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What's mine is mine and what's yours is mine too: Converging U.S. intellectual property exhaustion doctrines

*Johanna K.P. Dennis**

Southern Illinois University School of Law, Carbondale, IL, USA

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ABSTRACT

With the increasing dispersion of intellectual property comes the intellectual property rights owner's continued desire to retain that part of the equation for which the bargain was struck. In terms of patents, the patentee strikes a deal to disclose the invention to the public in exchange for a monopoly over its use for a limited term. Copyright holders contribute their works to the intellectual pool receiving value by sale, lease or license. In 2012–13, the U.S. Supreme Court was tasked with delineating the realms of two intellectual property exhaustion doctrines and answering the question of where to draw the line with regard to an IP owner's ability to control the protected invention or work via patent or copyright, respectively. In one case, the Court permitted the intellectual property owner to restrict a subsequent purchaser's use of the product subject to protection, while in the other case the Court rejected the intellectual property owner's attempt to control the downstream use or resale of the product. This article discusses the relevant intellectual property exhaustion doctrines, analyzes and reconciles the Court's decisions in these cases, and provides guidance for navigating restrictions on use of U.S. protected products and works around the globe.

1. Introduction

Walk onto any school playground on any day of the week and one is certain to find children sharing various things: snacks, toys, laughter, and germs. However, all is not harmonious utopia; there comes a moment when the desire of one child conflicts with the desire of another. Children love swings, and Anne was no different. One day, after swinging on the swings for a long time, Anne saw Max playing with a shiny new dump truck. Anne jumped off the swing, ran over to Max and asked if she could play with the truck. Max said okay and gave Anne the truck, and walked away. Seeing no one on the swing Anne had just left, Max ran over to it and sat down. Realizing that Max was now on the swing, Anne went back over to it, while clutching the dump truck tightly, and told Max "It's mine! Don't touch it!" and a battle ensued over the swing as Max screamed "NO! It's mine!" Anne believes that the swing is hers; she wasn't done with it, she merely "paused" playing on it while playing with the dump truck and Max is using it without her permission. She doesn't want Max to use it, but she also wants to keep the dump truck. To Max, it appeared that Anne had abandoned her use of the swing in exchange for the dump truck, and that the swing is free for use. He doesn't understand why if Anne is now playing with the truck, he

* Southern Illinois University School of Law, 1150 Douglas Drive, Room 252, Mail Code 6804, Carbondale, IL 62901 USA.
E-mail address: jdennis@siu.edu.

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can't play with the swing. Just as the children have a quandary over who has the right to use the swing, and who, if anyone has the right to dictate that use, intellectual property owners, purchasers and consumers have the same struggles.

The notion of ownership of intellectual property (IP) brings with it the powerful ability to control the protected thing: the invention, the product, the work, the design, the mark. IP owners assert this control in many ways: for example, an IP owner can exclude others from using or reproducing a protected work or product, the IP owner can selectively choose which entities are privileged with access by license or sale to the protected thing, and in some situations, the IP owner may decide if and when, before the statutory limit on the owner's control has occurred, whether to contribute the protected thing to the realm of the public domain. Without these facets of control, IP protection is arguably meaningless. The nature of "protecting" something implies that there is someone or something to protect it from. And the ability to protect inheres the ability to prevent the protected thing from coming into harm's way or to keep harm away from that thing. This ability is control.

However, society recognizes that an IP owner's control is not limitless. For example, there are certain innovations that are not protectable – in the US, in patent law; we do not protect laws of nature, abstract ideas, natural phenomena, and raw mathematical algorithms.[1] In trademark law, generic marks are unprotected, and descriptive ones need secondary meaning.[2] In copyright law, the work needs to be fixed in a tangible medium for protection to adhere.[3] Further, there are limits on the period of time that the IP owner can exercise their control, varying, for example, from as long as the mark is in use in commerce,[4] to the life of the author plus seventy years,[5] to twenty years from filing for protection.[6]

Similarly, if an IP owner chooses to share instead of guard the protected thing, the general premise is that the owner should have less to no expectation of future control. Some means of sharing – such as licensing – contemplate continued control. However, in theory, an outright sale generally involves the relinquishment of control over the thing sold, and with it the exhaustion of protection the IP owner had to that specific thing.

In countries, such as the US, where IP exhaustion doctrines exist, key questions still remain. These include "what kind of … acts trigger … exhaustion …, and when triggered what … [specific] intellectual property rights are 'exhausted'."[7]

2. Origins of the copyright first-sale doctrine

The U.S. Copyright Act grants copyright holders certain exclusive rights, including the rights to distribute (including sale or lease)[8] and import[9] copies of their works. The set of exclusive rights is not absolute; the rights are subject to certain limitations, including, but not limited to, fair use,[10] educational use,[11] and the first-sale doctrine.[12] Generally, section 109 exempts an "owner of a particular copy or phonorecord" from copyright infringement for the sale or otherwise disposal of that copy or phonorecord without the copyright holder's permission, so long as the copy or phonorecord was "lawfully made under this title."[13] Copyright users view the first sale doctrine as a defense to copyright infringement, and often it is called the first sale defense.[14] The classic First Sale Doctrine scenario involves a consumer purchasing a book from a book store, and after she has read the book, she decides to donate it to the local library or sell it at a garage sale. The Doctrine prevents the copyright owner (i.e., the author and the publisher, as assignee) from recovering for copyright infringement for the sale or disposition of the book. In these traditional contexts, historically, the application of the First Sale Doctrine was straight forward. However, as our society became more connected and international travel, trade and sales became more prevalent, it became more difficult to determine whether the Doctrine applied to a particular copy at a snapshot in time. In these circumstances, the meaning of the Doctrine came to depend on the interpretation of whether the copy was "lawfully made under this title."

In the foundational case of *Quality King Distributors., Inc. v. L'Anza Research International, Inc.*,[15] the U.S. Supreme Court was called to address whether the Doctrine applied to a copyrighted work that had originated in the U.S., was exported by

[1] See Diamond v. Chakrabarty, 447 U.S. 303 (1980).
[2] See Harvard Law School, "Overview of Trademark Law," http://cyber.law.harvard.edu/metaschool/fisher/domain/tm.htm.
[3] 17 U.S.C. § 102.
[4] 15 U.S.C. § 1127 (one of two requirements for trademark).
[5] 17 U.S.C. § 302 (for works created after January 1, 1978).
[6] 35 U.S.C. § 154 (for patent applications filed after June 8, 1995).
[7] Anderman, S.D., The Interface Between Intellectual Property Rights and Competition Policy, 431, Cambridge University Press, 2007, available at http://ebooks.cambridge.org/ebook.jsf?bid=CBO9780511495205.

[8] 17 U.S.C. § 106(3).
[9] 17 U.S.C. § 602(a), which provides in pertinent part: "Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." Congress reorganized section 602 in October 2008 as part of the Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110-403, § 105(b), 122 Stat. 4259. There were no substantive changes to the importation rights statute, though the reorganization did renumber section 602(a) to section 602(a)(1).
[10] 17 U.S.C. § 107.
[11] 17 U.S.C. § 110.
[12] 17 U.S.C. § 109, which provides in pertinent part: "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."
[13] Id.
[14] See Brief for Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), 2012 U.S. S. Ct. Briefs LEXIS 2838 [hereinafter Kirtsaeng Merits Brief].
[15] Quality King Distribs., Inc. v. L'anza Research Int'l, Inc., 523 U. S. 135, 138 (1998). See also BMG Music v. Perez, 952 F.2d 318 (9th Cir. 1991).