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INVENTING A NEW WAY OF DEALING WITH CIRCUMVENTION: A PATENT-BASED ALTERNATIVE TO THE DMCA

PRIYA DESAI

ABSTRACT

Over time, it has become easier for consumers to steal music. Some technologies, like ReDigi, have been specifically designed to allow copyright infringement by giving consumers the ability to sell digitally purchased music files. While copyright laws have been updated to deal with changing technologies, the laws have not been sufficient to keep up. This comment highlights the failings of modern copyright law and questions whether patent laws are a viable way to ensure that technologies that induce copyright infringement do not find marketplace success.

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INVENTING A NEW WAY OF DEALING WITH CIRCUMVENTION: A PATENT-BASED ALTERNATIVE TO THE DMCA

PRIYA DESAI*

I. INTRODUCTION

Some technologies are designed to violate copyright laws, but Congress allows them patent protection despite being harmful to the public. Internet services, like “the Cloud,” have heightened the rise of copyright-infringing technologies. “The Cloud” is a household term to consumers who buy digital goods, like MP3s or e-books, then use goods on their several devices. Some consumers insist on using CDs and physical books, while others convert to digital libraries of songs, books, and movies.¹ The distinction between “ownership” and “access” over a digital good often confuses consumers.² Those who do recognize the difference are engaged in a debate about whether licensing is preferable to ownership.³

Software that is used to manage and purchase digital content, like iTunes, may further confuse consumers who click “Purchase” in the iTunes Store, because they are actually receiving a license.⁴ In 2012, consumers challenged Apple’s power to control digital content in their music libraries.⁵ In 2006, Apple implemented software updates that prevented music players from playing music that wasn’t

* © Priya Desai 2015. Juris Doctor Candidate, The John Marshall Law School, 2016; Bachelor of Science in Chemical Engineering, Iowa State University, 2009. I would like to thank my wonderful family for their patience, encouragement, and continued support. I would also like to thank The John Marshall Law School for providing many opportunities, including the opportunity to write for The Review of Intellectual Property Law. Finally, thank you to Professors Maureen Collins, Daryl Lim, the late Benjamin Liu, and Mr. Richard Beem for teaching me about intellectual property.

¹ Thorin Klosowski, *Where Digital Fails: The Pitfalls of Ditching Your Physical Media*, LIFEHACKER (Dec. 26, 2013, 8:00 AM), <http://lifehacker.com/where-digital-fails-the-pitfalls-of-ditching-your-phys-1489218620>.

² *Id.*

³ International Federation of Library Associations and Institutions, Workshop: What Exactly am I Buying? Ownership vs. Licensing in Digital Age at the WSIS +10 Review Meeting at UNESCO Paris (Feb. 26, 2013).

⁴ iTunes Licensed Application End User License Agreement, APPLE (Dec. 20, 2014), <https://www.apple.com/legal/internet-services/itunes/appstore/dev/stdeula/> [hereinafter “EULA”](“The Products transacted through the Service are licensed, not sold, to You for use only under the terms of this license.”) See also University of Texas Libraries, Copyright in the Library, THE COPYRIGHT CRASH COURSE (2007), <http://copyright.lib.utexas.edu/l-intro.html> (“Digital works are licensed and the license provides permission to distribute such works . . . many licenses will: permit limited access (ie, only registered students, faculty and staff); not allow the library to keep a copy of the works when the license is terminated or expires.”).

