Off the Wall: Abandonment and the First Sale Doctrine

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Through § 41 of the Copyright Act of 1909, Congress codified the common law first sale doctrine as an exception to the exclusive rights afforded to copyright holders. Since then, courts have reached inconsistent conclusions as to what types of transfers of ownership qualify for the doctrine, and in 1993 a Northern District of California court wrote: "[T]here are no cases which support or reject [the] position that ownership may be transferred by abandonment for purposes of the 'first sale' doctrine . . . ."[1] *This Note analyzes that still-unaddressed question. It argues that the core rationales underlying the first sale doctrine are the common law aversion to restraints against alienation of property and the copyright owner's right of first distribution, and that whether a transfer of ownership invokes the first sale doctrine should turn on whether the copyright owner has intentionally transferred ownership of a copy in a manner that constitutes an exercise of the right of first distribution.*

"Copyright is for losers©™*"*
– Banksy[2]

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1. Novell, Inc. v. Weird Stuff, Inc., No. C92-20467, 0094 WL 16458729, at *16 (N.D. Cal. Aug. 2, 1993).

2. BANKSY, WALL AND PIECE 2 (2006).

I. INTRODUCTION

In May 2010, the internationally renowned[3] and notoriously anonymous[4] street artist Banksy visited Detroit, Michigan, where he painted five of his signature graffiti murals.[5] However, in the words of one Detroit Free Press writer, "what's really fascinating is what happened after he left."[6] Two of the murals — the two that were most relevant to the ensuing legal controversy — were painted at the abandoned and dilapidated Packard Motor Car Company ("Packard") plant.[7] The first of these was a graffiti painting of a despondent young boy holding a can of red paint, standing next to the scribbled words: "I remember when all this was trees" ("I Remember").[8] The members of local grassroots organization 555 Nonprofit Gallery and Studios ("555") learned of the existence of the work before the landowner and took it upon themselves to remove it to ensure its preservation.[9] They came onto the Packard property with a masonry saw and forklift and removed the mural by carving a "[seven]-by-[eight]-foot, 1500-pound cinder block wall" out of the crumbling building.[10] Upon returning the work to their gallery in southwest Detroit, 555

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3. *See, e.g.*, G. Allen Johnson, *Ragtag Look at World of Graffiti*, S.F. CHRON., Apr. 16, 2010, at E8; *see also* Travis R. Wright, *Banksy Bombs Detroit*, DETROIT METRO TIMES, May 19, 2010, *available at* http://www2.metrotimes.com/arts/story.asp?id=15063 ("This year, Banksy was named one of *Time Magazine*'s 100 Most Influential People . . . ."); Lauren Collins, *Banksy Was Here*, THE NEW YORKER, May 14, 2007, *available at* http://www.newyorker.com/reporting/2007/05/14/070514fa_fact_collins?currentPage=all ("Ralph Taylor, a specialist in the Sotheby's contemporary-art department, said of Banksy, 'He is the quickest-growing artist anyone has ever seen of all time.'").

4. "Banksy" is a pseudonym, and the artist's true identity is the subject of "febrile speculation." Collins, *supra* note 3; *see also* Wright, *supra* note 3 ("Looking back at [Banksy's] wild nine-year career, he's mostly shrouded in mystery. We know he was born in 1974 near Bristol, U.K., and that his name *might* be Robin Guggenheim."); Chloe Albanesius, *eBay Confirms Removal of Banksy Identity Listing*, PCMAG.COM (Jan. 19, 2011, 11:30 AM), http://www.pcmag.com/article2/0,2817,2375968,00.asp (reporting that, before it was removed by eBay, an auction purporting to sell information revealing Banksy's identity had received a highest bid of $999,999).

5. *See* Wright, *supra* note 3 (reporting on the discovery of the first four works); Mark Stryker, *Another Banksy Found at Packard*, DETROIT FREE PRESS, June 12, 2010, at A8 (reporting on the discovery of the fifth work).

6. Mark Stryker, *Graffiti Artist Banksy Leaves Mark on Detroit and Ignites Firestorm*, DETROIT FREE PRESS, May 15, 2010, at A1.

7. Wright, *supra* note 3; Stryker, *supra* note 5.

8. Wright, *supra* note 3. For a photograph of the work, see *infra* Part VI.

9. Stryker, *supra* note 6.

10. *Id.*

placed the mural on free public display.[11] Bioresource, Inc., a company owned by land speculator Romel Casab, filed suit, claiming it was the owner of the Packard property and that the work, which it alleged was possibly worth "$100,000 or more," had been taken illegally.[12] At the hearing for a motion for possession pending judgment in August 2010, a Wayne County judge ruled that the mural could stay on display at 555 until the work's rightful owner was determined at trial.[13] Trial was originally set for June 2011,[14] but in September 2011 the Detroit Free Press reported that 555 had received clear title to the work as part of a $2500 settlement with Bioresource.[15]

The second mural, discovered at the Packard plant after the "I Remember" controversy had already erupted, depicted a solitary yellow bird in a tall birdcage ("Canary in a Cage").[16] This work was removed in similar fashion; however, this time the landowner had authorized its removal.[17] The landowner's excavators added a personal flair, leaving their own Banksy-style mural around the edges of the gaping hole — the silhouettes of two cats seemingly searching for the bygone bird, with the words: "THE CANARY HAS FLOWN ITS COUP [sic]."[18] "Canary in a Cage"

11. *Id.*; *The Alley Project Gallery*, 555 NONPROFIT GALLERY AND STUDIOS, http://555arts.org/TAPGALLERY.html (last visited Feb. 16, 2012) ("The Banksy piece known as 'I Remember' has returned to 555 and is now on display in the gallery. The piece has been stabilized with a steel frame and can be seen during gallery hours . . . absolutely free.").

12. Mark Stryker, *Banksy Mural Sparks Suit*, DETROIT FREE PRESS, July 9, 2010, at A9.

13. Mark Stryker, Tresa Baldas & Gina Damron, *Banksy Mural Stays in Gallery Until June Trial*, DETROIT FREE PRESS, Sept. 2, 2010, at A6 ("Judge Gershwin Drain ruled that while Bioresource might or might not be entitled to the mural ultimately, the work should remain with the gallery because it is in no danger of being destroyed or sold.").

14. *Id.*

15. Mark Stryker, *555 Gallery Gets OK to Display Banksy Mural*, DETROIT FREE PRESS, Sept. 11, 2011, at F6.

16. Stryker, *supra* note 5, at A8. For a photograph of the work, see *infra* Part VII.

17. Mark Stryker, *2nd Banksy Work Leaves Packard*, DETROIT FREE PRESS, June 18, 2010, at A2; Email Interview with Travis R. Wright, Arts and Culture Editor, *Detroit Metro Times* (Jan. 24, 2011) (on file with author) ("Romel Casab, co-owner of the Packard [Plant] . . . had a Clarkston, Michigan based construction team remove ["Canary in a Cage"]. I tried one afternoon to take photos of the work for the *Metro Times* and was escorted out, with force, by a couple hired goons with mag lights . . . ."). For Wright's article on the Banksy murals in Detroit, see Wright, *supra* note 3.

