federal Circuits’ holdings in *Sega v. Accolade* and *Atari v. Nintendo*. Under remarkably similar facts, these two courts reached opposing conclusions as to the fairness of “secretly brought” by “an unidentified person” to The Nation’s editor, who “knew that his possession of the manuscript was not authorized and that the manuscript must be returned quickly to his ‘source’ to avoid discovery” was not fair).

Courts sometimes consider copy ownership as an additional factor outside of the statutory framework. Maxtone-Graham v. Burtchell, 803 F.2d 1253, 1264 (1986) (noting, in its consideration of bad faith as a non-statutory factors, the fact that defendant “obtained *Pregnant by Mistake* through legitimate channels”); *see also* Haberman, 626 F. Supp. at 214 (noting that “the four statutory factors are not the only issues to be considered” and reiterating “that the pieces reproduced were fairly acquired by Hustler”).

In still other cases, courts make a point of highlighting the lawful acquisition of the copies in question, but decline to connect those facts to any particular element of the fair use defense. *See*, e.g., Video-Cinema Films, Inc. v. CNN, Inc., 2001 U.S. Dist. LEXIS 15937 (S.D.N.Y. Sept. 28, 2001). There the court held that broadcasters who aired footage from Robert Mitchum’s 1945 film “G.I. Joe” in televised obituaries were likely protected under fair use. In three separate footnotes, the court described the lawful means by which each defendant obtained footage from the film. *Id.* at n8 (“the CNN journalist who prepared the obituary received [a copy] from another reporter, who had purchased it from a video store”); n9 (“ABC’s clip from G.I. Joe [was] rented from a local video store”; n12 (“[CBS] news producers obtained footage from Mitchum’s films from the CBS News archives”).

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109 *See* Beebe, *supra* note 67.
110 *See*, e.g., Effects Assocs., Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990); Berg v. Symons, 393 F. Supp. 2d 525, 544 (S.D. Tex. 2005).
111 *See* *supra* Part I.
112 *Sega*, 977 F.2d at 1514-1515.
intermediate copying necessary to create video games compatible with the plaintiffs’ consoles. The most salient distinction between these two cases turns on the facts and circumstances surrounding copy ownership.

In Sega, the Ninth Circuit held that creating intermediate copies of a computer program for purposes of reverse engineering to identify unprotected program elements was a fair use. Sega developed the Genesis, a home video game console, and licensed third-party developers to create compatible games. Accolade, unwilling to agree to Sega’s licensing terms, decided to create games interoperable with the Genesis system without Sega’s approval. Accolade purchased a Genesis console and three Sega game cartridges. It then attached a decompiler to the console to create printouts of the source code of the three games. By comparing the code, Accolade identified the components common to the three games, enabling them to discover the interface specifications of the Genesis, and ultimately create their own compatible games.

In deeming Accolade’s use fair, the Ninth Circuit focused its analysis on the four standard factors. It noted that, while commercial, Accolade’s purpose was to gain access to program elements unprotected by copyright. The court understood this goal as particularly compelling in the context of computer software, since unlike other forms of expression, the ideas and processes embodied in code are not machine code are not perceptible to the human eye. Finally, the court recognized that any market harm suffered by Nintendo was the result of legitimate competition, not borrowed expression.

Sega is rightly interpreted as a vindication of reverse engineering and interoperability. Those concerns clearly steered the court toward its finding of fair use. Beyond noting that Accolade lawfully acquired Sega’s console and games, the court said very little about copy ownership. But when Sega is

114 While both of these cases address reverse engineering by commercial actors, rather than personal uses in any strict understanding of the term, the underlying acts of reproduction could be readily extended to a number of personal use scenarios. See Corynne McSherry and Marcia Hofmann, Sony v. Hotz: Sony Sends A Dangerous Message to Researchers – and Its Customers, ELECTRONIC FRONTIER FOUNDATION DEEP LINKS, https://www.eff.org/deeplinks/2011/01/sony-v-hotz-sony-sends-dangerous-message. (describing case in which individual owners of PS3s managed to reverse engineer the keys to unlock their machines so they could develop and play their own homebrew games on them).

115 Sega, 977 F.2d at 1527.
116 Id. at 1515.
117 Id.
118 Id. at 1514-1515.
119 Id. at 1515.
120 Id.
121 Id. at 1522.
122 Id. at 1523.
contrasted with the Federal Circuit’s decision in Atari, copy ownership emerges as a central question.

Much like Accolade, Atari hoped to create video games compatible with a popular console, in this case the Nintendo Entertainment System (“NES”). Just as the Sega Genesis implemented software code to prevent the use of unlicensed games, Nintendo relied on its own program, called 10NES, for the same function. And just as Accolade reverse engineered Sega’s code, Atari attempted to do the same with 10NES. The crucial difference is that while Accolade obtained Sega’s code from games purchased on the open market—in other words, acquiring legal title to those copies—Atari acquired copies of the 10NES code in a very different way.

As part of the copyright registration process, the Copyright Office accepts deposits of copies of registered works. Those copies are made available to the public, in accordance with Copyright Office regulations, under three circumstances: (1) the copyright owner gives permission; (2) a court orders the production of copies; or (3) a party to ongoing or prospective litigation requests a copy and assures the Copyright Office that the copy will be used solely for the purposes of the identified litigation.

Atari’s attorney applied to the Copyright Office seeking a copy of the 10NES program, falsely claimed that Atari was a defendant in an infringement action in the Northern District of California, and assured the “Library of Congress that the requested copy [would] be used only in connection with the specified litigation.” But Atari was not a party to any such litigation. Further, Atari used the Copyright Office copy to make additional intermediate copies to aid in its reverse engineering of 10NES.

In short, Atari acquired its copy of 10NES from the Copyright Office through an act of fraud, not unlike the shoplifting consumer mentioned above.

Like Accolade, Atari maintained that intermediate copying for reverse engineering purposes should be excused as a fair use. Although the Federal Circuit embraced the fair use reasoning in Sega, the court saw a key distinction between the two cases. Atari did not work from a lawfully owned copy of 10NES. As a result, its acts of reproduction could not qualify as fair. According to the court, “to invoke the fair use exception, an individual

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124 Sega, 977 F.2d at 1524 n.7.
125 Atari, 975 F.2d at 840.
126 17 U.S.C. § 407
128 § 201.2(d)(2) of the Regulations of the Copyright Office.
129 Atari, 975 F.2d at 842.
130 Id.
131 Id. at 843 (“reverse engineering, untainted by the purloined copy of the 10NES program and necessary to understand 10NES, is a fair use”).
132 See also DSMC, Inc. v Convera Corp, 479 F.Supp.2d 68, 83 (D.D.C. 2007) (holding that defendant's use was unfair where it gained unlawful access to plaintiff’s program).
must possess an authorized copy of a literary work.” 133 To support that
categorical claim, the Federal Circuit relied on the Supreme Court’s decision
in Harper & Row v. Nation. 134 There the Court declined to treat the excerpting
of roughly three hundred words of Gerald Ford’s biography in a magazine
article as fair where the defendant acquired a “purloined” copy of the
unpublished manuscript. 135 Harper & Row is typically cited for the
proposition that the unpublished status of a work weighs against a finding of
fair use. 136 But in Atari, the Federal Circuit recast that rule in terms that
sound in copy ownership rather than publication.

A third case involving Nintendo’s dispute with electronics maker
Galoob 137 provides perhaps an even clearer example of the ways in which
copy ownership influences courts faced with questions of personal use.
Galoob distributed a product called the Game Genie, a programmable device
that, when inserted into a game console like the NES, allowed players to alter
their gameplay experience in ways unintended by the game’s creators. They
could speed up or slow down the game, enjoy extra powers, or gain infinite
lives. Nintendo argued that the Game Genie resulted in unauthorized
derivative works based on its games.

The district court rejected Nintendo’s contention. First, it recognized
that Nintendo’s argument was premised on treating consumers who used the
Game Genie as direct infringers. The court was unwilling to interfere with
consumers’ “noncommercial, private” use of Nintendo games “legally
obtained at market price,” 138 analogizing such use “to skipping portions of a
book, learning to speed read, fast-forwarding a video tape one has purchased
in order to skip portions one chooses not to see, or using slow motion for
the opposite reasons.” 139 By purchasing a copy of a work, the court reasoned,
a consumer is entitled to make personal use of that copy, free from copyright
holder control. 140 As the court explained:

Once having purchased, for example, a copyrighted board game,
a consumer is free to take the board home and modify the game
in any way the consumer chooses, whether or not the method

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133 Atari, 975 F.2d at 843.
134 Harper & Row, 471 at 562-63.
135 Id. at 542-43 (describing “an unidentified person” who “secretly brought”
the “purloined manuscript” to The Nation’s editor, who “knew that his
possession of the manuscript was not authorized and that the manuscript
must be returned quickly to his ‘source’ to avoid discovery”).
(N.D. Cal. 1991), aff’d 964 F.2d 965 (9th Cir. 1992).
138 Id. at 1291.
139 Id.
140 Id. See also RIAA v. Diamond, 180 F.3d at 1079 (describing the operation
of an early mp3 player that “merely makes copies in order to render portable,
or ‘space-shift,’ those files that already reside on a user’s hard drive” as
“paradigmatic noncommercial personal use”).
used comports with the copyright holder’s intent. The copyright holder, having received expected value, has no further control over the consumer's private enjoyment of that game.