⁵ *Apple iPod iTunes Antitrust Litig.*, No. C-05-00037-JW, 2011 U.S. Dist. LEXIS 134836 (N.D. Cal. Nov. 22, 2011). See generally *Apple iPod iTunes Antitrust Litigation, Class-Action Lawsuit*, IPOD LAWSUIT (Aug. 6, 2012), <https://ipodlawsuit.com/Home.asp>.

purchased through iTunes.⁶ The court found for Apple, who argued that software secured music authenticity,⁷ and didn't hinder music vendors.⁸ Apple effectively implemented limitations on how consumers can use purchased works.⁹

Then, Bopaboo started a trend of copyright-infringing, and copyright-circumventing technologies. Bopaboo came along as a “digital secondary marketplace” to facilitate buying and selling “used” MP3s in 2008.¹⁰ Bopaboo was among the first to offer a digital garage sale, where a seller can discard, and a buyer can obtain, used goods. Bopaboo raised issues of copyright infringement, but quickly fizzled.¹¹ ReDigi entered the digital garage sale market, claiming to be a “legal alternative to piracy and file sharing,”¹² allowing consumers to “unlock... digital wealth” by buying and selling digital works.¹³ To use ReDigi, a seller identifies a file.

⁶ Shara Tibken, *Apple's iPod antitrust class action suit: All you need to know (FAQ)*, CNET (Dec. 1, 2014, 4:00 AM), <http://www.cnet.com/news/apples-ipod-antitrust-class-action-suit-all-you-need-to-know-faq/>.

⁷ Brian Chen, *Apple Wins Decade-Old Suit Over iTunes Updates*, NEW YORK TIMES (Dec. 16, 2014), <http://www.nytimes.com/2014/12/17/technology/apple-antitrust-suit-ipod-music.html> (“Apple applauded the verdict in a statement. ‘We created iPod and iTunes to give our customers the world’s best way to listen to music Every time we’ve updated those products — and every Apple product over the years — we’ve done it to make the user experience even better.’”).

⁸ Amended Complaint and Demand for Jury Trial, *Somers v. Apple, Inc.*, No. C 07-6507 JW (N.D. Cal., July 9, 2010) (“Apple used its dominant market position . . . to stifle competition and strengthen its monopoly in these markets” and “engaged in systematic conduct to shut out rivals’ competing audio downloads and portable digital media player by cutting off their access to the marketplace.”).

⁹ Ben Sisario, *Judge Rules Against Grooveshark in Copyright Infringement Case*, New York Times (Sept. 29, 2014), <http://nyti.ms/1nCdUYs> (music service company Grooveshark held liable for copyright infringement when employees uploaded personal music purchases to the Grooveshark website for consumer use at no cost to the company). See generally BILL ROSENBLATT, ET AL., DIGITAL RIGHTS MANAGEMENT: BUSINESS AND TECHNOLOGY (John Wiley & Sons, 2001), preface available at http://www.giantstepsmts.com/drm_bookpreface.htm (discussing how digital intellectual property may be managed by digital rights management (DRM) because “need for control and management software which restricts how a user uses digital content . . . is becoming more utilized because “digital content can be copied with perfect fidelity”).

¹⁰ Duncan Geere, *Bopaboo - selling second-hand MP3s. This has got to be a joke, right?*, TECH DIGEST (Dec. 4, 2008), http://www.techdigest.tv/2008/12/bopaboo_selling.html (explaining how a consumer uses Bopaboo: “upload songs, and then others can download them at a price, at which point you get some cash, and the site takes 20% On the upload page, they say ‘Remember, once you sell a song, it is your responsibility [sic] to delete all copies from your possession.’”).

¹¹ Greg Sandoval, *Reselling MP3s: The music industry's new battleground?*, CNET (Dec. 15, 2008 12:46 PM), <http://www.cnet.com/news/reselling-mp3s-the-music-industrys-new-battleground/> (quoting Fred von Lohmann, senior staff attorney for the Electronic Frontier Foundation, that “there is no doubt that the first-sale law was drafted with physical objects in mind . . . when it comes to selling MP3s, it’s an untested legal question.”).

¹² *The New ReDigi*, <http://www.redigi.com/site/index-invite.html> (last visited Dec. 20, 2014).

¹³ U.S. Patent No. 12,983,257 (issued on Jan. 7, 2014) (ReDigi’s patent covers a “method and apparatus for sharing, transferring and removing previously owned digital media”).