18. Stryker, *supra* note 17; *Authentic BANKSY Graffiti Art Wall Canary in a Cage — eBay (item 320580470257 end time Sep-02-10 19_01_41 PDT)*, EBAY (last visited Sept. 13, 2010) [hereinafter EBAY I] (on file with author); *The Canary Has Flown Its Coup*, FLICKR, http://www.flickr.com/photos/abz_art/4883229755/ (last visited Mar. 18, 2012).

was promptly put up for sale on eBay by seller "Auxion Junxion," with a starting bid of $75,000.[19] It was relisted on at least two other occasions — in auctions ending on September 2, 2010, and October 2, 2010, with final bids of $5,532.10 and $9,999.00, respectively, neither of which met the auctions' reserve prices.[20] The current location of the work is unknown.[21]

The market for illegal street graffiti is indicative of a revolution in the art world. What was once illicit and underground is becoming remarkably mainstream.[22] Street art is experiencing an undeniable legitimization, yet with this emergence has come a tension. Banksy, for example, is vocally anti-copyright.[23] At the same time, he attempts to protect his copyright rights,[24] albeit in a manner that might be described as analogous to a Creative Commons license.[25]

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19. B.J. Hammerstein, *Packard Banksy Mural for Sale on eBay*, DETROIT FREE PRESS, Aug. 11, 2010, at D1.

20. EBAY I, *supra* note 18; *Authentic BANKSY Graffiti Art Wall Canary in a Cage — eBay (item 320593746058 end time Oct-01-10 18_00_18 PDT)*, EBAY (last visited Nov. 2, 2010) (on file with author).

21. Stryker, *supra* note 15. Auxion Junxion did not respond to an email from the author requesting information on the mural.

22. *See* Collins, *supra* note 3 ("Suddenly, it's become all right amongst the proper art world to collect street art." (quoting Steve Lazarides, Banksy's gallerist) (internal quotation marks omitted)).

23. *See, e.g.*, BANKSY, *supra* note 2, at 2 ("Copyright is for losers") (accompanied in original by both a copyright and trademark designation); *id.* at 196 ("Any advertisement in public space that gives you no choice whether you see it or not is yours. It belongs to you. It's yours to take, rearrange and re-use. Asking for permission is like asking to keep a rock someone just threw at your head."); *Shop*, BANKSY, http://www.banksy.co.uk/shop/index.html (last visited Nov. 2, 2010) [hereinafter *Shop*] (on file with author) ("Banksy has a much publicised casual attitude towards recreational copyright infringement . . . .").

24. *See, e.g.*, BANKSY, *supra* note 2, at 2 ("Against his better judgment Banksy has asserted his right under the Copyright, Designs and Patents Act of 1988 to be identified as the author of this work."); *Shop*, *supra* note 23 (last visited Jan. 25, 2011) (on file with author) ("You're welcome to download whatever you wish from this site for personal use. However, making your own art or merchandise and passing it off as 'official' or authentic Banksy artwork is bad and very wrong.").

25. *Compare Shop*, *supra* note 23 (last visited Sept. 5, 2010) (on file with author) ("Please take anything from this site and make your own but for non-commercial use only."), *with Attribution-NonCommercial 3.0 Unported (CC BY-NC 3.0)*, CREATIVE COMMONS, http://creativecommons.org/licenses/by-nc/3.0 ("You must attribute the work in the manner specified by the author or licensor . . . . You may not use this work for commercial purposes."). *See generally Frequently Asked Questions*, CREATIVE COMMONS, http://wiki.creativecommons.org/FAQ ("Creative Commons is a global nonprofit organization that enables sharing and reuse of creativity and knowledge through the provision of free legal tools. . . . CC licenses are copyright licenses, and depend on the existence of copyright to work. CC licenses are legal tools that creators and other rightsholders can use to offer certain usage rights to the public, while reserving other rights.").

While the controversy over the Detroit murals ultimately dissipated, it was illustrative of the new legal questions that will have to be addressed amid the changing artistic landscape. And although the lawsuit between 555 and Bioresource focused on ownership of the physical mural itself,[26] it ignored a critical legal issue. Under the first sale doctrine, the legal owner of a copyrighted work may sell or display that work if it was originally sold by the copyright owner.[27] However, no court has ever been required to determine whether a transfer of ownership via abandonment is sufficient to invoke the first sale doctrine.[28] If abandoned[29] works are not protected by the first sale doctrine, then both display and sale of such works are violations of copyright holders' exclusive rights under 17 U.S.C. § 106.[30] This could have serious implications for anyone who sells or displays abandoned copyrighted works. Consider, as just one example, Sotheby's, who in early 2008 sold an abandoned Banksy sculpture for approximately $600,000.[31]

This Note addresses the question of what types of transfers of ownership are sufficient to invoke the first sale doctrine so that the legal owner of a particular copy is protected by the exception.

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26. Although not addressed in this Note, the lawsuit over "I Remember" raises several interesting real and personal property issues. One such issue is the possibility that there is a public easement at the Packard plant, in which case neither Banksy nor 555 would have been trespassing. *See generally* Stacy Cowley, *The Holdout: Alone in an Abandoned Car Plant*, CNNMONEY.COM, Oct. 30, 2009, http://money.cnn.com/2009/10/30/smallbusiness/chemical_processing_detroit.smb/index.htm ("[Landowner Romel] Casab doesn't fence off or guard the Packard Plant. No one does. The cavernous network of tunnels and collapsing buildings is completely open to explorers and vandals. 'It's not only a local attraction. People come from all over the country to take photos and have underground adventures,' says Bill McGraw, a former Detroit Free Press columnist who wrote about the plant frequently in his 37 years with the newspaper. Dozens of Web sites feature the photos and stories urban spelunkers bring back from their trips.").

27. *See infra* Part II.

28. *See supra* note 1 and accompanying text.

29. Admittedly, the Banksy murals in Detroit raise the conceptual issue of what, if anything, was actually abandoned by the artist. For examples of artwork abandoned in the conventional sense, see, for example, BANKSY, *supra* note 2, at 171, 211, 212–13; *Auction for Vandalised Phone Box*, SOTHEBY'S, http://www.sothebys.com/app/live/lot/LotDetail.jsp?lot_id=159430836 (last visited Jan. 23, 2011) [hereinafter SOTHEBY'S] (on file with author) (auction page for abandoned Banksy sculpture that sold through Sotheby's for $605,000).

30. *See* 17 U.S.C. § 106(3), (5) (2006).

31. SOTHEBY'S, *supra* note 29 ("This work was installed in Soho Square, London 2005 and later recovered from Westminster Environmental Services."). *See generally Shop*, *supra* note 23 ("[Banksy] is not represented by any of the commercial galleries that sell his work second hand . . . .").