Because of the technology involved, owners of video games are less able to experiment with or change the method of play, absent an electronic accessory such as the Game Genie. This should not mean that holders of copyrighted video games are entitled to broader protections or monopoly rights than holders of other types of copyrighted games, simply because a more sophisticated technology is involved. Having paid Nintendo a fair return, the consumer may experiment with the product and create new variations of play, for personal enjoyment, without creating a derivative work.141

In affirming the district court’s opinion, the Ninth Circuit reemphasized copy ownership, but within the fair use framework. The court explained that “once [consumers] have paid [for Nintendo’s games], the fact that the derivative works created by the Game Genie are comprised almost entirely of Nintendo’s copyrighted displays does not militate against a finding of fair use…. A party who distributes a copyrighted work cannot dictate how that work is to be enjoyed.”142 Whether the screen displays created by the Game Genie were derivative works at all or whether their creation was excused as a fair use, the Galoob courts agreed that consumers who owned copies of Nintendo games did not infringe when they played modified versions of those games.

Courts have also found copy ownership to be a decisive factor in cases alleging violations of the anticircumvention provisions of the Digital Millennium Copyright Act.143 Chamberlain, makers of a garage door opener (GDO) that utilized “rolling code” technology,144 alleged that a compatible universal garage door remote sold by Skylink circumvented the technological protection measure that restricted access to the software code that operated Chamberlain’s device. In essence, Chamberlain claimed that when purchasers of its GDO used the Skylink remote to open their garage, they were violating Chamberlain’s rights under copyright law.

The district court rejected Chamberlain’s claim, agreeing with Skylink that “a homeowner who purchases a Chamberlain GDO owns it and has a right to use it.”145 Because the consumer owns the device and the copy of the software code embedded in it, she is entitled to make use of that code even

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141 Lewis Galoob Toys, 780 F.Supp at 1291.
142 964 F.2d 965, 971 (9th Cir. 1992).
145 Chamberlain, 292 F.Supp.2d at 1039.
in ways that conflict with the prerogative of the copyright holder. On review, the Federal Circuit held that claims under § 1201, while distinct from traditional copyright infringement, are closely tied to it. According to the court, in order to establish a violation of § 1201, the plaintiff must demonstrate some causal nexus between the act of circumvention and some plausible act of infringement. But according to the court, no such nexus existed because “consumers who purchase a product containing a copy of embedded software have the inherent legal right to use that copy of the software.” Again, the court found the fact of copy ownership to control and undermine any claim against the owner for personal uses, regardless of copyright holder objections.

Of course, not every personal use case turns on copy ownership. Sony, arguably the most important personal use decision in the modern copyright law, addressed reproductions made by non-owners of copies. Although entitled to time-shift and view programs broadcast for free over the air, the consumers in the case were not copy owners at the time they made their recordings. They had access to an ephemeral performance of work, but did not possess, much less own, a tangible copy. So while the fact of copy ownership encourages courts to hold personal uses non-infringing, the absence of copy ownership does not preclude such a holding.

Even acknowledging that not all personal use cases target copy owners, taken together, these cases suggest that courts are moved by the fact of copy ownership. They may articulate that concern in terms of fair use, through narrow readings of the exclusive rights of copyright holders, or by recognizing the inherent rights of consumers to use and manipulate the copies they own. But regardless of the doctrine applied in any particular case, copy ownership matters. The next section explores why.

B. Copy Ownership’s Resonance

Despite any obvious doctrinal outlet, courts have repeatedly turned to the fact of copy ownership in deciding cases that explore the bounds of personal uses of copyrighted works. These courts are drawn to copy ownership for at least three reasons. First, copy ownership offers the appearance of a simple and familiar inquiry. Second, arguments rooted in copy ownership derive rhetorical force from the traditional respect our legal system shows for private property. And third, the rights of copy owners are consistent with the incentive theory underlying copyright protection.

146 Id. at 1040.
147 381 F.3d 1178 (Fed. Cir. 2004).
148 Id. at 1202. See also Storage Technology Corporation v. Custom Hardware Engineering & Consulting, Inc., 421 F.3d 1307 (Fed. Cir. 2005) (purchase of magnetic library tape system implicates copy ownership under 17 U.S.C. § 117); Lexmark Int’l v. Static Control Components., 387 F.3d 522, 546 (6th Cir. 2004) (purchase and ownership of printer was key to lawful access to printer engine program contained inside).
1. The Familiarity and Seeming Simplicity of Ownership

Courts, like most of us, prefer simple choices to complex ones. As a result, they sometimes reduce complicated inquiries to more manageable questions and seek out familiar concepts and modes of analysis. Courts follow this impulse even when statutory or judicial authority calls for more nuanced analysis. This tendency helps explain why courts are moved by the fact of copy ownership, even when constrained by doctrines that offer no obvious place for its consideration.

When courts decide personal use cases, they must do so without the benefit of their most familiar and reliable tools. Given the paucity of personal use case law, direct precedent is in short supply. And the Copyright Act’s combination of silence and ambiguity on the question of personal use means that mechanical statutory interpretation alone cannot resolve these questions. Instead, courts are traditionally looked to apply one of the limited copyright doctrines outlined above, each of which introduces additional complications and uncertainties. Copy ownership, in contrast, holds out the promise of a comfortably simple and familiar inquiry, a question courts are confident they can answer.

Compared to the fair use multi-factor balancing test, or even the intent-focused implied license inquiry, we should expect courts to welcome a consideration as seemingly elementary as whether a defendant owns a copy of a work. That question lends itself to binary distinctions; either the consumer owns a copy or she doesn’t. When determining ownership of a tangible object, courts can usually avoid the sliding scales, shades of meaning, and indeterminate results that define and complicate other legal inquiries.

Not only does copy ownership promise simplicity, but perhaps more importantly it also carries an air of familiarity. Collectively, courts have hundreds of years of experience deciding who owns personal property. Given their training and experience, we expect most judges will feel more confident analyzing the issue of ownership rather than, for example, the more exotic question of transformation under factor one of the fair use analysis. Because the question of ownership allows courts the solace of familiarity, they are more likely to embrace it in their reasoning.


150 See Beebe, supra note 67, at 621 (noting tendency of courts “to apply section 107 in the form of a cognitively more familiar two-sided balancing test in which they weigh the strength of the defendant’s justification for its use … against the impact of that use on the incentives of the plaintiff”).

151 See, e.g., Pierson v. Post, 3 Cai. R. 175, 2 Am. Dec. 264 (N.Y. 1805)

152 By comparison, fair use cases are relatively rare. See Beebe, supra note 67. (noting that from 1978-2005, there were only 306 reported federal opinions contained any substantive fair use analysis).
Of course, the appeal of this well-worn territory, even coupled with its comparative simplicity, does not guarantee that courts will focus on copy ownership. But it should come as no surprise when we see courts turn to ownership to bolster their confidence in the fuzzy conclusions they draw from the available doctrines. Although the question of ownership may seem like a simple one, as discussed in greater detail below, the widespread use of license agreements attached to copies of works purchased by consumers introduces some unfortunate and, in our view, unnecessary complications into the ownership inquiry that have muddied the waters for courts. In short, copyright holders now routinely insist that consumers who acquire copies of their works do not own them, but merely license them. We believe that in most instances such claims flatly mischaracterize the nature of the transaction between the copyright holder and consumer. These efforts capitalize on courts’ longstanding confusion about the distinction between intangible works of authorship and the tangible copies embodying them, a confusion that has grown as copyright has become increasingly divorced from traditional distribution media. Copyright owners have seized on this confusion as a means of getting out from under the thumb of the first sale doctrine and other exhaustion based doctrines that limit their control over consumer behavior and secondary markets. The implications of the license-versus-sale debate for personal use offer more reason to hope that courts will resolve the lingering uncertainty about the legal force of efforts to unilaterally strip consumers of the mantle of ownership.

2. The Power of Private Property Rhetoric

The pull of copy ownership also derives, in part, from our traditional commitment to private property interests. When consumers argue that they are entitled to make use of a copy of a work because they own it, they appeal to a notion of property with deep resonance for courts. Talk of private property elicits powerful stirrings deep within the reptilian brain of our judicial tradition. Within that tradition, ownership of a bound volume, a reel of film, or a digitally encoded plastic disc creates a strong presumption favoring a consumer’s right to make whatever use of that object she chooses. Copyright law alters that presumption by defining a set of uses of the intangible works embodied on those physical artifacts more or less within the exclusive purview of the rights holder. But when the statutory privileges of copyright holders run headlong into the personal property rights of consumers, courts are implicitly asked to resolve conflicts between those two competing interests.

Sometimes the winner is clear. Sections 109 and 117 unambiguously

153 See infra Part III.D.
154 See OTA Study, supra note 4.
155 As one commentator puts it, “the powers wielded by copyright holders come only at the expense of the property rights the rest of us hold in our persons, estates, and chattels.” Tom W. Bell. Copyright as Intellectual Property Privilege, 58 SYRACUSE L. REV. 523, 541 (2008).
favor owners of copies over holders of copyrights in narrow sets of circumstances. But more often than not, courts are forced to turn to doctrines that consider copy ownership only peripherally in order to mediate conflicts between copy owners and copyright holders.

As the cases described above suggest, consumers stand a puncher’s chance against copyright holders in the battle of competing property interests. This result is somewhat surprising. In recent decades, Blackstonian notions of property have been a key rhetorical tool for rights holders attempting to broaden, extend, and strengthen their statutory privileges. Rights holders have enjoyed remarkable success in characterizing statutory privileges as property rights and infringement as theft, with both legislators and courts adopting the rhetoric of intellectual property absolutism.