Then, through a “Verification Engine,” ReDigi verifies that the file is “legally owned” and was “lawfully purchased.”¹⁴ If so, the file is transferred to a cloud by “atomic transfer,” which “migrates a user’s file, packet by packet.”¹⁵ Once uploaded, a desktop client sweeps and removes duplicates from the computer.¹⁶ The seller then marks the file for sale, and it is placed in the “marketplace” at a discounted price.¹⁷ In 2013, a district court found ReDigi liable for infringing the copyrights of Capitol Records. This decision preceded the Patent Office’s issuance of ReDigi’s patent for “atomic transactions.”¹⁸ ReDigi’s corporate officers, as ReDigi’s creative minds and controllers, may also be liable for infringement.¹⁹ Now, Amazon²⁰ and Apple²¹ are joining the competition to create a successful “digital market.”

¹⁴ Jessica Leber, *A Startup Asks: Why Can’t You Resell Old Digital Songs?*, MIT TECH. REV. (Aug. 15, 2012), <http://www.technologyreview.com/news/428792/a-startup-asks-why-cant-you-resell-old-digital-songs>.

¹⁵ *Capitol Records, LLC v. ReDigi, Inc.*, No. 12-95, 2013 WL 1286134, at 1* (S.D.N.Y. Mar. 30, 2013). The court seemed unconvinced that no copying occurred even with ReDigi’s analogies of its technology to the Star Trek transporter and “Willy Wonka’s teleportation device, Wonkavision.” “ReDigi stresses that it ‘migrates’ a file . . . no copying occurs. However . . . the fact that a file has moved from one material object – the user’s computer – to the ReDigi server – means that a reproduction has occurred.”

¹⁶ *Is ReDigi Legal? Yes!*, ReDigi, http://www.studiolegaleclipse.it/blog/wp-content/uploads/2013/03/DOCUMENTO_Is-ReDigi-Legal-Yes.pdf (last visited December 4, 2014). See *supra* note 10 for a discussion on how Bopaboo also implemented the “upload and delete” concept.

¹⁷ Jennifer Alsever, *ReDigi: Sell Your Unwanted MP3s*, INC (May 29, 2012), <http://www.inc.com/magazine/201206/jennifer-alsever/redigi-john-ossenmacher.html> (explaining that ReDigi users can buy songs for 79 cents each or they can use credits received from previous sales on the website). Compare iTunes Store: iTunes Plus FAQ, APPLE (Nov. 8, 2014), <http://support.apple.com/en-us/HT201616> (stating that iTunes songs are available for 69 cents, 99 cents, or \$1.29).

¹⁸ Matt Peckham, *ReDigi CEO Says the Court Just Snatched Away Your Right to Resell What You Legally Own*, TIME INTERVIEWS (April 15, 2013), <http://techland.time.com/2013/04/25/redigi-ceo-says-the-court-just-snatched-away-your-right-to-resell-what-you-legally-own/> (explaining that ReDigi sees its newly patented technology does not violate reproduction rights because it “pick[s] up those bits that are moving around on your drive and . . . move them, literally, a portion at a time, so that what’s in the cloud is never at the same time on your device). See generally Memorandum of Law in Further Support of ReDigi’s Summary Judgment Motion at 7-9, *Capitol Records, LLC v. ReDigi, Inc.*, 934 F. Supp. 640 (S.D.N.Y. 2013) (No. 90).

¹⁹ Chris Cooke, *ReDigi founders will remain as defendants on Capitol’s infringement litigation*, Complete Music Update (Sep. 4, 2014, 11:54AM), <http://www.completemusicupdate.com/article/redigi-founders-will-remain-as-defendants-on-capitols-infringement-litigation/> (“The record company argued that the two men came up with the idea of ReDigi, and totally controlled the business, and therefore should be personally liable for any copyright infringement.”).