More specifically: does a transfer of ownership from the copyright owner by abandonment invoke the first sale doctrine?[32] Part II gives an overview of the first sale doctrine, its common law emergence, and its subsequent codification. Part III explains that the first sale doctrine is not actually restricted to transfers of ownership by sale. Part IV addresses where abandonment should fit into the first sale doctrine, and considers two major underlying justifications for the doctrine. Part V concludes that the proper test for when a transfer of ownership invokes the first sale doctrine should be whether a copyright holder has transferred ownership in a way that demonstrates a meaningful exercise of the right of first distribution. Applying this test, this Note concludes that Banksy's abandoned murals — if they were in fact abandoned — were properly within the scope of the first sale doctrine.

II. OVERVIEW OF THE FIRST SALE DOCTRINE

The first sale doctrine in the common law is largely attributed to the seminal 1908 Supreme Court case *Bobbs-Merrill Co. v. Straus*.[33] Bobbs-Merrill Company was the copyright owner of a novel, *The Castaway*.[34] Each copy of the book was printed with a notice that the book could not be sold at retail for less than one dollar.[35] When the defendant, aware of this restriction, sold books below the specified retail price, Bobbs-Merrill sued for copyright infringement.[36] The Court endorsed[37] the common law first sale doctrine when it wrote: "The purchaser of a book, once sold by

32. In the common law, abandonment requires an act demonstrating intent to relinquish ownership of the property. *See, e.g.*, United States v. Sinkler, 91 F. App'x 226, 231 (3d Cir. 2004) ("Abandonment requires some type of a showing that the defendant *intended* to relinquish possession and control of the object in question.") (citing Abel v. United States, 362 U.S. 217, 240–41 (1960)). Black's Law Dictionary defines "abandonment" as "relinquishing of a right or interest with the intention of never reclaiming it." BLACK'S LAW DICTIONARY 2 (9th ed. 2009).

33. *See, e.g.*, Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 141–42 (1998) ("Congress subsequently codified [the Court's] holding in *Bobbs-Merrill* that the exclusive right to 'vend' was limited to first sales of the work.").

34. Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 341 (1908).

35. *Id.*

36. *Id.* at 341–44.

37. In *Quality King*, the Supreme Court noted that several federal courts before *Bobbs-Merrill* had already applied the principle of the first sale doctrine. *See Quality King*, 523 U.S. at 140 n.4 ("The [first sale] doctrine had been consistently applied by other federal courts in [cases prior to *Bobbs-Merrill*]." (citations omitted)).

authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it."[38] It concluded that, absent any sort of licensing agreement, "[t]o add to the right of exclusive sale the authority to control all future retail sales . . . would give a right not included in the terms of the statute."[39]

Bobbs-Merrill was subsequently codified in § 41 of the Copyright Act of 1909:

> That the copyright is distinct from the property in the material object copyrighted, and the sale or conveyance, by gift or otherwise, of the material object shall not of itself constitute a transfer of the copyright, nor shall the assignment of the copyright constitute a transfer of the title to the material object; *but 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*.[40]

When the copyright laws were amended in 1947, this clause remained substantively unchanged.[41] Under the 1976 Act,[42] the first sale doctrine was maintained in § 109, one of the expressly stated exceptions to § 106.[43] In addition to preserving the first sale doctrine's exception to the exclusive right of distribution,[44]

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38. *Bobbs-Merrill*, 210 U.S. at 350.

39. *Id.* at 351.

40. Copyright Act of 1909, Pub. L. No. 60-349, § 41, 35 Stat. 1075, 1084 (1909) (emphasis added).

41. *See* Copyright Act of 1947, Pub. L. No. 80-281, § 27, 61 Stat. 652, 660 (1947) ("The copyright is distinct from the property in the material object copyrighted, and the sale or conveyance, by gift or otherwise, of the material object shall not of itself constitute a transfer of the copyright, nor shall the assignment of the copyright constitute a transfer of the title to the material object; but nothing in this title 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.").

42. The current copyright laws in the United States are a product of the 1976 Act and its subsequent amendments. *See* ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT: CASES AND MATERIALS 7 (7th ed. 2006).

43. *See* 17 U.S.C. §§ 106, 109 (2006). Section 106 specifies the exclusive rights reserved to a copyright owner, which include the rights of distribution and public display. *Id.* § 106.

44. *See id.* § 109(a) ("Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.").

§ 109 also includes an exception to a copyright owner's exclusive right of public display.[45]

For the purposes of the Copyright Act and the first sale doctrine, "distribution" and "publication" appear to be largely interchangeable. According to the House Report regarding § 109, the right of distribution under § 106(3) can also be defined as the "right of publication":

> *Public distribution*. — Clause (3) of section 106 establishes the exclusive right of publication: The right 'to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.' Under this provision the copyright owner would have the right to control the first public distribution of an authorized copy or phonorecord of his work, whether by sale, gift, loan, or some rental or lease arrangement.[46]

Section 101 similarly defines "publication" as "the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending."[47]

The first sale doctrine exists in relation to particular copies[48] of a copyrighted work.[49] Section 109 is titled: "Limitations on exclusive rights: Effect of transfer *of particular copy* or phonorecord."[50] Similarly, the House Report on § 109 states: "[T]he copyright owner's rights under § 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it."[51] With respect to such copies, the first sale doctrine only implicates

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45. *See id.* § 109(c) ("Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title . . . is entitled, without the authority of the copyright owner, to display that copy publicly . . . to viewers present at the place where the copy is located.").

46. H.R. REP. NO. 94-1476, at 62 (1976) [hereinafter HOUSE REPORT] (quoting 17 U.S.C. § 106(3)); *see also* Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1388 (C.D. Cal. 1993) (articulating section 106(3) as embodying a right of "first publication"). The terms "first distribution" and "first publication" are not found in the text of section 106. *See* 17 U.S.C. § 106.

47. 17 U.S.C. § 101.

48. Under Title 17, a "copy" includes the original work. *See id.* ("The term 'copies' includes the material object, other than a phonorecord, in which the work is first fixed.").

49. *See* 17 U.S.C. § 109; HOUSE REPORT, *supra* note 46, at 79.

50. 17 U.S.C. § 109 (emphasis added).

51. HOUSE REPORT, *supra* note 46, at 62.

§§ 106(3) and 106(5), the rights of distribution and display.[52] It would not, for example, give the owner of a mural the right to create reproductions or derivative works.[53]

III. DOES SALE REALLY MEAN SALE?

Despite its name, the first sale doctrine is not actually restricted to sales. This is clear from the case law and academic literature that have dealt with the first sale doctrine, as well as the legislative history of § 109 and the 1976 Act. In order to determine whether abandonment fits within the ambit of the first sale doctrine, it is helpful to begin with these sources and consider their historical treatment of the doctrine.

