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Birth of the First-Download Doctrine: The Application of the First-Sale Doctrine to Internet Downloads under EU and U.S. Copyright Law

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Copyright

Abstract

In the landmark case of UsedSoft GmbH v. Oracle International Corp. (C-128/11), the European Court of Justice (ECJ) has held that the re-sale of "used" software does not violate EU copyright law even if the software was not initially purchased on a tangible medium such as a CD but downloaded from the software manufacturer's website. The same principles are likely to apply to other categories of copyrighted works. Under the ECJ's interpretation of the first sale doctrine, if applied generally, the exhaustion of the distribution right to any copyrighted work would occur at the point where a copy of a work is downloaded in exchange for remuneration and the user is given the right to use the downloaded copy for an unlimited period. Since neither a sale—strictly speaking—nor the transfer of title in a material object are required, the first-sale doctrine has been effectively extended by the ECJ by a new First-Download Doctrine which may eventually enable a large second-hand market in electronic copies of copyrighted works such as movies, ebooks, or songs. This new legal situation in the EU is put into perspective by a comparison with the current case law in the U.S. In the 2010 case of Vernor v. Autodesk, Inc., the 9th Circuit Court of Appeals held that a software user could not rely on the first sale doctrine if the copyright owner (1) specifies that the user is granted a license, (2) significantly restricts the user's ability to transfer the software, and (3) imposes notable use restrictions. However, this holding which provided a rather strict interpretation of the first-sale doctrine was distinguished in 2011 by the same Circuit Court in UMG Recordings, Inc. v. Augusto. In that case, the court held that the unsolicited shipping of promotional music CDs with a shrink-wrap license constituted a "sale" under the first-sale doctrine and thus allowed recipients to resell the CDs. U.S. copyright law, too, therefore still provides much room for interpretation which may yet lead to the adoption of the EU's First-Download Doctrine in U.S. law. The First-Download Doctrine gives users more rights over the content they purchase. This also raises the question how copyright owners may use legally protected technological protection measures (i.e. DRM technology) to prevent users from exercising such new rights.

Contents

1. Introduction

The first-sale doctrine, also known as the principle of exhaustion, generally provides that the first sale of a copy of a work exhausts the copyright holder's distribution right of that particular copy. It is this doctrine that makes it possible, for example, to resell used books without committing any copyright infringement.

The concept of a "sale" has rather clear boundaries when applied to the physical world, for example, to a book, a magazine, or a vinyl record. All these items, once put on the market by the right holder, may be resold without any substantive restrictions.

However, when applied to digital copies of copyrighted works, the concept of a "sale" is challenged. Increasingly, software, ebooks, music, or films are offered for download without the transfer of title to any property. The

contracts governing such transactions typically are not conceived as a sale but as a license to download the particular content. This raises the question of whether the first-sale doctrine should be construed as encompassing a "First-Download Doctrine" that may eventually enable a large second-hand market in electronic copies of software, movies, ebooks, songs, and other digital copies of copyrighted works. Of course, the first acquirer who sells a used copy would, in any case, have to destroy any remaining copy after completion of the sale.

2. UsedSoft v. Oracle: The Birth of the First-Download Doctrine under EU Law

In the landmark case of *UsedSoft v. Oracle*[1] that was decided by the European Court of Justice (ECJ) in July 2012, the software manufacturer Oracle had brought a lawsuit for copyright infringement against UsedSoft, arguing that UsedSoft infringed Oracle's exclusive rights by selling used Oracle software.[2] What makes this case particularly interesting is that Oracle did not only sell its software on CDs but primarily made it publicly available for download on its website.[3] In order to use the software, users were required to purchase a perpetual, non-transferrable license.[4] UsedSoft therefore did not (re)sell any original installation CDs but only the used software license itself,

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[1] Case C-128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000.

[2] Bundesgerichtshof [BGH] [Federal Court of Justice] Feb. 3, 2011, Case no. I ZR 129/08 (F.R.G.).

[3] Case C-128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000, at § 21.

[4] *Id.* at § 23.

instructing users to obtain a copy of the software by downloading it from Oracle's website.[5]

In its reference for a preliminary ruling, the German Federal Court of Justice essentially asked the ECJ as to whether and under what conditions the downloading from the Internet of a copy of a computer program, authorized by the copyright holder, can give rise to exhaustion of the right of distribution of that copy in the European Union.[6]

In its analysis, the ECJ first considered that the copyright protection of computer programs is not subject to Directive 2001/29[7] (hereinafter Copyright Directive) but the more specific Directive 2009/24[8] (hereinafter Computer Programs Directive).