²⁰ U.S. Patent No. 8,364,595 (issued on Jan. 29, 2013) (covering Amazon’s claims for an “electronic marketplace for used digital objects” which employs a “copy and delete” mechanism by which the user “move[s] the used digital content to another user’s personalized data store when

This comment analyzes ReDigi's intersection with patent and copyright policies. Part II provides background on copyright and patent laws and key Supreme Court cases, including *Sony Corp. of Am. v. Universal City Studios, Inc.*,²² *MGM Studios v. Grokster*,²³ *Alice Corp. v. CLS Bank*,²⁴ *Ultramercial v. Hulu*,²⁵ and *buySAFE v. Google*.²⁶ Part III analyzes ReDigi's copyright infringement in the absence of First Sale protection, whether ReDigi's patent remains valid in light of recent Supreme Court decisions, and how patent law incorporates morality into eligibility. In Part IV, this comment proposes a standard for refusing and challenging patents on technologies designed to infringe copyrights. In Part V, this comment proposes a way for copyright holders to protect their rights in light of changing technology.

II. BACKGROUND

The Constitution authorizes Congress to create intellectual property law “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”²⁷ This law is designed to “secure ‘the general benefits derived by the public from the labors of authors.’”²⁸ Further, “the grant of a copyright monopoly” is justified by the public benefit of the works created.²⁹

permissible and the used digital content is deleted from the originating user's personalized data store.” The legality of this technology has already been questioned). See generally Chris Cooke, *ReDigi responds to Amazon patent that indicates digital resale plans*, Complete Music Update (Feb. 8, 2013, 12:43PM) (commenting on the “copy and delete” mechanism, “ReDigi takes no position on the legality of this technique under copyright law but simply notes . . . publishing industries’ skepticism and opposition to a ‘used’ digital marketplace, and that the ReDigi Marketplace does not use this technique.”).

²¹ U.S. Patent Pub. No. 20130060616 (filed on June 22, 2013) (covering Apple's claim for a method of “managing access to digital content items” that prevents a seller from accessing content after the content is sold to a third party). See generally John T. Soma & Michael K. Kugler, *Why Rent When You Can Own? How ReDigi, Apple, and Amazon Will Use the Cloud and the Digital First Sale Doctrine to Resell Music, E-Books, Games, and Movies*, 15 N.C. J.L. & TECH. 425, 449 (2014).

²² *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

²³ *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

²⁴ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

²⁵ *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014).

²⁶ *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014).

²⁷ U.S. CONST. art. I, § 8, cl. 9.

²⁸ 1-1 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 1.03 (2001) (citing *New York Times Co. v. Tasini*, 533 U.S. 483, 519 (2001) (Stevens, J., dissenting)).

²⁹ 1-1 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 1.03 (2001).

A. Copyright Policy and Framework

The current copyright law, codified in The Copyright Revision Act of 1976, provides protection of “original works of authorship that are fixed in a tangible medium,” like books, musical works, and television shows.³⁰ The creator of a work is entitled to exclusive rights over that work, such as the right to reproduce or distribute works,³¹ and is entitled to transfer her “exclusive rights” to third parties.³² Infringement results when a party violates a holder’s exclusive rights without authority or “fair use.”³³

B. Copyright’s Rule of Exhaustion

A work of authorship is different from a copy of a work, and a copyright holder’s rights are limited to the work itself, not the copy.³⁴ Copyright holders generally may control the destiny of works via their exclusive rights. However, holders cannot

³⁰ 17 U.S.C. § 102 (2012) (extending limited copyright protection to “original works of authorship, fixed in a tangible medium” created after 1972) [hereinafter “The Act”]. See Defendant Pandora’s Answer to the Complaint at *24. *Capitol Records, LLC v. Pandora Media, Inc.*, No. 651195/2014 (Sup. Ct. N.Y. 2014) (claiming state copyright protection of public performances of pre-1972 sound recordings). See also *Flo & Eddie Inc. v. Sirius XM Radio Inc.*, 2014 U.S. Dist. LEXIS 139053 (C.D. Cal. Sept. 22, 2014) (claiming state copyright law for the payment of royalties on pre-1972s songs).