A. JUDICIAL INTERPRETATION

Courts have interpreted the first sale doctrine in various ways. What appears to be uncontested is: (1) that the first sale doctrine applies to copies of copyrighted works that have been sold under authority of the copyright owner,[54] and (2) that it does not apply to copies that have been leased, rented, loaned, or the like.[55] As this section illustrates, the precise boundary between these two points remains unresolved, and courts have expressed conflicting notions about what the first sale doctrine is and where the lines should be drawn.

The Supreme Court has not directly addressed whether non-sale transfers of ownership may invoke the first sale doctrine. In *Quality King Distributors*, the Supreme Court, reversing the Ninth Circuit, held that the first sale doctrine applies to the importation of copyrighted works under § 602, which allows copyright owners to prohibit the unauthorized importation of copies.[56]

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52. *See* 17 U.S.C. § 109.

53. *Compare id.* § 106, *with id.* § 109.

54. *See, e.g.*, Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., 508 U.S. 49, 52 (1993) ("Columbia did not dispute that [Professional Real Estate Investors] could freely sell or lease lawfully purchased videodiscs under the Copyright Act's 'first sale' doctrine." (citing 17 U.S.C. § 109(a)).

55. *See, e.g.*, Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 146–47 (1998) ("[T]he first sale doctrine would not provide a defense to a[n] . . . action against any nonowner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.").

56. *Id.* at 135; *see also* 17 U.S.C. § 602.

Respondent L'anza was the manufacturer of hair products affixed with copyrighted labels and brought suit in response to unauthorized importation of those products.[57] The Court rejected L'anza's contention that the first sale doctrine does not apply to § 602,[58] explaining: "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution."[59] Although the Court's use of the word "selling" could be construed as holding that the first sale doctrine is restricted to sales, there are reasons why such an interpretation was likely not the Court's intent.

First, such a narrow view of the doctrine conflicts with prior language from the Court. In *Asgrow Seed Co. v. Winterboer*, the Court interpreted the first sale doctrine in the context of the "patent-like" protection of the Plant Variety Protection Act of 1970.[60] Characterizing the first sale doctrine in terms of the rights of personal ownership, it wrote: "Generally the owner of personal property — even a patented or copyrighted article — is free to dispose of that property as he sees fit."[61]

The second reason is that a strict interpretation of "sale" would be in tension with the broad judicial construction of the first sale doctrine expressly endorsed in both *Quality King* and *Asgrow Seed*. In *Quality King*, immediately preceding the above-quoted statement regarding sales into the stream of commerce, the Court stated that § 109 ought to be broadly construed: "[T]he Solicitor General's cramped reading of the text of the statutes is at odds . . . with the necessarily broad reach of § 109(a)."[62] In *Asgrow Seed*, the Court stated: "A statutory restraint on this basic freedom [of the owner of personal property — even of a copyrighted article — to freely dispose of that property] should be expressed *clearly and unambiguously*."[63]

The spirit of broad construction advocated in *Quality King* is consistent with its holding. The Court made its statement re-

57. *Quality King*, 523 U.S. at 139–40.
58. *Id.* at 154.
59. *Id.* at 152.
60. Asgrow Seed Co. v. Winterboer, 513 U.S. 179, 181 (1995).
61. *Id.* at 194–95 (citing United States v. Univis Lens Co., 316 U.S. 241, 250–52 (1942); Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 350–51 (1908)).
62. *Quality King*, 523 U.S. at 137.
63. *Asgrow Seed Co.*, 513 U.S. at 194–95 (emphasis added) (citation omitted).

garding sales into the stream of commerce for the sake of including under the first sale doctrine copies of copyrighted works that had been sold, exported, and then imported, in what Justice Ginsburg referred to as a "round trip journey."[64] Because the Court did not make that statement for the purpose of excluding a non-sale transfer of ownership,[65] it is unlikely that it intended for *sale* into the stream of commerce to be an exclusive test.

One court, however, did recently take such a position. In *Vernor v. Autodesk, Inc.*, the Ninth Circuit stated that the first sale doctrine should apply only to an "outright sale."[66] In that case, Autodesk was attempting to prevent the resale of its software, which Vernor had purchased from one of Autodesk's direct customers.[67] The court held in favor of Autodesk, finding that the arrangement with its initial customer was properly characterized as a license, not a sale, and that the sale to Vernor was therefore illegitimate.[68] However, the court went on to state that the "House Report for § 109 underscores Congress' view that the first sale doctrine is available *only* to a person who has acquired a copy via an outright sale."[69] As discussed below, the *Vernor* court's interpretation of the House Report is not strongly supported by the legislative text.[70]

Additionally, the *Vernor* court's narrow language is not representative of the majority view, and courts generally do not restrict the doctrine to an actual sale. The recent decision in *UMG Recordings, Inc. v. Augusto*, also from the Ninth Circuit, held that the first sale doctrine applied where promotional CDs had been distributed in a manner properly characterized as a gift or sale, as opposed to a license.[71] Although the opinion cited *Vernor* with

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64. *Id.* at 154 (Ginsburg, J., concurring) (internal quotation marks omitted).

65. *Id.* at 152.

66. Vernor v. Autodesk, Inc., 621 F.3d 1102, 1112 (9th Cir. 2010) (quoting HOUSE REPORT, *supra* note 46, at 79).

67. *Id.* at 1105.

68. *Id.* at 1111–12.

69. *Id.* at 1112 (emphasis added) (quoting HOUSE REPORT, *supra* note 46, at 76) (internal quotation marks omitted).

70. *See infra* Part III.C. The example of an "outright sale" given in the House Report for § 109 was, in fact, just an example. *See* HOUSE REPORT, *supra* note 46, at 79. The report also states, by way of example, that a phonorecord made pursuant to a compulsory license under § 115 and subsequently sold would not be infringement under the first sale doctrine. *See id.*

71. UMG Recordings, Inc. v. Augusto, 628 F.3d 1175, 1183 (9th Cir. 2011).

approval, the court wrote: "Notwithstanding its distinctive name, the doctrine applies not only when a copy is first sold, but when a copy is given away or title is otherwise transferred without the accouterments of a sale."[72] Other decisions simply speak of the first sale doctrine in more general terms. For example, in *United States v. Wise*, the United States brought criminal copyright infringement charges against Wise for selling copyrighted full-length films.[73] Rejecting the defendant's contention that the first sale doctrine, as was then codified in § 27, was unconstitutionally vague, the court wrote:

> Although the statute speaks in terms of a transfer of possession, the judicial gloss on the statute requires a *transfer of title* before a "first sale" can occur. Thus, the first sale doctrine provides that *where a copyright owner parts with title* to a particular copy of his copyrighted work, he divests himself of his exclusive right to vend that particular copy.[74]

The Sixth Circuit has also expressly stated that non-sale transfers of ownership satisfy the requirements of the first sale doctrine. In *United States v. Cohen*, another criminal case involving copyright infringement of full-length films, the court wrote:

> If the copyright owner has given up title to a copy of a work, the owner no longer has exclusive rights with respect to that copy. In sum, the first sale doctrine allows a video store to rent copies of videocassette movies to consumers who do not wish to own them — provided that the rented copies have been *legally obtained through purchase, trade or gift*.[75]

In *Brilliance Audio, Inc. v. Haights Cross Communications, Inc.*, Brilliance Audio brought suit because Haights was repackaging

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72. *Id.* at 1179.