The Computer Programs Directive codifies the first-sale doctrine by providing that the "first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy."[9]

Oracle argued that it did not sell any copies but rather made them available for free and only charged a fee for the license that was required in order to use a downloaded copy.[10] The ECJ did not follow this line of reasoning and held that the downloading of a copy of the software and the

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[5] *Id.* at § 26.

[6] *Id.* at § 35.

[7] Directive 2001/29, 2001 O.J. (L 167) 10 (EC).

[8] Directive 2009/24, 2009 O.J. (L 111) 16 (EC).

[9] Computer Programs Directive art. 4(2). Note that the exhaustion of rights does not affect the right to control further rental of the program or a copy thereof. *Id.*

[10] Case C‑128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000, at § 43.

conclusion of a license agreement for that copy formed an indivisible whole because either one of the two parts of the transaction would be pointless without the other.[11]

Furthermore, the ECJ rejected the notion that the first-sale doctrine could be circumvented by structuring a contract as a perpetual license rather than a sale because this would undermine the effectiveness of the first-sale doctrine.[12]

The ECJ also had to address the question of whether the first-sale doctrine of the Computer Programs Directive equally applies to intangible property. First, the ECJ stated that the term "sale" generally is understood as "an agreement by which a person, in return for payment, transfers to another person his rights of ownership in an item of tangible *or intangible* property belonging to him."[13] In its reasoning, the Court also expressed the view that, from an economic perspective, the sale of a digital good on a CD-ROM or DVD and the sale of such good by downloading from the Internet are similar because an online transmission would constitute the functional equivalent of the supply of a material medium.[14]

Second, the ECJ considered that the codification of the first-sale doctrine in the Computer Programs Directive did not make any reference to a material medium such a CD-ROM or a DVD.[15] Rather, it simply referred to the "sale

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[11] *Id.* at §§ 44, 47.

[12] *Id.* at § 49.

[13] *Id.* at § 42 (emphasis added).

[14] *Cf. id.* at § 61.

[15] *Id.* at § 55.

[…] of a copy of a program."[16] Moreover, article 1(2) of the Computer Programs Directive states that "[p]rotection in accordance with this Directive shall apply to the expression in any form of a computer program." From this, the ECJ concluded that it was the clear intention of the EU legislators to treat tangible and intangible copies of computer programs in the same way.[17]

Thus, the ECJ held that the first-sale doctrine also applies to intangible copies downloaded over the Internet, thereby giving birth to the First-Download Doctrine. The Court formulated the following three prongs for the application of the First-Download Doctrine to a copy of a computer program. The copyright holder must have (1) authorized the downloading of that copy from the Internet onto a data carrier, (2) conferred a right to use that copy for an unlimited period, and (3) received payment of a fee intended to enable him to obtain a remuneration corresponding to the economic value of the downloaded copy.

Applying this holding to the specific case at hand, the ECJ ruled that UsedSoft was allowed to resell "used" software licenses. However, as regards the so-called volume licenses where the user obtains a single copy of the computer program along with a license to install it multiple times, the Court held that users were not allowed to divide the license and resell only a part of

[16] Computer Programs Directive art. 4(2).

[17] Case C‑128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000, at § 58.

the volume license.[18] This restriction is significant because split-up volume licenses were responsible for a large share of the used software market.

3. Application of the First-Download Doctrine to Other Copyrighted Works under EU Law

The ECJ's holding in *UsedSoft v. Oracle* only concerned the interpretation of the Computer Programs Directive and not the Copyright Directive. Nonetheless, from the Court's reasoning, it is clear that similar considerations apply with regard to the Copyright Directive and, thus, copyrighted works in general.

Almost identical to Computer Programs Directive article 4(2), Copyright Directive article 4(2) provides that the distribution right shall be exhausted within the Community "where the first sale or other transfer of ownership in the Community of [the original or copies of the work] is made by the rightholder or with his consent."