³¹ 17 U.S.C. § 106 (2012) (providing exclusive rights to a copyright holder to (1) “reproduce the copyrighted work in copies or phonorecords”; (2) “prepare derivative works based upon the copyrighted work”; (3) “distribute copies or phonorecords of the copyrighted work . . . transfer of ownership”; (4) “perform the copyrighted work publicly”; (5) “display the copyrighted work publicly”; and (6) “perform the copyrighted work publicly by means of digital audio transmission”). See generally *Washingtonian Publ’g. Co. v. Pearson*, 306 U.S. 30 (1939) (stating that exclusive rights give copyright owners the incentive to create works to “promote the progress of science” and benefit society as a whole.)

³² 17 U.S.C. § 201 (2012) (granting copyright holders the possibility of transferring “exclusive rights” to another party, with the right to later rescind the transfer).

³³ 17 U.S.C. § 101 (2012) (providing for direct infringement when there is a violation of a holders’ exclusive rights). See generally *Perfect 10, Inc. v. Amazon.com, Inc.*, 2009 U.S. Dist. LEXIS 42341 (C.D. Cal. May 12, 2009) (demonstrating that secondary liability exists by contributory liability when a party intentionally induces or encourages direct infringement, or by vicarious liability when a party profits from direct infringement when declining to exercise a right to stop or limit it).

³⁴ 17 U.S.C. § 202 (2012) (stating that ownership of a copyright does not mean ownership of a material object in which the copyrighted work is embodied). This distinction is exemplified as the difference between painting a painting (copyright holder) and owning a print of the painting (owner). An owner can give away the tangible print.

control how copies are used once copies are lawfully sold to purchasers.³⁵ This principle is codified as the “First Sale Doctrine,” or the rule of exhaustion.³⁶ The First Sale Doctrine balances competing personal and societal interests: copyright owner’s interest, purchaser’s interest, the interest in promoting creation, and the interest in promoting free commerce by avoiding restraints on alienation.³⁷ So far, the Doctrine has only been applied to physical copies.³⁸

Alleged infringers argue for the First Sale Doctrine to be applied to digital works, and look to support from policy considerations. The First Sale Doctrine is designed to: promote access to works through secondary markets, preserve works from becoming permanently lost, promote market efficiency by reducing the need to communicate with the copyright holder, and promote innovation among copyright owners, inventors and buyers.³⁹

Because the First Sale Doctrine encourages the strength of secondary markets and the availability of used copies, copyright owners often have to compete with themselves. Owners can do so by creating new or derivative works to compete with used copies in the secondary market.⁴⁰ The First Sale Doctrine also promotes creation among consumers, because consumers are entitled to modify and transform purchased works without consulting the original creator.⁴¹ Some suggest that the

³⁵ 17 U.S.C. § 109 (2012) (stating that the owner of a particular copy is entitled to “sell or otherwise dispose” of the possession of that copy). See *supra* note 34. The purchaser of the tangible print can sell or dispose of the print without consulting the copyright holder.

³⁶ *Id.* See also *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1391 (2013) (clarifying that the First Sale Doctrine is known as the rule of exhaustion because the copyright holder’s exclusive right to control a copy is “exhausted” after the first sale of the copy).

³⁷ Brief of Intellectual Property Law Professors as *Amici Curiae* Supporting Petitioner at 20, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013). See also 1 E. Coke, *Institutes of the Laws of England* § 360, p. 223 (1628), available at http://www.constitution.org/18th/coke1st1778/coke1st1778_501-550.pdf (stating there is a harm to “trade and traffique, and bargaining and contracting” that could accompany transfers of ownership interests encumbered by alienation constraints).