73. United States v. Wise, 550 F.2d 1180, 1183 (9th Cir. 1977).

74. *Id.* at 1187 (emphasis added); *see also* Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1385 (C.D. Cal. 1993) ("This section provides, in essence, that once the copyright owner has *transferred ownership* of a particular copy of the work, the person to whom the copy has been transferred is entitled to dispose of it by sale, rental, or any other means." (emphasis added) (citation omitted)).

75. United States v. Cohen, 946 F.2d 430, 434 (6th Cir. 1991) (emphasis added) (quoting United States v. Sachs, 801 F.2d 839, 842 (6th Cir. 1986) (internal quotation marks omitted)).

and relabeling retail versions of Brilliance Audio audiobooks for resale as library editions.[76] Holding for the defendant, the court classified the first sale doctrine as follows: "[T]he first sale doctrine, 17 U.S.C. § 109(a), provides that once a copyright owner consents to release a copy of a work to an individual (*by sale, gift, or otherwise*), the copyright owner relinquishes all rights to that particular copy."[77]

A case in the Southern District of New York reached a conclusion consistent with that of the Sixth and Ninth Circuits. In *Walt Disney Productions v. Basmajian*, John Basmajian, an employee of Disney's animation department, was authorized to take home a small collection of celluloids and sketches.[78] Years later, when Basmajian attempted to auction the artwork through Christie's, Disney sought a preliminary injunction to restrain the sale as a violation of its rights under § 106.[79] Finding that the collection of copyrighted works was a gift from Disney to Basmajian, the court held that Basmajian was allowed to sell the artwork pursuant to the first sale doctrine.[80] The court explained that "[t]he first sale doctrine, 17 U.S.C. § 109(a), states that where the copyright owner *sells or transfer* [sic] a particular copy of his copyrighted work, he divests himself of the exclusive right in that copy and the right to sell passes to the transferee."[81] More directly, the court stated: "Title may be transferred by gift."[82]

B. ACADEMIC LITERATURE

The case law strongly supports the conclusion that the first sale doctrine is not limited to "sales," and this position is further buttressed by the academic literature. One treatise cited in several of the opinions discussed above states that the first sale doctrine is not actually restricted to sales, and suggests that the term "first authorized disposition by which title passes" is a more accurate description:

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76. Brilliance Audio, Inc. v. Haights Cross Commc'ns, Inc., 474 F.3d 365, 369 (6th Cir. 2007).
77. *Id.* at 373 (emphasis added).
78. Walt Disney Prods. v. Basmajian, 600 F. Supp. 439, 440 (S.D.N.Y. 1984).
79. *Id.* at 439–40.
80. *Id.* at 442.
81. *Id.* (emphasis added).
82. *Id.*

> More colloquially, once the copyright owner first sells a copy of the work, his right to control its further distribution is exhausted. Moreover, although the initial disposition of that copy may be a sale, the identical legal conclusion applies to a gift or any other transfer of title in the copy. Therefore, the more accurate terminology would not be "first *sale*" but rather "first authorized disposition by which title passes."[83]

Other copyright treatises reach similar conclusions.[84] Nimmer notes that in "the international context, the first sale doctrine usually goes by the name 'exhaustion' of the distribution right."[85]

C. LEGISLATIVE HISTORY

An analysis of the legislative history makes clear that the courts and literature discussed above are correct in their broader interpretation of the first sale doctrine. Barbara Ringer, a member of the Copyright Office's General Revision Steering Committee, stated:

> The basic purpose of [Section 109(a)] is to make clear that *full ownership* of a lawfully-made copy authorizes its owner to dispose of it freely, and that this privilege does not extend to copies obtained otherwise than by *sale or other lawful disposition*. In other words, if you obtain a copy by loan or by rental, you are not free to dispose of it freely or to use it in any way you see fit.[86]

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83. 2-8 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.12[B][1][a] (2010) (citations omitted).

84. *See, e.g.*, UMG Recordings, Inc. v. Augusto, 558 F. Supp. 2d 1055, 1059 (C.D. Cal. 2008) (quoting 4 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 13:15 (2007) ("Since the principle [of the first sale doctrine] applies when copies are given away or are otherwise permanently transferred without the accoutrements of a sale, 'exhaustion' is the better description." (alteration in original)); 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 7.6.1 n.4 (3d ed. 2005) ("[A] gift of copies or phonorecords will qualify as a 'first sale' to the same extent as an actual sale for consideration.")).

85. NIMMER & NIMMER, *supra* note 83, at § 8.12(B)(1)(a) n.22.

86. Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1387 (C.D. Cal. 1993) (alteration in original) (emphasis added) (quoting STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., COPYRIGHT LAW REVISION PART 5: 1964 REVISION BILL WITH DISCUSSION & COMMENTS 66 (Comm. Print 1965)).

House Report 94-1476, "widely regarded as the definitive expression of 'legislative intent' of the provisions of the 1976 Copyright Act,"[87] sheds additional light on the statute. The commentary in regards to § 109 speaks of a hypothetical owner who has "transferred ownership," but it does not specify any particular form of transfer.[88] A portion of the commentary regarding § 106(3) further supports the broader construction of § 109: "As section 109 makes clear . . . the copyright owner's rights under section 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it."[89]

The House Report offers two illustrative examples regarding § 109. The first, which was quoted by the *Vernor* decision,[90] states: "[F]or example, the outright sale of an authorized copy of a book frees it from any copyright control over its resale price or other conditions of its future disposition."[91] However, the House Reports provides another example, albeit more discretely, when it expands upon the definition of "lawfully made under this title":

> To come within the scope of section 109(a), a copy or phonorecord must have been "lawfully made under this title," though not necessarily with the copyright owner's authorization. For example, any resale of an illegally "pirated" phonorecord would be an infringement, but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not.[92]

The House Report thus instructs that a phonorecord made pursuant to the compulsory licensing provisions under § 115 is lawfully made under this title *and* does not constitute infringement as per § 109(a).[93] Section 115 makes a compulsory license availa-

87. GORMAN & GINSBURG, *supra* note 42, at 8.

88. HOUSE REPORT, *supra* note 46, at 79 ("Section 109(a) restates and confirms the principle that, where the copyright owner has *transferred ownership* of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means.") (emphasis added).

89. *Id.* at 62.

90. *See supra* note 69 and accompanying text.