Those skeptical of intellectual property expansionism have attempted to undermine the notion that the statutory privileges we have come to call “intellectual property” are property rights in a meaningful sense. But more recently, David Fagundes has argued that advocates of more restrained intellectual property policy would do well to embrace the property paradigm. Recognizing the force of property rhetoric, he suggests that, rather than distance copyright and patent law from property, proponents of limitations on intellectual property exclusivity should appropriate property talk. By shifting focus from the private property interests of rights holders to our collective property interest in the public domain, the argument goes, property rhetoric can be enlisted on the side of consumers and users.

But our shared interest in the public domain differs from rights holder interests in their works in fundamental respects that undermine the effort to capture the rhetorical advantages of property talk. The interests of rights

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157 Members of Congress often defend new expansions of rights holder exclusivity as necessary to protect property interests. See, e.g., 144 CONG. REC. H10, 620 (daily ed. Oct. 12, 1998) (statement of Rep. Jackson Lee) (“[T]he Digital Millennium Copyright Act demonstrates our commitment to protecting the personal rights and property of American citizens.”); 144 CONG. REC. S12, 378 (daily ed. Oct. 12, 1998) (statement of Sen. Hatch) (“In my view, property is property whether it’s dirt or intangible.”). Courts lapse into these characterizations as well. See Grokster, 545 U.S. at 961 (Breyer, J., concurring) (“[D]eliberate unlawful copying is no less an unlawful taking of property than garden-variety theft.”); see also Fagundes, supra note 159 at 661 (noting Justice Scalia’s invocation of property romanticism during oral argument in eBay v. MercExchange, 547 U.S. 388 (2006)).

158 See Lemley, supra note 83; Lemley, supra note 84; Bell, supra note 158.

159 Fagundes, supra note 159.

160 Id.

161 See Aaron Perzanowski, In Defense of Intellectual Property Anxiety: A Response
holders are concentrated and concrete. By contrast, the collective interest in the public domain is both diffuse and abstract. When a copyright or patent expires, the rights holder can point to a concentrated economic loss. Damage to the public domain, on the other hand, is distributed broadly and gives rise to counterfactual harms unlikely to resonate in the way more immediate and palpable harms do.

Copy ownership, in contrast, offers a unique opportunity for consumers to leverage the power of arguments rooted in the sanctity of private property. Typically, the invocation of property interests tilts the playing field in favor of rights holders. But when a consumer defends her actions on the grounds that she was merely making reasonable use of her own personal property, the intuitive moral force of private ownership can give the consumer the upper hand. Unlike diffuse and abstract collective interests in the public domain, her interest is both concentrated and concrete. And unlike the statutory privileges of copyright or patent law, her interest in her bound stack of paper or plastic disc is unassailably a property interest.

In short, the same reflexive response to property talk that rights holders have so skillfully exploited in recent decades also partially explains the influence of copy ownership on judicial thinking even where no established copyright doctrine requires the court to consider the ownership issue.

3. Alignment with Copyright Incentives

Arguments rooted in copy ownership are also unlikely to undermine the incentive structure created by copyright law. The immediate aim of the copyright system is the creation of legal obstacles to free trade in protected works. By establishing exclusive rights for authors and their assignees, copyright law allows rights holders to charge supra-competitive prices for copies of their works. Absent some manner of market intervention, an author's work would be copied by competitors and sold at marginal cost, preventing many authors from recouping their costs and profiting from the sale of copies of their works. As a result, some authors would lack sufficient

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162 See Grynberg, supra note 92, at 467.
163 This goal is an instrumental one. See Mazer v. Stein, 347 U.S. 201, 219 (1954) (“The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in “Science and useful Arts”’); Twentieth Century Music Corp. v. Aiken, 422 U.S., at 156 (“The immediate effect of our copyright law is to secure a fair return for an ‘author's' creative labor. But the ultimate aim is, by this incentive, to stimulate [the creation of useful works] for the general public good”). Not only does the copyright system aspire to the creation of new works, but also their use and enjoyment by the public. See Litman, supra note 4.
incentives to create new works.\textsuperscript{164} To overcome this public goods problem, copyright law offers rights holders qualified control over the reproduction, distribution, and public exploitation of their works.\textsuperscript{165}

Given the centrality of the incentives to copyright law, we should expect courts to consider the impact of challenged uses on authorial incentives. Fair use purports to do this through the fourth factor;\textsuperscript{166} implied relies on the rights holder handing over a copy as an indication that her incentives have been satisfied.\textsuperscript{167} Regardless of the legal rule, incentives should inform our evaluation of personal uses.\textsuperscript{168}

A copy owner is in a better position that a non-owner to convince a court that her use is consistent with copyright’s incentive structure. She can quickly distinguish herself from the undifferentiated masses of infringers, scouring the internet in search of something for nothing. The copy owner is no freerider; the copy owner is a contributing member of the copyright economy, one who has paid the price set by the rights holder in exchange for a copy. That sale itself guarantees the author some return on her investment, and at a price she is positioned to set.

Undoubtedly, the consumer could do more. She could pay the author for permission to loan the book to a friend; she could pay a convenience fee for the privilege of reading the book on the beach; or she could acquire a more expensive copy of the book with extra wide margins to facilitate note taking. But the purpose of copyright law is not to maximize the rights holder’s boon, it is to create an incentive structure sufficient to spur creativity without unduly sacrificing the public’s ability to access and enjoy the resulting works.\textsuperscript{169}

Copy ownership serves as a readily identifiable marker of a consumer


\textsuperscript{165} \textit{See} Harper \& Row, 471 U.S. at 558 (“the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas”).

\textsuperscript{166} Although in practice, rigorous fact-based investigation of the economic impact of the defendant’s use on the market for the work is uncommon. \textit{See} Beebe, supra note 67 at 618.

\textsuperscript{167} \textit{See} supra notes 94-102 and accompanying text.

\textsuperscript{168} Others have noted the importance of incentives of legality of personal use. \textit{See} Litman, supra note 4 at 1911-1912 (personal uses that do not harm incentives should be lawful); Glynn S. Lunney, \textit{Fair Use and Market Failure: Sony Revisited}, 82 B.U. L. REV. 975, 1026 (2002) (“To the extent that private copying expands access to existing works without decreasing the copyright owner’s revenues and the resulting incentive to create additional works, private copying is Pareto optimal and should constitute a fair use.”).

\textsuperscript{169} \textit{See} William W. Fisher III, \textit{Property and Contract on the Internet}, 73 CHI-KENT L. REV. 1203, 1249 (1998) (arguing copyright should “give creators enough entitlements to induce them to produce the works from which we all benefit but no more”).
who has not disregarded the basic premise of copyright law. Ownership offers a reliable suggestion that the use made by that consumer is unlikely to disrupt copyright incentives. Precisely which uses create intolerable harm to incentives in light of the increased value they offer consumers remains a difficult question. But wherever that line is drawn, copy owners are more likely than the public at large to stand on the lawful side of it.

Taken together, copy ownership’s appeal derives from its apparent simplicity and familiarity, its adherence to our traditional respect for private property interests, and its comfortable fit with copyright’s incentive story. Those attributes help explain why courts are persuaded by the fact of copy ownership, even in the absence of any rule or doctrine that calls for its consideration. Given the role copy ownership has already played in the background of the personal use case law, both courts and litigants would likely embrace copy ownership more consistently and explicitly if presented with a clear doctrinal avenue for its consideration. The next Part attempts to shine some light on the first few steps along that path.

III. PERSONAL USE AS EXHAUSTED USE

Now more than ever, copyright law needs a clear, predictable approach to separating lawful personal uses from acts of infringement. Copyright’s leading candidates for such an approach, fair use and implied license, are doctrines developed to deal with scenarios very different from the consumptive use of mass-produced works sold to the general public. Not surprisingly, they have proven imperfect fits for the mine run of personal use cases.

Below, we introduce a new approach that leverages a common thread running throughout much of the personal use case law—the influence of copy ownership. As our prior work has highlighted, the history of copy ownership’s role in mediating between the exclusive rights of copyright holders and the rights of consumers to use their copies is much richer than the accepted wisdom would suggest. In this Part, we briefly recap our work on copyright’s exhaustion principle, outline its application to the personal use dilemma, and assess the advantages of an exhaustion-based approach over the existing alternatives. Finally, we offer a frank discussion of the limits of exhaustion in the personal use context.

A. The Principle of Copyright Exhaustion

For over one hundred years, the prevailing wisdom has endorsed an appealingly simple story about the role copy ownership plays in the copyright system. Under the first sale doctrine, ownership of a copy entitles one to sell,
lend, lease, or otherwise dispose of that particular copy. A few additional statutory wrinkles aside, the first sale doctrine and its limitations on the exclusive right of distribution have been understood to reflect the full embodiment of copyright law’s exhaustion rules and the full extent of its concern with copy ownership. According to this narrative, the Supreme Court created the first sale doctrine in 1908 with its decision in Bobbs-Merrill v. Straus, Congress nearly immediately codified that doctrine in the Copyright Act of 1909, and decades later, Congress signaled its continued endorsement of the doctrine in the current Copyright Act of 1976.

The fuller account of the common law development of copyright’s treatment of exhaustion, outlined in our prior work, paints a more complicated and richer picture. Contrary to its creation myth, the first sale doctrine did not spring forth, fully formed, from Bobbs-Merrill like Athena from Zeus’s head. Instead, first sale’s gestation traces its earliest roots to the tradition disfavoring servitudes on personal property. Because restraints on

172 See 17 U.S.C. § 109(a) (stating that “[n]otwithstanding the provisions of section 106 (3), 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”).