When construing the meaning of a "first sale" of "the original or copies of the work," one has to first consider whether the concepts used in the Computer Programs Directive and the Copyright Directive must, in principle, be construed to have the same meaning.[19]

An argument that the First-Download Doctrine does not apply within the scope of the Copyright Directive could be based on recitals 28 and 29 of the Copyright Directive: Recital 28 provides that "[c]opyright protection under

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[18] *Id.* at § 69.

[19] *Id.* at § 60 (*citing* Joined Cases C‑403/08 and C‑429/08, Football Association Premier League Ltd v. QC Leisure, 2011 E.C.R. I-0000, at §§ 187 et seq.).

[the Copyright Directive] includes the exclusive right to control distribution of the work *incorporated in a tangible article*. The first sale […] exhausts the right to control resale of *that object* in the Community."[20] Recital 29 further states that the question of exhaustion does not arise in the case of services and online services in particular because "[u]nlike CD-ROM or CD-I, where the intellectual property is incorporated in a material medium, namely an item of goods, every online service is in fact an act which should be subject to authorization." Thus, from the wording of these recitals, the first-sale doctrine under the Copyright Directive would appear to only apply to works incorporated in a tangible article which would exclude in particular works distributed online.

The strongest argument against this strict statutory interpretation is provided by the underlying objective of the first-sale doctrine. In *UsedSoft v. Oracle*, the ECJ has restated that objective as "avoid[ing] partitioning of markets" by "limit[ing] restrictions of the distribution of [copyrighted] works to what is necessary to safeguard the specific subject-matter of the intellectual property concerned."[21]

The Court specifically has stated that to limit the application of the first-sale doctrine to copies that are sold on a material medium "would allow the copyright holder […] to demand further remuneration on the occasion of each

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[20] Copyright Directive recital 28 (emphasis added).

[21] Case C‑128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000, at § 62 (citing Case C-200/96, Metronome Musik GmbH v. Music Point Hokamp GmbH, 1998 E.C.R. I-1953, at § 14; Case C-61/97, Egmont Film A/S v. Laserdisken, 1998 E.C.R. I-5171, at § 13; Joined Cases C‑403/08 and C‑429/08, Football Association Premier League Ltd v. QC Leisure, 2011 E.C.R. I-0000, at § 106).

new sale, even though the first sale of the copy had already enabled the rightholder to obtain an appropriate remuneration."[22] In regard to computer programs, the ECJ concluded that such a restriction of the resale of copies "would go beyond what is necessary to safeguard the specific subject-matter of the intellectual property concerned."[23] The same conclusion applies *mutatis mutandis* to copyrighted works other than computer programs. Thus, the objective of the first-sale doctrine is a very strong argument for the recognition of the First-Download Doctrine under the Copyright Directive.

Lastly, it has to be considered that, under the Copyright Directive, the online distribution of a copyrighted work would not result in the exhaustion of the distribution right if the online distribution constitutes an "act of communication to the public" rather than a "sale." In this respect, the ECJ has stated in *UsedSoft v. Oracle* that the existence of a transfer of ownership changes an "act of communication to the public" into a sale which, if all other requirements are fulfilled, results in the application of the first-sale doctrine.[24]

Therefore, in summary, the ECJ's reasoning in *UsedSoft v. Oracle* strongly indicates that the First-Download Doctrine does not apply only to computer programs under the Computer Programs Directive but also to all other types of copyrighted works under the Copyright Directive.[25]

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[22] *Id.* at § 63.

[23] *Id.*

[24] *Id.* at § 52.

[25] *Cf.* Silke von Lewinski & Michael M. Walter, *Information Society Directive, in* EUROPEAN COPYRIGHT LAW 921, 1009 et seq. (Silke von Lewinski & Michael M. Walter eds., 2010) (reaching the same conclusion).

4. The Rights of Buyers of Used Digital Works

It is important to recall that the first-sale doctrine and, by extension, the First-Download Doctrine only result in the exhaustion of the distribution right but do not affect other exclusive rights such as the reproduction right.

What good is the First-Download Doctrine then, considering that every use of a digital work entails its reproduction in a computer's random access memory (RAM)?[26] Moreover, for the second acquirer to obtain a copy of the work, he may have to reproduce it—as was the case in *UsedSoft v. Oracle* where users had to download a new copy from Oracle's website. The answer to this question lies in the exemptions from copyright.