91. HOUSE REPORT, *supra* note 46, at 79 (emphasis added); Vernor v. Autodesk, Inc., 621 F.3d 1102, 1112 (9th Cir. 2010).

92. HOUSE REPORT, *supra* note 46, at 79.

93. It is curious to suggest that a phonorecord made pursuant to § 115 would come within the scope of § 109(a). The right of distribution under § 106(3) is expressly subject

ble to any person once phonorecords of a nondramatic musical work have been "distributed to the public in the United States under the authority of the copyright owner."[94] However, a *copy* made and sold pursuant to § 115 does not need to have been first sold by the copyright holder — in fact, such a copy will not even originate with the copyright holder.[95] Therefore, although the example does not speak directly to whether a transfer by gift or abandonment may trigger the first sale doctrine, it does provide at least one example of a non-sale transfer that satisfies § 109.

IV. ABANDONMENT AND THE FIRST SALE DOCTRINE

Despite the robust support for the conclusion that the first sale doctrine is not actually restricted to sales, the question of whether abandonment — a unilateral demonstration of intent to yield ownership — similarly qualifies has never been addressed.[96] In order to determine the proper place for abandonment, this section first considers two significant cases that help illuminate the boundaries of the first sale doctrine. It then analyzes whether abandonment properly constitutes a "transfer of ownership." Finally, it discusses two of the critical underlying values that drive the first sale doctrine: the common law aversion to restraints on alienation of property, and the right of first distribution. Considering these underlying values, this Note concludes that the first sale doctrine should apply whenever a copyright owner has intentionally transferred ownership and has exercised his or her right of first distribution regarding a copy of a copyrighted work.

A. TESTING THE LIMITS OF THE FIRST SALE DOCTRINE

In *Harrison v. Maynard, Merrill & Co.*, an early Second Circuit case, the court was presented with a situation that tested the limits of what would eventually be called the first sale doctrine.

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to § 115, which allows a person who obtains a compulsory license to "make and distribute phonorecords of the work." 17 U.S.C. §§ 106, 115(a)(1) (2006). It is therefore unclear why anyone distributing phonorecords pursuant to § 115 would be required to invoke § 109. Nonetheless, the example is indicative of the statute's authors' intent.

94. 17 U.S.C. § 115(a)(1).

95. *See id.*

96. Novell, Inc. v. Weird Stuff, Inc., No. C92-20467, 0094 WL 16458729, at *16 (N.D. Cal. Aug. 2, 1993).

Maynard, Merrill & Co. was a publisher that owned the copyright to a book titled *Introductory Language Work*.[97] A large portion of copyrighted material owned by Maynard was in the possession of a book bindery.[98] After a "destructive fire" at the book bindery, Maynard concluded that all commercial value in the copyrighted material had been lost, and the burned books and paper were sold as scrap with the following condition attached: "It is understood that all paper taken out of the building is to be utilized as paper stock, and all books to be sold as paper stock only, and not placed on the market as anything else."[99] When fire-damaged copies of the book subsequently appeared on the market, the publisher brought suit for copyright infringement.[100] In one of the earliest expressions of the first sale doctrine, the court concluded that the plaintiff could not sustain its action for copyright infringement:

> [T]he right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes.[101]

The court therefore held that the copyright owner, having placed the copyrighted copies into the stream of commerce, had no further right to control the distribution of those copies.[102]

Another noteworthy case, *Novell, Inc. v. Weird Stuff, Inc.*, was the closest a court has come to addressing the question of abandonment and the first sale doctrine. Novell, a software company, had an arrangement with KAO Infosystems under which KAO

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97. Harrison v. Maynard, Merrill & Co., 61 F. 689 (2d Cir. 1894). *Harrison* was one of the cases mentioned by the Supreme Court in *Quality King* as a federal court decision that reached a conclusion consistent with the first sale doctrine before it was adopted by the Supreme Court in *Bobbs-Merrill*. *See* Quality King Distribs., Inc. v. L'anza Research Intern., Inc., 523 U.S. 135, 140 n.4 (1998).

98. *Harrison*, 61 F. at 689.

99. *Id.* (internal quotation marks omitted).

100. *Id.* at 690.

101. *Id.* at 691.

102. *Id.*

reworked and repackaged Novell software in a process that included replacing some of the system disks.[103] As per the rework instructions, KAO was supposed to "scrap" any disks that were removed from the original packages, a process that required "the disks be recycled after being degaussed and relabeled or be mutilated and then dumped or incinerated."[104] A KAO employee testified that it was understood that any disks discarded were to be rendered unusable.[105] KAO apparently failed to fully carry out Novell's intentions regarding the disks, because one of the defendants in the case retrieved approximately 1700 viable system disks from KAO's dumpster in a practice the court referred to as "dumpster diving."[106]

The court acknowledged the question raised in this Note, writing: "[T]here are no cases which support or reject [the] position that ownership may be transferred by abandonment for purposes of the first sale doctrine . . . ."[107] However, because it found that the disks had been placed in the dumpster in a condition contrary to the intentions of the copyright owner, the court held that the transfer of possession did not qualify as abandonment or invoke the first sale doctrine: "[T]here is insufficient evidence upon which a reasonable jury could find . . . that Novell abandoned the disputed disks . . . . The overwhelming evidence establishes that Novell had an intent to destroy the disputed disks, and thereby prevent the disks from entering into the stream of commerce."[108]

Although the holdings in *Harrison* and *Novell* may appear to be in conflict, they are resolved by noting the one critical difference between them. In *Harrison*, the copyrighted books and paper were sold in a condition authorized by the copyright owner, but the copyright owner tried to place restrictions on what subsequent owners could do with those copies.[109] In *Novell*, a third party disposed of the copyrighted products in a manner that did not honor the copyright owner's instructions.[110] Not only does the

103. Novell, Inc. v. Weird Stuff, Inc., No. C92-20467, 0094 WL 16458729, at *4 (N.D. Cal. Aug. 2, 1993).
104. *Id.* at *16.
105. *Id.*
106. *Id.* at *5–6.
107. *Id.* at *16 (internal quotation marks omitted).
108. *Id.*
109. Harrison v. Maynard, Merrill & Co., 61 F. 689, 689 (2d Cir. 1894).
110. *Novell*, 0094 WL 16458729, at *1–2, *16.

holding in *Novell* not contradict the holding in *Harrison*, but the court in *Harrison* expressly supported the position that an unauthorized transfer of ownership cannot invoke the first sale doctrine:

> [I]f the owner of a copyrighted book intrusts copies of the book to an agent or employe for sale only by subscription and for delivery to the subscribers, and the agent fraudulently sells to nonsubscribers, who have knowledge or notice of the fraud, such sale is an infringement of the original owner's copyright, who can disregard the pretended sale, and have the benefit of all the remedies which the statutes or the law furnish.[111]

The potential situation that thus remains unaddressed by the case law is one in which the copyright owner, personally or through an authorized agent acting in accordance with the copyright owner's wishes, abandons copies of the copyrighted materials.