173 See 17 U.S.C. § 109(c) (permitting the owner of a particular copy of a work to publicly display that work “to viewers present at the place where the copy is located”); § 117 (permitting owners of copies of computer programs to create copies and adaptations necessary for the operation of the program and for archival purposes); § 109(b) (precluding the rental of sound recordings and certain computer programs).

174 210 U.S. 339 (1908). Bobbs-Merrill considered an effort to inflate retail prices for copies of The Castaway, a novel by Hallie Herminie Rives, by inclusion of a notice stating that “the price of this book is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.” Id. at 341. When R.H. Macy & Company sold the book for mere 89 cents, the publisher sued. Rejecting the attempt to attach burdens on subsequent purchasers of copies, the Court held that once Bobbs-Merrill sold copies “in quantities and at a price satisfactory to it[,] it exercised the right to vend,” exhausting that right with respect to the particular copies sold. Id. at 351.

175 Copyright Act of 1909, ch. 320, § 1, 17 U.S.C. § 41 (1946) (amended 1947) (stating that “nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained”). When it embraced Bobbs-Merrill, Congress did “not intend[] to change in any way existing law.” H.R. Rep. No. 60-2222, at 19 (1909), reprinted in E. FULTON BRYLAWSKI & ABE GOLDMAN, 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT (1976).


177 See Digital Exhaustion, supra note 26 at 912-19.
movables provided insufficient notice, imposed high information costs, and generally interfered with commerce, courts had consistently rejected efforts to encumber personal property with constraints on its subsequent use and alienation. Drawing on this tradition, a number of earlier district and appellate court decisions had already recognized the wisdom of limiting the scope of copyright exclusivity as against the owners of lawfully acquired copies. And unlike Bobbs-Merrill, which confronted only an alleged violation of the exclusive right to vend, or in contemporary terms, distribute copies of a work, these previously overlooked cases considered allegedly infringing reproductions and adaptations of protected works.

From the common law development of this broader principle of copyright exhaustion, which continued long after the Court’s decision in Bobbs-Merrill and its statutory acknowledgement in the 1909 Act, emerges a rule that enables copy owners to not only alienate their copies over the objections of copyright holders, but to renew, repair, or reproduce them as well. In Doan v. American Book, the Seventh Circuit held that a restorer and reseller of children’s books did not infringe when he reproduced “exact imitation[s]” of the original” cover designs. The court held that such copying fell within the “right of repair or renewal” that passed to the owner of the copy. According to the court, the “right of ownership in the book carries with it and includes the right to maintain the book as nearly as possible in its original condition.”

Moreover, exhaustion entitles copy owners to modify or adapt their copies, or, in today’s terminology, produce derivative works. In Kipling v. G.P. Putnam’s Sons, the Second Circuit rejected a claim that a publisher infringed when it created and distributed a new and unauthorized collection of the works of Rudyard Kipling. The collection comprised unbound pages

179 Copyright Act of 1909.
182 See Doan v. American Book Co., 105 F. 772 (7th Cir. 1901); Bureau of National Literature v. Sells, 211 F. 379, 380 (W.D. Wash. 1914) (holding that overhauling and reconstructing copies of a protected work was not infringement).
183 Doan, 105 F. at 776–78.
184 Id.
185 Id.
186 See Kipling v. G.P. Putnam’s Sons, 120 F. 631 (2nd Cir. 1903); Fawcett Publ’ns, 46 F. Supp. at 717 (holding that no infringement occurred when one publisher purchased copies of another publisher’s comic books and bound them together with comics published by a competitor under the name “Double Comics”).
187 Kipling, 120 F. at 633.
of Kipling’s copyrighted works purchased from his licensee, other lawfully
acquired copies of protected Kipling works, uncopyrighted works by Kipling,
and a biography of the author.\textsuperscript{188} These various sources were bound together
in a multivolume set.\textsuperscript{189} The court held that because the publisher was a
lawful owner of copies of the protected works, it was free to combine and
market those copies.\textsuperscript{190}

In short, the common law of copyright exhaustion allows the owner of
a copy to reproduce or prepare derivative works based on that copy to the
extent necessary to enable the use, preservation, or alienation of that
particular copy or any lawful reproduction of it.\textsuperscript{191}

Of course, courts should not equate exhaustion with unrestrained
immunity for acts of copying or distribution beyond those that flow naturally
from title to a discrete copy. The owner of a copy could not, for example,
make three copies of an ebook, then sell each to a different party while
retaining the original for herself. In order to remain consistent with its
common law origins, exhaustion should insist on a one-to-one ratio between
those copies acquired or lawfully created and those transferred.\textsuperscript{192} Applied in
such a fashion, the exhaustion principle preserves the interests of copyright
owners despite recent changes in the mechanics of distribution of
copyrighted works.

The copyright economy is increasingly abandoning the sale of analog
copies that can be plucked from the shelves of our home libraries and sold at
the local used book store in favor of digital downloads stored on local
electronic devices or distant cloud storage facilities, copies that can be
transferred, if at all, by creating additional reproductions.\textsuperscript{193} In such an
environment, copyright law needs an exhaustion doctrine that extends
beyond simple redistribution if it is to have one at all. A common law driven
exhaustion principle provides the flexibility necessary to adapt longstanding
copyright policy to emerging technologies. As discussed below, this
exhaustion principle has important implications for the effort to ground
lawful personal use in a secure doctrinal foothold.

B. Copyright Exhaustion and Personal Use

If widely embraced by courts, copyright exhaustion—the notion that a
copy owner is entitled to reproduce, modify, and distribute her copy in order

\begin{itemize}
\item \textsuperscript{188} Id.
\item \textsuperscript{189} Id.
\item \textsuperscript{190} Id. at 636.
\item \textsuperscript{191} Patent law’s exhaustion doctrine developed a similarly flexible approach
through the common law process. See \textit{Digital Exhaustion}, supra note 26, at 932-34; see also \textit{Quanta}, 553 U.S. at 630 (noting the “longstanding principle
that, when a patented item is ‘once lawfully made and sold, there is no
restriction on [its] use to be implied for the benefit of the patentee’”).
\item \textsuperscript{192} Congress adopted similar reasoning with respect to backup and necessary
step copies of computer programs. See \textit{17 U.S.C. § 117}.
\item \textsuperscript{193} See \textit{Digital Exhaustion}, supra note 26, at 892.
\end{itemize}
to fully realize its value qua copy—offers courts a simple, predictable, and stable approach to resolving the wide swath of personal use scenarios that involve consumers who own lawful copies of the works they use. Exhaustion highlights two indicia that can help us quickly separate uses we should encourage from those we might treat as infringing: the status of the user as a copy owner and the fundamentally rivalrous nature of their uses. In doing so, exhaustion gives courts an explicit, transparent, and principled avenue for considering the addressing between the property interests of copy owners and the statutory privileges of rights holders.

A framework for analyzing personal uses rooted in exhaustion has a number of attractive characteristics. The first is its simplicity. A court presented with an alleged infringement defended on the grounds of personal use permitted by exhaustion would need to answer three questions. First, does the defendant own a copy of the work? Second, is that copy a lawful one? And third, was the defendant’s use consistent with the common law rights conferred by virtue of copy ownership? In other words, did the use enable the copy owner or her transferee to enjoy the benefits of that copy without resulting in the sort of proliferation of copies that would interfere with the copyright holder’s ability to effectively exploit its own copies? As the common law of exhaustion suggests, reproductions and derivatives that facilitate the preservation, repair, renewal, modification, adaptation, transfer, and private use of a copy generally pass this test.

Although the law surrounding ownership of copies, particularly in the context of computer programs, has yet to develop consensus, these three discrete questions present courts with a manageable inquiry, and one we should expect in time to yield predictable and consistent results. The exhaustion approach relies on three largely binary distinctions. And it turns on facts that are readily ascertainable before any use is made. Consumers, their advocates, and the firms who offer products and services to enable their use should be well positioned to predict with relative confidence whether a given consumer is entitled to make a given use of a copy.

For some of the same reasons, exhaustion can lend a measure of stability in the status of personal uses. The results reached under the exhaustion approach are largely independent of the factors most likely to shift over time. They do not depend on the future intent of the parties, the particular means of distribution, the technologies used for playback, efforts to develop new markets that attempt to displace personal uses, or perhaps even the licensing strategies of rights holders. If consumers can rely on their right to backup copies of their digital media collection in the same way they have been able to rely on their ability to lend a book to a friend,

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194 As the 1976 Act clarified only lawfully made copies trigger copyright exhaustion. See 17 U.S.C. § 109(a).
195 See infra Part III.D.
196 This depends largely on how courts ultimately resolve the question of whether copyright holders in computer software can license not just the underlying copyright but the particular tangible copies seemingly owned by consumers.
exhaustion promises not only predictability, but something approaching assurance.

At a deeper level, exhaustion finally gives courts a way to talk about the issues that lie at the heart of the status of personal uses. First, the exhaustion framework allows courts to talk explicitly about copy ownership and its implications. Rather than continue to shoehorn ownership within orthogonal factors dictated by other doctrines or to consider ownership unmoored from any consistent doctrinal approach, courts applying the exhaustion principle can address copy ownership head on. If, as we argue, the reason some personal uses are lawful is that they are being made by owners of copies, we should expect courts to rely on a doctrine that takes account of that fact. Exhaustion affords courts the ability to be transparent in their reasoning instead of burying their logic within the strictures of the ill fitting rules widely applied in personal use cases.