³⁸ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1352 (2013) (Ginsburg, R.B. dissenting) (contemplating whether foreign editions of textbooks sold in the United States constitute copies that were “lawfully made” pursuant to the “first sale” doctrine of 17 U.S.C. § 109(a)). Justice Ginsburg’s dissent delineated the distinction between copyright protection, which extends to “intangible work of authorship,” and “first sale” protection from Section 109 which is limited to “tangible, physical embodiment of the work, the ‘copy.’” See generally 4 W. Patry, *Copyright* § 13:44.10, pp. 13-128 (2012).

³⁹ See generally Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011). See also Written Statement of Stephen M. Smith President and Chief Executive Officer Wiley: *Hearing on First Sale Under Title 17*, Subcomm. on Courts, Intellectual Property and the Internet Comm. on the Judiciary, 113th Cong. (2014), available at http://judiciary.house.gov/_cache/files/f05f9055-75b3-4a01-b2e7-9d770c5b9223/060214-first-sale-testimony-smith.pdf.

⁴⁰ *Id.* at 895.

⁴¹ *Id.* at 896. This concept is limited to physical goods because when purchasers “modify” musical works digitally, sometimes as “samples,” they may infringe the original work by creating a

Doctrine also promotes innovation in technology for secondary markets, like CD swap services, Netflix, and Redbox.⁴² Those who argue to extend the First Sale Doctrine to digital works do so based on the idea that copyrighted works should be shared to promote access, preservation, market efficiency, and innovation, regardless of their form.⁴³

Congress and courts worry about extending the First Sale Doctrine to digital works because it was created for tangible works, and without thought to digital works.⁴⁴ First, transactions for digital works are typically licenses for use, not actual “sales.”⁴⁵ Even when transactions for digital works do give ownership rights, the implications of the sale are not equal for physical works, which have a limited lifetime, and digital works, have an almost-infinite lifetime.⁴⁶ Lastly, modern technology frequently backs up and creates copies of content, in temporary and permanent folders. For this reason, even when a party deletes or removes copies of a work, copies may remain on their devices. Unlike physical works, where copies are difficult to make and original copies wear out over time, digital copies remain in their original condition much longer, and there is a “feared cannibalization of sales by secondary markets.”⁴⁷ Although the First Sale Doctrine is designed to promote

derivative work without sufficient license. *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005).

⁴² *Id.* at 897.

⁴³ See Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011).

⁴⁴ U.S. Copyright Office, Library of Cong., Digital Millennium Copyright Act Section 104 Report 48 (2001) [hereinafter DMCA], available at http://www.copyright.gov/reports/studies/dmca/dmca_study.html. See also *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 651 (S.D.N.Y. 2013) (finding ReDigi liable for infringement because there no digital First Sale exists: “the court cannot . . . condone the wholesale application of the first sale defense to the digital sphere, particularly when Congress has declined to take that step.”).

⁴⁵ See *supra* note 4 for an example of iTunes, which creates a limited license in its EULA.

⁴⁶ *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 651 (S.D.N.Y. 2013) (holding ReDigi liable for copyright infringement because it “facilitates and profits from the sale of copyrighted commercial recordings . . . detrimental to the primary market.” See also Reply Memorandum in Further Support of Plaintiff’s Motion for Preliminary Injunction at *3, *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640 (S.D.N.Y. 2013) (Capitol Records arguing that “ReDigi’s delivery of pristine digital records at ‘used’ prices supplants the market for legitimate digital distribution”). See also John Villasenor, *Rethinking a Digital First Sale Doctrine in a Post-Kirtseng World: The Case for Caution*, COMPETITION POLICY INTERNATIONAL ANTITRUST CHRONICLE (May 28, 2013), <http://ssrn.com/abstract=2273022> (adding that expanding the first sale doctrine would “open up a Pandora’s box of unintended consequences” because it would “dramatically reduce the ability of content creators to be properly compensated for works sold digitally” because works could be replicated and distributed without being traced).