Pursuant to article 5(1) of the Computer Programs Directive, a "lawful acquirer" of a computer program does not need an authorization by the right holder to use the program in accordance with its intended purpose. In *UsedSoft v. Oracle*, the ECJ had to address the question whether a buyer of a used computer program qualified as such a "lawful acquirer" and could thus use the program without authorization. The court held that the second acquirer of a copy of a computer program must be considered a "lawful acquirer" because the application of the First-Download Doctrine makes it impossible for the copyright holder to object to the resale of the copy.[27] As to the specific facts of the case, this not only gives users of Oracle software the right to run a copy of

[26] *Cf.* Copyright Directive art. 2.

[27] Case C‑128/11, UsedSoft GmbH v. Oracle International Corp., 2012 E.C.R. I-0000, at 80.

the program on their computer but also the right to obtain an initial copy of the program by downloading it from Oracle's website.[28]

By relying on the copyright exception for "lawful acquirers," buyers of "used" software can fully benefit from the First-Download Doctrine and use the software the same way as the first acquirer could.

Unlike the Computer Programs Directive, the Copyright Directive does not include a general exemption for "lawful acquirers." This raises the question as to which exemptions second-hand buyers of copies of other types of copyrighted works may rely on.

Copyright Directive article 5(1) provides that temporary acts of reproduction are exempted from the reproduction right if: (1) they are transient or incidental, (2) they are an integral and essential part of a technological process, (3) their sole purpose is to enable a lawful use, and (4) they have no independent economic significance. Arguably, all these requirements are fulfilled if a second acquirer plays a song or a film at home, thereby temporarily copying parts of the work onto his or her computer's RAM.[29]

However, this exemption would not allow the creation of a *permanent* copy, in particular for the purpose of selling it. For example, when a file is "moved" from the seller's to the buyer's storage device (e.g., using the cut and paste functions of a file management tool), that file is, technically speaking, first copied to the buyer's device and then deleted from the seller's device.

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[28] *See id.* at §§ 81, 85.

[29] *Cf.* Silke von Lewinski, supra n.25 at 1024.

Because the new copy is a permanent one, the temporary reproduction exemption of Copyright Directive article 5(1) does not directly apply.

Although this issue was never addressed by the ECJ, a strong argument could be made that such acts of reproduction that only serve to enable a different type of use, such as a resale, should not necessarily be covered by the right holder's exclusive rights.

First, digital copies of copyrighted works today are often not stored on a dedicated medium that is intended be sold along with the copy itself (e.g., an MP3 music album stored on a laptop rather than CD). In such a situation, the creation of a new copy and the subsequent deletion of the old one are a technical necessity for the copy to be transferred to a second acquirer. If the exclusive right of reproduction would extend as far as to prohibit the creation of such copies, the reproduction right would drastically limit the effects of the first-sale doctrine when applied to digital copies. It would, indeed, seem hard to justify why, if the first-sale doctrine applies to digital copies in principle, the reproduction right should block many resales of digital copies while it performs no such function in connection with tangible copies.

Second, the creation of a permanent copy with the subsequent immediate deletion of the old copy—as it is necessary for moving a file from the seller to the buyer—is indeed very similar to the creation of a temporary copy as covered by the temporary reproduction exemption. In both cases, the original and the new copy exist only temporarily and the creation of the new copy is characterized by the fact that it is triggered automatically by another use that

does not have any independent economic significance. The aim of Copyright Directive article 5(1) was to exempt such acts of reproduction from copyright.[30] Thus, article 5(1) should be applied by analogy to acts of reproduction that meet all statutory requirements except that, not the created copy, but the co-existence of the original and the new copy are "temporary" and "transient or incidental."

In summary, the exemptions from copyright under the Copyright Directive are likely to allow users to take full advantage of the First-Download Doctrine, irrespective of whether the protected work in question is a computer program or another type of copyrighted work (e.g., a song or a film). It is to be expected that the First-Download Doctrine will be applied universally, enabling a full-fledged second-hand market in copyrighted digital goods.

5. Is There Room for the First-Download Doctrine under U.S. Law?

In the United States, the first-sale doctrine is codified in § 109 of the U.S. Copyright Act which provides that "the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

The two major questions regarding the application of the first-sale doctrine to the download of copies of copyrighted works are: (1) whether the first-sale doctrine only applies to "owners" in a strictly legal sense or also to

[30] See id.

other possessors of a copy; and (2) whether it extends to transactions that do not involve the transfer of title to a tangible object.