Second, exhaustion focuses our attention on another key characteristic of those personal uses widely accepted as a healthy, even necessary, part of the copyright system. Unlike the intangible works of authorship they embody, particular copies of works are inherently rivalrous. Absent a potentially infringing public display or performance, two individuals at distant locations cannot simultaneously read the same copy of a book or listen to the same copy of a song. The personal uses exhaustion protects preserve this basic rivalry.

Copying a movie you downloaded from iTunes from your laptop to your phone, or burning an extra copy of a favorite CD to keep in your car, or even uploading your entire music collection to a private cloud-based storage locker are activities that do not disturb the rivalrous nature of the consumer’s copy. These acts do not in themselves make the copy available for others to use or exploit. They are enjoyed by the copy owner and perhaps her immediate circle of family and social acquaintances. As such, they maintain creative incentives, conferring upon copy owners some stronger claim to lawful use than those who have not contributed their fair share to the copyright economy.

Similarly, when a consumer sells her ebook on a secondary market like eBay, her use remains rivalrous to the extent ownership over the original copy or any reproductions are collectively transferred to another party. The relevant circle of users simply shifts from the original owner to the lucky eBay bidder. The exhaustion doctrine tracks this distinction between lawful rivalrous use and transfer of personal property, on the one hand, and the exploitation of nonrivalrous works of authorship, on the other.

Contrast these rivalrous uses with a clear case of infringement. A consumer who reproduces her newly purchased book and sells those copies on a nearby street corner is not exploiting her copy in a manner tied to its nature as a rivalrous piece of personal property. She is exploiting the work as a nonrivalrous public good. She can’t adapt it into a play and perform it for the public. Any rule that equated copy ownership with such broad rights would do obvious damage to copyright’s incentive structure.

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197 See Litman, supra note 4.
Beyond its implications for individual consumers facing potential infringement liability based on their everyday use of copies they own, exhaustion could also help clarify the intersection of personal use and two additional questions in copyright law. The scope of indirect copyright liability remains an issue of considerable economic importance and non-trivial legal uncertainty. When technology companies roll out new services and devices intended to enable consumers to do more with protected content, claims of contributory, vicarious, and inducement-based liability are typically quick to follow. To the extent these offerings do no more than facilitate uses within the scope of consumers’ exhaustion rights, the underlying act of direct infringement required for any indirect theory would be lacking. Of course, most technologies that interact with copyrighted material can be used for both infringing and noninfringing purposes. But a device or service that could enable uses protected by exhaustion would be insulated from contributory liability under the substantial non-infringing use doctrine.

Perhaps more importantly, exhaustion could play a role in mediating the relationship between traditional copyright infringement and the anticircumvention prohibitions of the Digital Millennium Copyright Act (DMCA). When copyright holders apply technological protection measures or digital rights management (DRM) technologies to restrict access to and use of their works, they create substantial barriers to otherwise lawful personal uses of those works. Those barriers are legally reinforced by section 1201 of the DMCA, which prohibits both the circumvention of technologies that restrict access to works and the creation and dissemination of tools that enable circumvention. So even if it is perfectly lawful as a matter of reproduction right for a consumer to create a copy of her child’s favorite lawfully purchased Disney Blu-Ray disc to keep in the family car, the DRM systems that lock down the content on that disc mean that as a practical and legal matter, consumers are unable to do with their Blu-Ray collection what many have already done with their CD collection. As more content and devices incorporate DRM, these technologies pose a distinct threat to well-founded consumer expectations and the broad ranging social benefits of copyright’s exhaustion principle.

Exhaustion can help avoid this restraint on lawful personal use in two related ways. First, some courts have interpreted the DMCA’s anticircumvention provisions to require some plausible connection between the act of circumvention at issue and a violation of the exclusive rights of

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198 This assumes the end user is the party engaged in any act of direct infringement. See Costar Group v. LoopNet, Inc., 373 F.3d 544 (4th Cir. 2004); Cartoon Network L.P. v. CSC Holdings, Inc., 536 F.3d 121 (2nd Cir. 2008).


201 *Id.* at (a)-(b).
copyright holders defined in section 106 of the Copyright Act. Absent a causal nexus between circumvention and infringement, these courts have held, no claim under section 1201 can stand. To the extent a defendant can identify some copyright limitation or exception that forecloses upon any reasonable likelihood of infringement liability, circumvention is permissible. Just as section 117, fair use, or other recognized copyright defenses can undermine the required nexus, so could copyright exhaustion. So if a consumer circumvents the protection measures on her own Blu-Ray disc in order to make a backup copy, for example, exhaustion tells us there is no infringement, and the nexus requirement implies that there is no actionable circumvention either.

But not all courts have adopted the Federal Circuit’s nexus requirement. In fact, one has squarely rejected it. In MDY v. Blizzard, the Ninth Circuit “declined to adopt an infringement nexus requirement” because it understood that element to be “contrary to the plain language of the statute.” According to the Ninth Circuit, the DMCA creates a new cause of action for unauthorized circumvention that is independent from copyright infringement liability. By tying circumvention liability to infringement, the Ninth Circuit saw the nexus requirement as contrary to Congress’s intent.

Despite their divergent views on the nexus requirement, we believe that the approaches of the Ninth and Federal Circuits are ultimately reconcilable once the role of exhaustion is taken into account. Consistent common law practice, legislative history and even the text of section 1201 all point to an important limitation on the scope of the anticircumvention provisions. But rather than a nexus requirement that renders the anticircumvention provisions a mere supplement to copyright infringement, that limitation is better understood as a freestanding exhaustion limitation on the anticircumvention right.

Exhaustion based limitations are among the common threads that run through virtually every intellectual property regime. Exhaustion rules are applied not only in copyright law, but in the patent, trademark, trade secret, right of publicity, and misappropriation contexts as well. Across

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203 See id.
204 See id.
205 See MDY Indus. v. Blizzard Entm’t, Inc., 629 F.3d 928 (9th Cir. 2010).
207 Bloomer v. McQuewan, 55 U.S. 539 (1852); Quanta, 553 U.S. at 617.
208 Sebastian Int’l, Inc. v. Longs Drug 5 Stores Corp., 53 F.3d 1073 (9th Cir. 1995).
209 Improper means excludes those acquire a copy of a work, examine it, and discover its secrets.
this broad swath of legal regimes, courts recognize that the sale of a product to a consumer extinguishes or diminishes the exclusive rights of rights holders to control the uses that consumer can make of her lawfully owned copy. And in each instance, courts applied and developed exhaustion based limitations without any clear statutory directive. Just as courts have implied exhaustion limitations in virtually every other area of intellectual property protection, they should do so in the context of section 1201’s anticircumvention prohibitions as well.

Indeed, in light of the text and legislative history of section 1201, they have even greater reason to do so. The DMCA prohibits acts of circumvention. Circumvention, in turn, is defined as the act of bypassing, deactivating, or otherwise disabling a technological protection measure. Crucially, not all acts of disabling a protection measure count as acts of circumvention. In order to come within the statute’s reach, those acts must be unauthorized.

The scope of section 1201 liability, therefore, turns in part on what we mean by authorization. Authorization might refer simply to express grants of permission from copyright holders. It might embrace grants of permission implied from rights holder conduct. But both of those forms of authorization can be revoked and thus depend on the ongoing benevolence of rights holders. Authorization might also be understood to flow from the objective fact of selling an object encumbered by technological protection measures to a consumer. As the owner of that object, the consumer is entitled to bypass its protection measures in order to make use of it. This third understanding of authorization, reflecting the basic insights of the exhaustion principle, finds support in the DMCA’s legislative history.

In creating section 1201, Congress understood itself as preventing the “electronic equivalent of breaking into a locked room in order to obtain a copy of a book.” The DMCA was intended to discourage those who have not paid for access to a work from breaking digital locks to gain such access. But it was not intended to prevent those who bought a copy from using that copy. Congress intended the DMCA to apply only at the point of initial access, not as an ongoing constraint on consumers who had already purchased a copy or otherwise gained lawful access. As the House Report

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213 17 U.S.C. § 1201(a)(3)(A) (to “circumvent a technological measure” means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner.).
214 Id. See also MDY Indus. v. Blizzard Entm’t., 629 F.3d at 953 n.16 (noting that section 1201(a) only prohibits unauthorized circumvention, and 1201 claimants bear the burden of proving that the alleged circumvention occurred without authority).
makes clear, section 1201(a) only “applies when a person has not obtained unauthorized access,” and “does not apply … once he or she has obtained authorized access to a copy of a work … even if such actions involve circumvention.”

By incorporating exhaustion into the statutory scheme of the DMCA—just as it has been incorporated into every other intellectual property regime—courts can avoid both the absurd results that render consumers unable to use their garage doors or video game accessories as well as the perceived risk of substituting their own policy judgments for those of Congress.

Recognition of copyright exhaustion legitimizes personal uses in three ways. First, it provides a stable doctrinal basis for the conclusion that personal uses made by copy owners are non-infringing. Second, it helps insulate providers of services and devices that enable such uses from potential claims of indirect liability. And third, it effectuates Congressional intent by allowing consumers to bypass technological locks that impede their otherwise lawful use of the copies they own. In isolation, copyright exhaustion offers significant benefits for consumers and the copyright ecology as a whole. Those benefits are even more compelling when gauged against the existing alternatives.

C. The Limits of Copyright Exhaustion

Although the exhaustion doctrine outlined above provides courts with a much-needed doctrinal mechanism for privileging personal uses made by copy owners, it is not without its own limitations. Below, we identify and discuss three of them. First, and most importantly, in recent years courts have struggled to distinguish sales of copies that trigger copyright exhaustion and licenses to use works that do not confer ownership. Second, exhaustion has to contend with the text of the Copyright Act itself, in particular the statutory distinction between works and copies. Third, the scope of the exhaustion rule means that it cannot resolve every personal use dispute. Nor can it justify every use consumers might like to make. Despite these limitations, exhaustion remains the most promising tool for ensuring that lawful personal use remains a component of the copyright system.