B. ABANDONMENT AS A TRANSFER OF OWNERSHIP

The statutes and legislative history of the Copyright Act generally outline the first sale doctrine in terms such as "owner," "ownership," or "transfers of ownership."[112] Whether abandonment qualifies as a "transfer of ownership" is thus significant. Further, because § 101 does not define these terms as they apply to physical ownership of copies,[113] the general common law treatment of abandonment becomes critical: "It is a well-established rule of construction that where Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms."[114]

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111. *Harrison*, 61 F. at 690–91.

112. *See, e.g.*, 17 U.S.C. § 109(a), (c), (d) (2006); HOUSE REPORT, *supra* note 46, at 79.

113. *See* 17 U.S.C. § 101 (providing definitions for "Copyright owner" and "transfer of copyright ownership," but not "owner," "ownership," or "transfer of ownership" by themselves or as they apply to copies).

114. Neder v. United States, 527 U.S. 1, 21–22 (1999) (quoting Nationwide Mut. Ins. Co. v. Darden, 503 U.S. 318, 322 (1992)) (internal quotation marks omitted) (citing Standard Oil Co. of N.J. v. United States, 221 U.S. 1, 59 (1911) ("[W]here words are employed

The common law considers the finder of abandoned property to be the unqualified rightful owner of that property: "[It is an] ancient controversy[,] whether the finder of a thing which had been thrown away by the owner got a title in privity by gift, or a new title by abandonment. That he got a title no one denied."[115] Of particular relevance to this Note's inquiry into § 109 is that numerous cases have classified abandonment as a "transfer of ownership."[116] Abandonment as a "transfer of ownership" is also supported by academic literature.[117] Furthermore, while specific language characterizing ownership after abandonment is not as prevalent (perhaps because *who* has rightful ownership is usually the end of the legal question), the Supreme Court has on at least one occasion suggested that ownership as a product of abandonment is identical to ownership as a product of sale.[118] By all accounts, abandonment is a legitimate transfer of ownership under the common law, and the finder of abandoned property is a legitimate legal owner.

There is undeniably at least one difference between transfers by sale or gift and transfers by abandonment: the owner who parts with his or her property by sale or gift has the ability to determine the recipient. Perhaps this knowledge can be con-

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in a statute which had at the time a well-known meaning at common law or in the law of this country, they are presumed to have been used in that sense.")).

115. Gordon v. Vincent Youmans, Inc., 358 F.2d 261, 276 n.9 (2d Cir. 1965) (quoting Oliver Wendell Holmes, *The Theory of Legal Interpretation*, 12 HARV. L. REV. 417, 420 (1899)).

116. *See, e.g.*, Chi. S.S. Lines v. U.S. Lloyds, 2 F.2d 767, 769–70 (N.D. Ill. 1924) ("If after abandonment, the owners were to proceed to repair the ship without consultation with the underwriters, it would be a waiver of the abandonment, because it would be doing an act inconsistent with the asserted *transfer of ownership*.") (emphasis added) (quoting Peele v. Merchs.' Ins. Co., 19 F. Cas. 98, 119 (C.C.D. Mass. 1822) (No. 10,905) (internal quotation marks omitted)); Thomas v. Janzen, 800 So. 2d 81, 87 (La. Ct. App. 2001) ("[T]hat section does not include actions involving the transfer of ownership of property, such as abandonment and acquisition of the same."); City of Vallejo v. Burril, 221 P. 676, 677 (Cal. Dist. Ct. App. 1923) ("The solution of this question depends upon . . . whether there has been any abandonment of the property, such as to transfer the ownership thereof . . . ."); Arnauld v. Delachaise, 4 La. Ann. 109, 113 (1849) ("That this abandonment, uncoupled with any *modus* or condition, does transfer the ownership of the things abandoned, cannot reasonably be denied.").

117. *See, e.g.*, Lior Jacob Strahilevitz, *The Right To Abandon*, 158 U. PA. L. REV. 355, 360 (2010) ("Abandonment means any unilateral transfer of ownership.").

118. *See* Craig v. Cont'l Ins. Co., 141 U.S. 638, 645 (1891) ("[The boat's] ownership by the insurance company, resulting from the abandonment, was of the same character as would have been her ownership by any person who had purchased [the boat in its] then condition from the former owner.").

strued as a more complete exercise of the copyright owner's ability to control his or her copyrighted work. Yet it is not clear that such a distinction is relevant to the first sale doctrine.

Such importance could possibly be read into the Sixth Circuit's language, where the court wrote: "[O]nce a copyright owner consents to release a copy of a work to an *individual* (by sale, gift, or otherwise), the copyright owner relinquishes all rights to that particular copy."[119] Nonetheless, assigning legal significance to the existence of a defined transferee appears unsupported. Besides the mention of an "individual" by the Sixth Circuit, which was not emphasized by the court in that case, there is little to suggest that the identity of a recipient is critical. Furthermore, although abandonment is arguably a less complete transfer of ownership because the copyright owner has less control over who the subsequent owner of the property will be, it also involves the conscious forfeiture of that ability to control. And again, looking to the example provided in the House Report on § 109, the first sale doctrine is properly invoked under § 115, a situation in which a copyright owner releases his or her work to the public and subsequently has no control over which individuals may choose to create copies pursuant to a compulsory license.[120] At a definitional level, there is no reason to exclude abandonment as a transfer of ownership for purposes of the first sale doctrine.

C. RESTRAINTS ON ALIENATIONS OF PROPERTY

One of the core driving forces of the first sale doctrine is the common law aversion to restraints on alienation of personal property. In *Asgrow Seed*, the Supreme Court introduced the discussion of the first sale doctrine and *Bobbs-Merrill* with the statement: "This reading of the statute is consistent with our time-honored practice of viewing restraints on the alienation of property with disfavor."[121] The Second, Third, and Sixth Circuits have all acknowledged this critical factor as well. In *Harrison*, which was one of the cases cited by the Supreme Court in *Quality*

119. Brilliance Audio, Inc. v. Haights Cross Commc'ns, Inc., 474 F.3d 365, 373 (6th Cir. 2007) (emphasis added).

120. *See supra* Part III.C.