As regards the first question, it is settled case-law that the first-sale doctrine does not provide a defense to any non-owner such as a licensee.[31] Moreover, § 109(d) of the Copyright Act explicitly states that the first-sale doctrine does not "extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it." In the recent case of *UMG Recordings, Inc. v. Augusto*, the Ninth Circuit Court of Appeals has reaffirmed that notwithstanding its name—and contrary to the ECJ's holding in *UsedSoft v. Oracle*—the first-sale 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."[32]

Whether a software user may have an affirmative defense under the first-sale doctrine depends on whether the user is a licensee or an owner. This question was at the heart of *Vernor v. Autodesk, Inc.*[33] where Vernor had purchased several used installation CDs of Autodesk's software, AutoCAD, from one of Autodesk's direct customers and resold them on eBay. The software license agreement under which Autodesk distributed its software stipulated that (1) Autodesk retains title to all copies, (2) the customer has a non-exclusive and nontransferable license, and (3) the customer may not, *inter*

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[31] Quality King Distributors, Inc. v. L'anza Research Int'l, Inc., 523 U.S. 135, 146-47 (1998).

[32] UMG Recordings, Inc. v. Augusto, 628 F.3d 1175, 1179 (9th Cir. 2011).

[33] Vernor v. Autodesk, Inc., 555 F. Supp. 2d 1164, 1169 (W.D. Wash. 2008).

alia, modify or decompile the software or use it outside of the Western Hemisphere.

The district court held that a transaction constitutes a "sale" conferring upon the transferee the status of an owner for the purpose of Copyright Act § 109 if the transferor allows the transferee to retain indefinite possession of the software copy in exchange for a single up-front payment.[34] The district court thus found that Autodesk's customer from whom the defendant had acquired the software copies was an "owner" of the copies and that Vernor could therefore claim a defense under the first-sale doctrine.

On appeal, the Ninth Circuit Court of Appeals rejected this broad interpretation of the first-sale doctrine and held that "a software user is a licensee rather than an owner of a copy when the copyright owner (1) specifies that the user is granted a license, (2) significantly restricts the user's ability to transfer the software, and (3) imposes notable use restrictions."[35] Applying this holding to the facts of the case, the court found that the defendant was a licensee rather than an owner thereby rendering the first-sale doctrine inapplicable.

Remarkably, the test formulated by the Ninth Circuit in *Vernor v. Autodesk, Inc.* relies exclusively on elements that are determined by

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[34] *Id.* at 1170.

[35] Vernor v. Autodesk, Inc., 621 F.3d 1102, 1111 (9th Cir. 2010) *cert. denied*, 132 S. Ct. 105, 181 L. Ed. 2d 32 (2011).

"boilerplate" contract language and, as the court stated itself, does not take into account the economic realities of the transaction.[36]

In *MDY Industries, LLC v. Blizzard Entertainment, Inc.*,[37] the Ninth Circuit reaffirmed this holding and found that users of a multi-player online video game, "World of Warcraft," were not owners but only licensees of the game's client-software since the licensor reserved title in the software and imposed a number of typical transfer and use restrictions.[38]

In stark contrast to the First-Download Doctrine established by the ECJ in *UsedSoft v. Oracle*, U.S. copyright law, as it stands today, typically will not make available a defense under the first-sale doctrine to a software acquirer who is, in a strictly legal sense, a licensee, even if the economic realities of the licensing transaction resemble those of a sale.

Moreover, it is highly doubtful whether the first-sale doctrine under § 107 of the Copyright Act would, at all, apply to digital transfers, i.e., transactions that do not involve the transfer of title to a tangible object. While

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[36] *Id.* at 1114. *Cf.* WILLIAM F. PATRY, 4 PATRY ON COPYRIGHT § 13:25 (2012) (criticizing the reliance on boilerplate contract language in this case as making the law a weapon against common sense and consumer expectations).

[37] MDY Indus., LLC v. Blizzard Entm't, Inc., 629 F.3d 928 (9th Cir. 2010), *as amended on denial of reh'g* (Feb. 17, 2011), *opinion amended and superseded on denial of reh'g*, 09-15932, 2011 WL 538748 (9th Cir. Feb. 17, 2011).