⁴⁷ Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011) (discussing how some fear a digital First Sale doctrine would cause a “cannibalization” or destruction of sales for the original work because the secondary market could vigorously compete with the original market by providing copies of the work with the same quality of the original).

innovation, it was not created with an eye towards digital technology, and to-date has not been extended to protect non-physical works.⁴⁸

C. Copyright Balancing Innovation and Infringement

Congress and the courts balance policies for deterring infringement to protect owners' rights with those promoting innovation to ensure public benefit. The Supreme Court has ruled on technologies that may infringe copyrights. In the landmark case *Sony Corp. of America v. Universal City Studios*, the Court held that consumers did not infringe copyrights when they used videotape recorders to record television shows for later viewing because the recording was a "fair" use.⁴⁹ In addition, the manufacturer of the recorders could not be liable for distributing the recorders that "fairly used" copyrighted works.⁵⁰ The manufacturer created a technology that, at the time, bordered on copyright infringement, but benefitted by the Court's decision that there was no infringement.

Then, in 2005, the Court contemplated a similar question when distributors sold software that allowed customers to share legitimate files and documents. The possible legitimate uses did not overcome the issue that the software's primary use was illegitimate sharing of copyrighted works.⁵¹ The Court found distributors liable for secondary infringement because they were keenly aware of the infringement, made no attempts to diminish or filter out infringing uses of the software, and continued to profit from the software.⁵²

The Court added "when an article is good for nothing else but infringement, there is no legitimate public interest in its unlicensed availability."⁵³ There is liability when distributors engage in "purposeful, culpable expression and conduct," but the Court cautioned that "the more artistic protection is favored, the more

⁴⁸ See *id.* for an explanation on rights that are impacted by First Sale. See also *Ginn & Co. v. Apollo Publishing*, 215 F. 772 (E.D. Pa. 1914) (stating that a copy owner cannot create a derivate work, but "an alteration that includes (or consumes) a complete copy of the original lacks economic significance" does not necessarily constitute a derivative work; therefore, distributing the altered work is not a violation of a holder's exclusive rights, and is covered by the First Sale Doctrine).

⁴⁹ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

⁵⁰ *Id.* at 475-476. Recorders were mainly used for time-shifting purposes, which were merely personal uses. The balancing test is implemented to support the copyright's policy to "advance public welfare." See 17 U.S.C. § 107 (1992) (factors of fair use doctrine include "purpose and character of the use" of the work, the "nature of the copyrighted work," the "amount and substantiality of the portion used," and the "effect of the use upon the potential market for or value of the copyrighted work.").

⁵¹ *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

⁵² *Id.* at 934 (stating "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." The Court adds that "mere knowledge" of the infringement is not enough to create liability, nor would be "ordinary acts incident to product distribution" like "technical support or product updates.")

⁵³ *Id.* at 932.

technological innovation may be discouraged,” and “copyright law is an exercise in managing the tradeoff.”⁵⁴

The Digital Millennium Copyright Act (“DMCA”), passed in 1998, imposes liability for technology that is designed to “circumvent” measures that control access to a copyrighted work.⁵⁵ This, in effect, prohibits individuals from using new technologies to bypass copyright controls, like “digital rights management (DRM) technology or a software copy protection system.”⁵⁶ The act of providing the technological tools for circumventing copyrights is illegal.⁵⁷ With the passage of the DMCA, Congress acknowledged that the “extension of the first sale doctrine” to intangible property is “antithetical to the policies the doctrine was intended to further.”⁵⁸

While some argue that the DMCA “in practice... ha[s] been used to stifle a wide array of legitimate activities,” DMCA language has not evolved to encompass future technologies that infringe copyrights in unforeseen ways.⁵⁹ Courts look to copyright law to interpret whether the infringement-causing technology is actually a fair use, or if there is no infringement because of the First Sale Doctrine. Technology that causes copyright infringement continues to develop, but copyright law has not changed in almost 20 years. Patent law may provide an alternative outlet for managing particular technology.