1. The Courts’ Struggle to Identify Sales

In order for exhaustion to help solve the personal use dilemma, courts must have a clear understanding of when a consumer owns a copy. In the analog context, this understanding had challenges but was generally resolvable through straight forward application of common law property and commercial transaction rules. In the digital age, courts are struggling much more to identify sales and ownership.

217 See, e.g., Chamberlain v. Skylink, 381 F.2d 1178 (Fed. Cir. 2004).
more, especially with the distinction between sales and licenses, leaving the law of copy ownership muddled and uncertain. But this confusion is surmountable.

In recent years, however, courts have confronted copyright holders who insist that, despite their apparent transfer of perpetual possession of a tangible object in exchange for a one-time payment, they have merely licensed consumers to use a copy rather than selling it to them. These efforts to characterize as licenses transactions we would generally call sales have engendered considerable confusion among courts.

That confusion is perhaps best demonstrated by two cases argued on the same day before the same Ninth Circuit panel. In one, *UMG v. Augusto*, the Ninth Circuit considered a claim of copyright infringement against Troy Augusto, an individual who bought and sold promotional CDs given away to music reviewers and other industry insiders. Augusto argued that as the lawful owner of used CDs purchased from local record stores, his distributions through online auction site eBay were protected under the first sale rule. The record label insisted that Augusto was not the owner of the copies he sold because it had retained title to the CDs by stamping a notice on all promotional discs. The notices included variations on this general text:

This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws.

Despite the label’s declaration to the contrary, the Ninth Circuit held that title to the discs transferred to their recipients upon delivery and, eventually, to Augusto, entitling him to invoke the first sale doctrine. *Augusto* stands in stark contrast to the other case the Ninth Circuit heard that same day. In *Vernor v. Autodesk*, the court considered an alleged violation of the distribution right premised on Vernor’s resale of lawful copies of Autodesk’s software on eBay. Much like UMG, Autodesk insisted that when its customers paid thousands of dollars for a copy of its software, Disney employee was entitled to assert the first sale defense).


220 Both cases were argued before Judges Callahan, Canby, and Ikuta on June 7, 2010. See UMG Recordings Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011); Vernor v. Autodesk Inc., 621 F.3d 1102 (9th Cir. 2010).

221 *Augusto*, 628 F.3d at 1177-78.

222 *Id.* (finding that perpetual possession, lack of means to reclaim, and lack of ongoing payment obligations lead to conclusion that first sale applied). This is consistent with the Second Circuit’s conclusion in *Krause v Titleserv, Inc.*, 402 F.3d 119 (2d Cir. 2004).
they did not, despite all indications to the contrary, own the plastic disc on which that software was encoded; instead, they merely licensed the disc. 223 Here, rather than examine the economic realities of the transaction, the court attempted to distill a three-part test from its prior case law. 224 The test the court formulated asks: first, “whether the copyright owner specifies that a user is granted a license,” second, “whether the copyright owner significantly restricts the user’s ability to transfer the software,” and third, “whether the copyright owner imposes notable use restrictions.” 225 Since the software license agreement accompanying Autodesk’s products contained the necessary language, the court concluded that it retained title to the discs in Vernor’s possession.

This test is problematic in a number of respects. Aside from being inconsistent with controlling Ninth Circuit case law, 226 the Vernor test hinges largely on self-serving proclamations from the copyright holder. A copyright holder who insists that a transaction is a license and articulates restrictions on the consumer’s ability to use and transfer their copy can avoid engaging in a sale regardless of the structure of the transaction. By reciting the necessary incantation, rights holders can transmogrify sales—transactions characterized by one-time payments exchanged for perpetual possession of a tangible object—into licenses.

The tension between these two cases is evident if we imagine the application of the Vernor test to the facts of Augusto. If faithfully applied, Augusto loses. UMG characterized the transaction as a license; it prohibited recipients from transferring the discs to others; and it confined them to “personal” use of the discs. 227 The Ninth Circuit attempted to distinguish Augusto and Vernor on the grounds that UMG, unlike Autodesk, had no mechanism in place to enforce its restrictions. 228 But Autodesk likewise lacked any means of terminating consumers’ perpetual possession of the discs, one of the hallmarks of ownership. 229

In practice, the Ninth Circuit has created two parallel regimes for distinguishing licenses from sales. In cases involving computer software, the deferential Vernor test is applied. 230 But for cases involving copies of traditional works like music or text, a more probing analysis of the economic realities of the transaction is required. These disparate approaches are inconsistent with copyright law’s generally uniform treatment of the various

223 Vernor, 621 F.3d at 1102.
224 Id.
225 Id. at 1110-1111.
226 See United States v. Wise, 550 F.2d 1180, 1187 (9th Cir. 1977) (“[T]he exclusive right to vend the transferred copy rests with the vendee, who is not restricted by statute from further transfers of that copy, even though in breach of an agreement restricting its sale.”).
227 Augusto, 628 F.3d at 1177-78.
228 Id.
229 Vernor, 621 F.3d at 1102.
230 See Augusto, 628 F.3d at 1183 (noting that the Vernor “formulation … applies in terms to software users”).
classes of works protected by the statute.

The Ninth Circuit’s opinion in Vernor is the subject of a pending petition for certiorari. Given its inconsistency with the approaches adopted by the Second and Federal Circuits, not to mention the Ninth Circuit’s own decision in Augusto, there is reason to hope the Court will seize the opportunity to clarify the characteristics of sales that trigger copyright’s exhaustion rules. As more copyrighted consumer goods are distributed subject to the terms of purported licenses, the likelihood of conflicts between the efforts of rights holders to restrain personal use and resale on secondary markets and consumers’ settled expectations about their rights to use and dispose of their copies increases. So even if it passes on Vernor, we expect the Court to address the license-sale distinction in the near future.

Any workable solution to the license-versus-sale question needs to reconcile two overriding concerns. First, it must curb efforts to label as licenses transactions that any reasonable consumer would understand as a sale of goods. Second, and simultaneously, it must preserve the viability of the rental and subscription based business models increasingly embraced by both consumers and rights holders. Just as copyright holders should be prevented from opting out of exhaustion by insisting that their sales or nothing more than licenses, consumers should be prevented from converting temporary access to content into permanent ownership by exploiting the exhaustion doctrine.

We suggest a simple approach to copy ownership that achieves both of these goals. If a transaction is characterized by a one time payment and perpetual possession, courts should presume that it is a sale. Rights holders can overcome that presumption only by showing that the transaction falls into one of the other enumerated forms of distribution recognized by the Copyright Act: rental, lease, or lending. Such a showing would require clear notice to consumers of the time-limited terms of the transaction and some mechanism for their practical enforcement. Any other purported restrictions on the use of a copy would be actionable, if at all, as a matter of contract.

2. Exhaustion and Section 202

Exhaustion, as one of the many copyright doctrines rooted in common law reasoning, operates within the gaps of the text of the Copyright Act. If the exhaustion principle is inconsistent with the statutory language, courts have no room to apply it regardless of its policy justifications.

Section 202 of the Copyright Act squarely addresses the relationship between ownership of a copy and ownership of a copyright. It provides in relevant part:

“Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in

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231 17 U.S.C. § 106; see also Carver, supra note 219 at 1495.
232 MDY Indus. v. Blizzard Entm’t, Inc., 629 F.3d 928 (9th Cir. 2010).
233 See Digital Exhaustion, supra note 26.
which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.”

That provision tells us that the ownership interests in the exclusive rights in intangible works of authorship are distinct from ownership interests in particular copies of those works, even the original fixation of that work. So when Cy Twombly sold his Untitled chalkboard painting at auction for $15 million, he retained the copyright in the work despite selling the only copy of it. But, read more broadly, section 202 could be interpreted to as a rejection of the core principle of copyright exhaustion—that by transferring ownership of a copy, the rights holder also transfers to the copy owner the right to engage in otherwise infringing uses. As the provision states, “transfer of ... [a] copy ... does not ... convey any rights in the copyrighted work embodied in the object.”

But such a reading misunderstands both the history and plain meaning of Section 202. That provision was included in the 1976 Act to address decades of uncertainty about the consequences of transferring a physical object embodying a copyrighted work. As early as 1741, copyright law recognized that ownership of a physical artifact did not in itself make one the owner of the copyright in the work represented. The Supreme Court adopted similar reasoning in 1852. Despite these early decisions, some courts lapsed into treating the distinct ownership interests in the copy and the work as one and the same. Section 202 represents Congress’s effort to clarify that the purchaser of a copy of a work of art did not, by virtue of that

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237 See Pope v. Curl, 2 Atk. 342 (1741) (holding that ownership of physical letters did not confer the right to print them); see also 2 PATRY ON COPYRIGHT § 5:99.
238 See Stephens v. Cady, 55 U.S. 528, 531 (1852) (noting that copyright is “detached from the manuscript, or any other physical existence, and will not pass with the manuscript unless included by express words in the transfer”).
purchase, become the owner of the copyright in the underlying work.\textsuperscript{240}

Unlike the rule Congress explicitly rejected when it enacted Section 202, exhaustion does not transfer the copyright interest to the copy owner. When section 202 speaks of conveyances of rights in the copyrighted work, it refers to assignments of copyrights or exclusive licenses to engage in one of the enumerated rights of the copyright holder.\textsuperscript{241} But the rights acquired by copy owners are far more limited in scope than the transfers contemplated by section 202. Exhaustion does not entail loss of the copyright as against the rest of the world. Nor does it entail loss of the copyright, or even any particular exclusive right, as against the copy owner. Instead, exhaustion limits the scope of the exclusive rights retained by the copyright holder. More importantly, the copy owner acquires no exclusive rights of her own in the work as a result of exhaustion. Unlike the copyright holder, she has no authority to prevent others from making use of the protected work. At most, she has the ability to make limited uses of her own personal copy.