[38] *Id.* at 938-39. The *Vernor v. Autodesk, Inc.* holding also received positive treatment in Apple Inc. v. Psystar Corp., 658 F.3d 1150, 1155 *et seq*. (9th Cir. 2011) *cert. denied*, 132 S. Ct. 2374 (2012). *But see* UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011) (refusing to apply the holding of *Vernor v. Autodesk, Inc.* to a case where the plaintiff shipped promotional music CDs without any prior agreement or request by the recipients; distinguishing *Vernor v. Autodesk, Inc.* on the grounds that (1) there was no evidence that the recipients of the CDs agreed to enter into any license agreement, and (2) the Unordered Merchandise Statute, 39 U.S.C. § 3009 gave recipients the "right to retain, use, discard, or dispose of [the CDs] in any manner that [they] see […] fit, without any obligation to the sender").

courts have not yet decided on the issue,[39] the U.S. Copyright Office stated in a 2001 report that "[t]he tangible nature of the copy is not a mere relic of a bygone technology [but] a defining element of the first sale doctrine and critical to its rationale."[40]

6. Putting the Genie Back into the Bottle—Copyright Owners' Options to Limit the Impact of the First-Download Doctrine

Even though the First-Download Doctrine—at least for the time being—only exists under EU copyright law, it creates significant challenges for copyright holders in the European Union and the United States alike if they distribute digital copies of their works in the European Union.

Once such a first download of a particular copy has occurred, the First-Download Doctrine will allow the user to resell that copy in the European Union. Copyright holders may choose to undermine the First-Download doctrine either by legal or technical means.

Legally, the most straightforward approach would be to only grant licenses to use downloaded copies for a limited period. Under the test established by the ECJ in *UsedSoft v. Oracle*, such a license would not be considered a sale. However, many users may be unwilling to pay the same price to rent instead of buying a digital copy of a work.

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[39] A New York district court may, indeed, become the first to address this question. *See* Capitol Records, LLC v. ReDigi, Inc., Case No. 12 Civ 0095(RJS) (S.D.N.Y.).

[40] *U.S. Copyright Office*, DMCA Section 104 Report 86 (2001), available at http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf.

This brings into play the technical approach: the implementation of technological protection measures (i.e., digital rights management or DRM systems) that make it practically impossible for users to exercise their rights under the First-Download Doctrine. Although such DRM systems would only serve to prevent uses that are legal, their circumvention would nonetheless constitute an infringement if they protect works covered by the Copyright Directive.[41] Thus, copyright holders may largely undo the First-Download Doctrine by employing DRM systems. This, of course, will be effective only to the extent that users are willing to accept DRM-protected content.

Copyright holders could choose to put the genie back into the bottle in the third approach by "moving" software or content from the user's computer into the cloud and therefore not offering it for download anymore but rather offering it as an online service. This would make it technologically impossible to resell the content or software in question because the user would not have full access to it. Indeed, a user could only attempt to transfer to a third party his or her entire user account that grants access to the online service. Because the First-Download Doctrine does not apply to services, such a transfer could be prohibited under the terms of the service contract.

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[41] *See* Copyright Directive art. 6(1). In comparison, the Computer Programs Directive does not prohibit acts of circumvention but only certain preparatory acts such as putting into circulation or possession for commercial purposes of a means of circumvention. Computer Programs Directive art. 7(1)(c). *Cf. also* Lukas Feiler, *Separation of Ownership and the Authorization to Use Personal Computers: Unintended Effects of EU and US Law on IT Security*, 27 SANTA CLARA COMPUTER & HIGH TECH. L.J. 131, 143 (2011).

7. Summary

In the landmark case of *UsedSoft v. Oracle*, the ECJ has extended the first-sale doctrine to Internet downloads, giving birth to the First-Download Doctrine. While some uncertainties remain regarding its reach, it is clear that it has the potential to enable a large-scale second-hand market in electronic copies of copyrighted works such as software, movies, ebooks, or songs. In stark contrast to the ECJ's holding in *UsedSoft v. Oracle*, U.S. courts and in particular the Ninth Circuit Court of Appeals have interpreted the first-sale doctrine very narrowly, making it possible for copyright holders to draft around it by using appropriate "boilerplate" contract language.

Copyright holders in the European Union and in the United States as well will have to take into account the ECJ's new First-Download Doctrine when considering how to distribute their copyrighted works in the European Union. In particular, copyright holders should consider either granting licenses for only a limited period, employing DRM systems, or offering their copyrighted works as a cloud service rather than for download.