121. Asgrow Seed Co. v. Winterboer, 513 U.S. 179, 194 (1995).

King as a precursor to the *Bobbs-Merrill* formulation of the first sale doctrine,[122] the court wrote:

> [I]ncident to ownership in all property, — copyrighted articles, like any other, — is a thing that belongs alone to the owner of the copyright itself, and as to him only so long as and to the extent that he owns the particular copies involved. Whenever he parts with that ownership, the ordinary incident of alienation attaches to the particular copy parted with in favor of the transferee, and he cannot be deprived of it. This latter incident supersedes the other, — swallows it up, so to speak . . . .[123]

The Third Circuit has stated that "[t]he first sale rule is statutory, but finds its origins in the common law aversion to limiting the alienation of personal property."[124] Citing the Third Circuit's decision with approval, the Sixth Circuit wrote: "The first sale doctrine ensures that the copyright monopoly does not intrude on the personal property rights of the individual owner, given that the law generally disfavors restraints of trade and restraints on alienation."[125] The 1984 House Report further supports the courts' statements on the origins of the doctrine: "The first sale doctrine has its roots in the English common law rule against restraints on alienation of property."[126]

However, acknowledging the significance of personal property rights and the common law aversion to restraints on alienation of property is of limited probative value if not contextualized along with other property interests. The distribution right under § 106(3) is itself in conflict with the presumption against limitations on alienation. The heart of the first sale doctrine is thus the intersection between intellectual property rights and personal

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122. Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 140 n.4 (1998).

123. Harrison v. Maynard, Merrill & Co., 61 F. 689, 691 (2d Cir. 1894) (quoting Henry Bill Publ'g Co. v. Smythe, 27 F. 914, 925 (C.C.S.D. Ohio 1886)).

124. Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd., 847 F.2d 1093, 1096 (3d Cir. 1988) (citations omitted).

125. Brilliance Audio, Inc. v. Haights Cross Commc'ns, Inc., 474 F.3d 365, 374 (6th Cir. 2007).

126. H.R. REP. NO. 98-987, at 2 (1984) (citing Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 HARV. L. REV. 945, 982 (1928)).

property rights. The question that must be answered is where that intersection lies.

D. THE RIGHT OF FIRST DISTRIBUTION

The right of first distribution appears to be the turning point for when copyright gives way to personal property. The Central District of California expressly described the issue as a balance between these two conflicting interests:

> The distribution right is not absolute. Once the copyright owner has voluntarily released his work to the public, the distribution right is no longer needed to protect the underlying copyright; at that point, the policy favoring a copyright monopoly for authors gives way to policies disfavoring restraints of trade and limitations on the alienation of personal property, and the first sale doctrine takes effect.[127]

Nimmer also explains the first sale doctrine in the context of the distribution right: "Section 109(a) provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies."[128]

Furthermore, framing the first sale doctrine in the context of the copyright owner's right of first distribution allows for a consistent reading with the examples given in the House Report, both of an "outright sale" and of a copy of a copyrighted work made pursuant to a § 115 compulsory license.[129] It also facilitates a harmonious structural reading of the portion of the House Report that presents § 109 as a limiting factor to a copyright holder's right of first distribution under § 106(3):

> Under [section 106(3)] the copyright owner would have the right to control the first public distribution of an authorized copy or phonorecord of his work, whether by sale, gift, loan, or some rental or lease arrangement. Likewise, any unau-

127. Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc., 832 F. Supp. 1378, 1388 (C.D. Cal. 1993) (citing NIMMER & NIMMER, *supra* note 83, at § 8.12[A]).

128. NIMMER & NIMMER, *supra* note 83, at § 8.12[B][1][a].

129. *See* HOUSE REPORT, *supra* note 46, at 79. *See generally* 17 U.S.C. § 115 (2006).

> thorized public distribution of copies or phonorecords that were unlawfully made would be an infringement. As section 109 makes clear, however, the copyright owner's rights under section 106(3) cease with respect to a particular copy or phonorecord once he has parted with ownership of it.[130]

Moreover, in light of the limited language from the Supreme Court specifying what qualifies as a transfer of ownership for purposes of the first sale doctrine, it is worth revisiting the decision in *Quality King*, where the Court stated: "The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution."[131] Although this Note concludes that the Court most likely did not intend to use the term "selling" as exclusive of other forms of transfer, intentional distribution into the stream of commerce was nonetheless a crucial element in the *Quality King* decision.[132] The court in *Novell* echoed this analysis, finding that the disputed disks had not actually been abandoned because "Novell manifested its intent to discard the disks and to prevent the disks from entering the stream of commerce."[133] The language of *Quality King* and *Novell*, in conjunction with the statutory language and legislative history, provides us with what should be considered the critical dividing line: only a transfer of ownership that constitutes a meaningful exercise of the right of first distribution should implicate the first sale doctrine.

V. CONCLUSION: BETWEEN THE RIGHTS OF ALIENATION AND FIRST DISTRIBUTION

This Note concludes that the first sale doctrine should apply whenever a copyright owner has both intentionally transferred ownership of a copy and exercised the right of first distribution regarding that copy. Two cases discussed above — *Harrison* and

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130. HOUSE REPORT, *supra* note 46, at 62.

131. Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 152 (1998).

132. *See id.*

133. Novell, Inc. v. Weird Stuff, Inc., No. C92-20467, 0094 WL 16458729, at *13 (N.D. Cal. Aug. 2, 1993).

Novell — provide the best examples of situations that explore the boundaries of the first sale doctrine. Recall *Harrison*, where the court held that the sale of damaged books and paper invoked the first sale doctrine, despite the copyright owner's attempt to limit the copyrighted material to use as scrap paper. In *Novell*, the court held that the first sale doctrine had not been invoked when Novell's disks were discarded in a manner contrary to its intentions. What remain unsettled are slight permutations of these cases. What if the copyright owner in *Harrison*, not realizing that any remnants of the copyrighted books remained, simply abandoned ownership and left the copyrighted materials in the rubble of a burned down building? What if Novell itself, as opposed to a third party, had discarded the disks?

In the case of abandonment, the copyright owner's § 106 rights vis-à-vis the first sale doctrine and § 109 should turn on whether the transfer of ownership qualifies as an exercise of the copyright owner's right of first distribution. For example, if the disks in *Novell* had been mutilated in accordance with Novell's wishes, but the "dumpster divers" had developed technology that allowed them to salvage the information on the disks even in their mutilated form, they would not be allowed to sell those disks. Novell's abandonment of the disks would clearly have been an attempt to destroy them and remove them from the stream of commerce, not to distribute them to the public.

Alternatively, we can consider the controversy that first inspired this Note — the Banksy murals in Detroit — and see an example of an artist who has made the choice to release his work to the public. Banksy exercised the critical right of first distribution when he intentionally relinquished ownership of the murals in a manner that demonstrated intent to release them to others. He had the choice of how, where, and when to release his works to the public. Perhaps most importantly, he had the choice of whether to release his works. He should not be able to subsequently place additional restrictions on what may be done with them.

VI. Appendix I: "I Remember"[134]

VII. Appendix II: "Canary in a Cage"[135]

134. Photograph taken from *Outdoors*, BANKSY, http://www.banksy.co.uk/outdoors/outuk/horizontal_1.htm (last visited Sept. 5, 2010) (on file with author), pursuant to statement of permission for non-commercial use at *Shop*, *supra* note 25.

135. Photograph taken from *Outdoors*, *supra* note 134, pursuant to statement of permission for non-commercial use at *Shop*, *supra* note 25.