Finally, if section 202 were read as a rejection of exhaustion, it would render the Copyright Act internally inconsistent. The Act expressly gives copy owners limited rights to make otherwise infringing uses of their personal copies.\textsuperscript{242} Since section 202 makes no concession for either of those provisions, Congress apparently saw no tension between section 202 and the application of exhaustion rules.

3. Exhaustion as a Partial Solution to the Personal Use Dilemma

Exhaustion’s final limitation is its inability to capture the full range of lawful personal uses. Although we maintain that exhaustion is a preferable approach in many personal use disputes, important categories of lawful personal uses remain outside of its scope. However, this supported shortcoming can actually be viewed as one of its strengths, in part because its limited scope offers reasonable boundaries for copyright owners, consumers, and courts to employ.

As discussed in some detail below,\textsuperscript{243} exhaustion can be applied to a wide range of personal uses that arise from lawful copy ownership. Personal uses made by copy owners represent a significant percentage of personal uses, and an even greater portion of those uses courts should consider lawful—a likely majority, in our estimation. But not every lawful personal use is tied to copy ownership. As discussed above, \textit{Sony v. Universal} endorsed personal use time-shifting in the absence of copy ownership. Under those or similar circumstances, if personal use copying is to be permitted, it must be under a theory other than exhaustion.

But the fact that exhaustion does not reach these scenarios may be as much a blessing as a curse. While we strongly support the court’s holding in


\textsuperscript{241} 17 U.S.C. §§ 101, 201.

\textsuperscript{242} 17 U.S.C. §§ 109(a), (c), 117.

\textsuperscript{243} \textit{See infra} Part IV.
EXHAUSTION & PERSONAL USE

Sony, the more fact-dependent fair use inquiry is a better fit for determining the lawful status of time-shifting of broadcasts and other transmissions. In today’s copyright economy, courts need to distinguish between free broadcast programming, cable subscription packages, streaming services like Netflix’s Watch Instantly, and a variety of video on demand and pay-per-view offerings. While time shifting may well be lawful in some of these circumstances, the comparatively bright line exhaustion rule is likely to overlook nuances that may be better captured in the fair use analysis.

Fair use also remains a better tool for addressing personal uses that involve some degree of expressive, informational, or innovative transformation. Even if a consumer owns a copy of a work, to the extent she uses that copy as a building block or starting point for the creation of a new work that transforms the underlying work, exhaustion does not apply.244 The rights of preservation, repair, renewal, and even modification that emerge from the common law of exhaustion do not extend to the transformation of the underlying expressive content.245 So a consumer who slices up her 8-track copies of Steely Dan’s Pretzel Logic and Gram Parsons’ Grievous Angel to create a sound collage should turn to fair use rather than exhaustion as a potential defense for the creation of a derivative work.

Exhaustion is also limited in the extent to which it enables copying for the benefit of non-owners, even when done by the owner or with the owner’s authority. Exhaustion would not permit, for example, a library patron who borrows a lawfully owned audiobook to reproduce a copy for her personal collection. Nor would it entitle an institution to create multiple copies for the benefit of its employees.246 The simultaneous exploitation of multiple copies by multiple parties is not the sort of use that exhaustion has traditionally embraced. If it did, exhaustion would confer copy owners rights in the work itself rather than rights to enjoy their own copy. By ensuring that copies behave like rivalrous personal property rather than non-rivalrous intellectual property, exhaustion enables greater access, safeguards consumer autonomy, and reduces information costs while preserving the incentives necessary to spur creative activity.

IV. APPLYING EXHAUSTION TO PERSONAL USES

For those personal uses that flow from a lawfully owned copy, exhaustion offers a robust, balanced, and largely predictable legal framework for assessing potential infringement liability. This Part applies exhaustion, first to some traditional analog personal uses, and then to several more contemporary digital uses. Comparing both the results and analysis against the existing alternatives, we conclude that our case for exhaustion bears out in practice.

244 See, e.g., Mattel, Inc. v. Pitt, 229 F.Supp.2d 315 (S.D.N.Y. 2002) (analyzing the creation of an “S&M Barbie” from a lawfully purchased Mattel doll under fair use).

245 See Digital Exhaustion, supra note 26.

246 See Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994).
A. Annotating and Photocopying Textbooks

As most law students know, a common approach to studying from a textbook is to highlight or annotate the text of the book directly on the page. A little underlining here, a marginal note there, or perhaps even an elaborate if cryptic system of multicolored highlighting are all common techniques. One might even photocopy key pages from the book, or retype key passages into an outline or study guide. These acts, however commonplace or seemingly innocuous, raise the specter of copyright infringement. Annotating a textbook or creating an outline could arguably fall within the ambit of preparing a derivative work. Photocopied pages are pure reproductions. So should they be legal?

Under our approach, we would begin by asking whether or not the accused infringer was a copy owner. For students who buy their textbooks, the answer is yes, and thus exhaustion would allow them to reproduce, modify, and distribute aspects of their copies necessary to fully realize their value. This could easily include annotations, outlines, and photocopies for personal use. However, it would not allow students to reproduce and distribute copies of their outlines or annotated books to the public. Those activities could still constitute infringement, thus retaining respect for the exclusive rights of the copyright holder while simultaneously honoring the personal property rights of the individual copy owner. By contrast, students who use textbook rental services would not qualify for the same rights under an exhaustion defense. This distinction ensures at least some level of reward to the copyright owner.

Of course, one could also argue that these uses are also defensible as unregulated uses, fair uses, or impliedly licensed uses. However, as noted above, these theories encounter potential pitfalls. While analog annotations might escape the statutory definition of a derivative work, copying text into outlines and photocopying key passages could arguably run afoul of the

247 See Harper & Row, 471 U.S. at 561 (copying the “heart” of a work in order to write a review can infringe); Mirage Editions, Inc. v. Albuquerque ART Co., 856 F. 2d 1341 (9th Cir. 1988); Castle Rock Entertainment Inc. v. Carol Publishing Group, 150 F.3d 132 (2nd Cir. 1998); Warner Bros. Entertainment, Inc. and J. K. Rowling vs. RDR Books, 575 F.Supp.2d 513 (S.D.N.Y. 2008).


249 United States v. Univis Lens Co., 316 U.S. 241, 251 (1942) (applying the doctrine of exhaustion to patent law and holding that “the purpose of the patent law is fulfilled . . . when the patentee has received his reward for the use of his invention. . . . [O]nce that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold.”).

reproduction right.\textsuperscript{251} Unless courts show some willingness to reason beyond the plain text of the statute, narrow interpretation may not suffice to truly insulate these personal uses from liability.

Fair use may fare better, especially given the educational purpose of the use.\textsuperscript{252} However, it may be hard to argue that highlighting and annotating textbooks is truly transformative in the sense that a parody or criticism would be. Moreover, textbook publishers have begun to offer supplemental services and materials to increase revenues that might compete with these actions under the fourth fair use factor.\textsuperscript{253} And while photocopying only a chapter of a larger book might seem fairer than copying the entire book, especially under the third factor, courts have been especially skeptical of such uses even in the context of education or research, two of the enumerated activities explicitly mentioned in the preamble to Section 107.\textsuperscript{254} Thus, while fair use may still reach these activities, the pathway through its balancing test may not be simple or particularly intuitive.

Implied license also shows some promise, given that the intended use of textbooks is to aid in study. However, again, all it would take to obstruct such uses is a clear message from the publisher that such actions are not allowed. In our view, exhaustion provides a much simpler beginning and end to this inquiry.

B. Space Shifting Tangible Media

Space shifting—moving a copyrighted work from one physical medium to another—is commonplace. We copy music files from a CD to a laptop hard drive and then to an iPod. Such uses are part of what we have come to see as an intuitively non-infringing component of the copyright landscape.\textsuperscript{255} Yet the Copyright Act appears to render these copies potential infringements.

And even though space shifting has received occasional praise in the dicta of several fair use cases,\textsuperscript{256} the comfort given to us by the Supreme

\textsuperscript{251} See supra note 256.
\textsuperscript{255} In fact, even as far back as the 1980s, consumers considered space shifting to be a major component of personal use. See \textit{OTA Study, supra} note 4, at 11 (noting that “many people seem to copy for the purpose of ‘place-shifting’ so they could listen to music in their automobile or on portable cassette decks).
\textsuperscript{256} In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003); Sony Comp.
Court in Sony may not stretch as far as needed in the digital age. Modern copyright owners have invested heavily in limiting personal uses and creating granular markets uses of their works. Moreover, the argument that space shifting “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message” under the Campbell test for transformation is challenging at best.\(^{257}\) Under the third factor, space-shifting involves 100% of the work, and under the fourth, the efforts that copyright owners have made to create new markets for every new “space” in which a consumer could potentially store music could potential weigh against fair use as well. As for implied license, again, all the record companies would have to do is state on the CD or even on their website that they do not allow ripping of music to other devices, and that argument would suffer as well.\(^ {258}\)

Exhaustion, on the other hand, provides a cleaner case for personal use and a clear road for judicial decision makers. The court would simply ask three questions: 1. Do you own a copy of the content you want to shift? 2. Is it a lawful copy? 3. Is the use you want to make of the sort embraced by the common law of exhaustion? For space shifting of purchased music, the answer to the first two questions is almost certainly yes. For the third, courts should look the early common law exhaustions cases establishing the rights of adaptation and modification.\(^ {259}\) Those courts held that no infringement occurred at common law when the owner of a copy of a work modified the work to be enjoyed in a different format. All that was required for a finding of non-infringement was a finding of copy ownership.\(^ {260}\) Courts would not need to analyze transformation, market harm, or intent.

This rule provides an intuitive, fair, and predictable set of outcomes in personal use cases involving space-shifting. Consumers who have lawfully purchased copies of music, for example, would be allowed to copy or upload those songs into formats or locations that were for the personal enjoyment of the purchaser. The fact that the purchaser could not reasonably listen to more than one song at a time or from more than one location at a time further reinforces the same rivalrous restrictions that traditional exhaustion brought from the common law into the first sale doctrine.\(^ {261}\)

C. Cloud Storage

Enlm’t v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000); RIAA v. Diamond, 180 F.3d 1072 (9th Cir. 1999).
\(^ {257}\) 510 U.S. at 579.
\(^ {259}\) See, e.g., Kipling v. G.P. Putnam's Sons, 120 F. 631 (2d Cir. 1903)
\(^ {260}\) See also Fawcett Publ’ns, Inc. v. Elliot Publ’g Co., 46 F. Supp. 717, 717 (S.D.N.Y. 1942).
Cloud storage is another area where exhaustion principles can stabilize and promote lawful uses both for individual consumers as well as the service providers they depend on while at the same time continuing to provide appropriate incentives for creators. To operate cloud services efficiently and across large geographic areas, most providers must make multiple copies of each resource. While several courts have held that automated conduct of this type does not rise to the level of volition to be directly infringing, it may still leave providers susceptible to secondary copyright liability based on the reproductions that are made at the request of the user. In this context, courts have taken a particular interest in examining the conduct of users to determine both user and service provider liability.

Exhaustion provides a clear rationale to find both cloud storage service providers and users of those systems non-infringing. If I lawfully purchase a copy of a digital work, I own it and any acts of reproduction, distribution, or adaptation necessary to enable my full enjoyment are permissible. This would include cloud storage for my personal use and retrieval or playback on my personal devices. On the other hand, use of cloud storage to enable access outside of my personal use may exceed the protections of the exhaustion doctrine. For example, even if I owned copies of all of my music, selling access to cloud-based storage of that music would not be recognized as sustainable under an exhaustion defense.

Exhaustion also preserves the proper incentives for copyright authors and distributors by limiting its protection to uses of a particular copy that benefit only that particular copy owner. For example, when MP3.com sought to purchase copies of CDs and then copy them into their own cloud service so that users could avoid the inconvenience of uploading each song individually, they ran afoul of copyright law under Judge Rakoff’s rejection of fair use.

However, let us reconsider the fact that MP3.com had purchased “tens of thousands of popular CDs in which plaintiffs held the copyrights, and, without authorization, copied their recordings onto its computer servers so as to be able to replay the recordings for its subscribers.” If we compare this to the Amazon Cloud Drive model, we notice an important difference—the common identity of the copy owner and the copy user. While MP3.com may not have been able to purchase copies for the benefit of its subscribers

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263 See Grokster, 545 U.S. 913; A&M v. Napster, 239 F.3d 1004; In re Aimster, 334 F.3d 643; Viacom Int’l Inc. v. Youtube, Inc., 718 F.Supp.2d 514 (S.D.N.Y. 2010). See also 17 U.S.C. § 512(c) (providing safe harbors for any infringing uses made by reason of storage at the direction of a user of an online service provider)

264 See id.


266 Id.
(even though there was some evidence to suggest that many of them owned copies as well), the case for Amazon is much stronger when its subscribers are uploading their own copies—evidence that they have already rewarded rights holders through the initial purchase of the content. Under the MP3.com Court’s analysis, this might still fail under fair use because it would still be no more transformative or cause less market harm than MP3.com’s original behavior. However, under our exhaustion principle, Amazon could present a strong justification for offering its service by pointing out that users uploading their own files is simply a form of enabling them to maximize the full value of their personal property. As long as these files are not shared too broadly, exhaustion provides a solid justification not only for the personal uses of the users but also of Amazon’s service itself.267

By contrast, while no court has yet ruled on whether or not uploading purchased content to personal cloud storage is fair use, we are again concerned that it suffers from the same vulnerabilities as space shifting does. This is especially true for the fourth fair use factor in light of the fact that music companies regularly license music streaming providers such as Rhapsody, Napster, and Spotify to provide online access to music. And there is even less probability that a court will find copyright owners implying a license to use cloud storage, given EULAs and their stated objections in the press.268 Thus, we believe exhaustion is the most appropriate approach to preserving personal use in this context.

D. Jailbreaking Personal Electronics

Our final example stems from a recent surge in the desire of certain computer, phone, and videogame console owners to “jailbreak” their purchased devices in order to customize or modify them. For example, from the minute Apple launched its iPhone, owners of the device have sought to modify them in numerous ways, including in order to switch from the Apple-mandated AT&T carrier to another service or to add their own “apps” to the phone’s operating system.269 Again, these are the type of personal uses that

267 It is worth noting that the scope of “sharing” under exhaustion may turn out to be an area that requires ongoing definition. Many believe that sharing copies among friends and family is a lawful personal use that should also be allowed. See Litman, supra note 4 at 1723; OTA Study, supra note 4. This approach could also be a potential defense for educational institutions that choose to digitize their physical book collections and offer them to their students and faculty. If the institution is the owner of the copy, allowing non-simultaneous consumer of a particular digital copy—no matter on who’s device—is a close approximation of the historical lending role that libraries have played for decades in our culture. However, courts and commentators have also recognized that unlimited sharing could undermine important incentives in copyright industries, so appropriate limits would need to be crafted.

268 See supra note 20 and accompanying text.

269 See Library of Congress, Exemption to Prohibition on Circumvention of
most of us intuitively conclude should be non-infringing of any Apple copyright. Yet when the Electronic Frontier Foundation (“EFF”) petitioned the United States Copyright Office on behalf of phone owners to have the right to circumvent any DRM that prevented jailbreaking, Apple fought back.270 The Copyright Office eventually ruled in EFF’s favor, primarily citing fair use as the rationale for why jailbreaking was non-infringing.271

However, while we don’t disagree with the Copyright Office’s fair use rationale, we believe that exhaustion may provide an even better justification for jailbreaking not only as a non-infringing activity under Section 106 but also as an argument for why it is not a violation of Section 1201, the prohibition on circumvention of technological protection measures.

Despite Apple’s insistence that it continues to own the copy of the iPhone OS that sits on every user’s phone, there is no dispute that iPhone owners own their phones—that is, the physical device and its accompanying programmed hardware. Similarly, Apple admitted that iPhone owners own all media that resides on their phone, including any purchases from the Apple iTunes store. Therefore, iPhone owners have a private property interest in the copies of not only the programmed hardware of the iPhone but also any and all media on their phones.

Section 1201 states that it is a violation of law “to circumvent a technological measure that effectively controls access to a [protected] work [without the authority of the copyright owner].”272 The principle of exhaustion both respects this authority and the private property interests at stake in jailbreaking scenarios. As the Supreme Court in *Quanta* held, once title has transferred in the copy, “the article sold [is] carried outside the monopoly of the [intellectual property laws] and rendered free of every restriction which the vendor may attempt to put upon it.”273 Thus, under this rule, iPhone owners would have the right to copy, distribute, and create derivative works necessary to fully enjoy personal use or alienation of those copyrighted works they own, including those residing on the phone. When reconciled with Section 1201, this makes a strong case that common law exhaustion acts as a form of implied authority to circumvent any

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271 See supra note 269.
273 128 S.Ct. at 2116. See also infra Part III.B.
technological measure in order to effectuate such uses. This would cover jailbreaking for the pro-consumer purposes of utilizing the phone on a different carrier or enjoying their media (especially those purchased from Apple’s store) on a modified or alternative operating system. On the other hand, the rule would exclude other activities such as copying, distributing, or modifying the operating system for purposes unrelated to personal use of the phone or purchased media. For either the Copyright Office or the courts, the analysis would be driven by establishing copy ownership and the relationship of the activity to the personal property of the owner. Once those were established, the finding of both non-infringement and non-circumvention would be relatively straightforward.

CONCLUSION

Personal use cases have perplexed courts and copyright scholars for quite some time. Even today, our strong intuitions are that many personal uses should be lawful, but we lack a cogent and predictable method of solidifying this rule in law. Without such a rule, personal uses will either become unlawful over time or upheld on suboptimal grounds, leading to further difficulties for copyright owners, consumers, and courts down the road. In this article, we tackle this dilemma and attempt to refocus the personal use inquiry for a seminal set of cases more properly on the centrality of copy ownership. This inquiry can then help all beneficiaries of the copyright system approach the vast majority of personal uses in a more sensible way and balance the rights of consumers in their personal property with the necessary incentives that creators need to continue contributing to our cultural economy.

See Universal City Studios v. Corley, 273 F.3d 429, 444 (2nd Cir. 2001) (acknowledging the defense of implied authority but finding no evidence to support it in the instant case). While some courts have considered authorization in the context of fair use and Section 109, none have considered the effect of sales of protected works under a common law exhaustion analysis.