D. Patent Law Policy and Framework

Congress’ authority for patent law also arises from the Constitution.⁶⁰ The law protects inventions that are “subject matter eligible” as a “process, machine,

⁵⁴ *Id.* at 937-966 (stating that “the inducement rule . . . premises liability on purposeful, culpable expression . . . and thus, does nothing to compromise legitimate commerce or discourage innovation having a lawful purpose.” There is a “sound balance” between supporting copyright protection and promoting innovation new communication technologies that may be upset by “limiting the incidence of liability for copyright infringement.”) *See generally* Jane C. Ginsburg, Copyright and Control Over New Technologies of Dissemination, 101 COLUM. L. REV. 1613 (2001). *See also* H. R. Rep. No. 2222, 60th Cong., 2d Sess., 7 (1909) (stating “In enacting a copyright law, Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public; and, second, how much will the monopoly granted be detrimental to the public?”).

⁵⁵ Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998); *see also* Greg Sandoval, *RealNetworks loses critical ruling in RealDVD case*, CNET (August 11, 2009 5:54 PM), <http://www.cnet.com/news/realnetworks-loses-critical-ruling-in-realdvd-case/>.

⁵⁶ Circumventing Copyright Controls, Digital Media Law Project (May 9, 2008), <http://www.dmlp.org/legal-guide/circumventing-copyright-controls>.

⁵⁷ *Id.*

⁵⁸ 144. Cong. Rec. H. 7074 (1998) (statement of Chairman Coble).

⁵⁹ Unintended Consequences: Twelve Years under the DMCA, Electronic Frontier Foundation (March 3, 2010), <https://www.eff.org/wp/unintended-consequences-under-dmca>.

⁶⁰ U.S. CONST. art. I, § 8, cl. 8 (“To promote the progress of science and the useful arts”).

manufacture, or composition of matter.”⁶¹ The invention must also be “useful,”⁶² novel,⁶³ non-obvious,⁶⁴ and fully and particularly described.⁶⁵ The Supreme Court clarified that no patents are available to “laws of nature, physical phenomena, and abstract ideas.”⁶⁶ Patent law provides creators the right to “exclude” others from practicing their technology for a limited period of time.⁶⁷

The Court provided a two-part framework for analyzing patent eligibility: first, whether claims are subject matter eligible; and second, whether the inventive concept goes beyond “the [ineligible concept] itself.”⁶⁸ Computer-implemented inventions are particularly analyzed for “abstractness.”⁶⁹ The Court held a process for curing synthetic rubber to be patent eligible when it used a computer to apply an equation for calculating time to cure the rubber.⁷⁰ Alternatively, the Court held a claim that described the “basic concept” of hedging to be an un-patentable abstract idea even though the invention was in a “particular technological environment.”⁷¹ Similarly, the Court deemed a method ineligible when it explained “intermediated settlements,” claimed a “preexisting human activity,” and computer-implementation

⁶¹ 35 U.S.C. § 101 (2012).

⁶² *Id.*

⁶³ 35 U.S.C. § 102 (2012).

⁶⁴ 35 U.S.C. § 103 (2012).

⁶⁵ 35 U.S.C. § 112 (2012).

⁶⁶ *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

⁶⁷ 35 U.S.C. § 271(a) (2012) (“Whoever without authority makes, uses, offers to sell, or sells any patented invention infringes the patent.”) *See also* 35 U.S.C. § 154 (2012) (“Such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application was filed in the United States . . .”).

⁶⁸ *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012).

⁶⁹ Preliminary Memorandum, United States Patent and Trademark Office, *Preliminary Examination Instructions in view of the Supreme Court Decision in Alice Corporation Pty. Ltd. v. CLS Bank International, et al.*, (Jun. 25, 2014), at http://www.uspto.gov/patents/announce/alice_pec_25jun2014.pdf (discussing that patents that were eligible upon filing may not still be considered eligible as non-abstract). *See also Alice Corp. v. CLS Bank*, 134 S. Ct. at 2354 (2014) (“Abstract” remains undefined by the Court because “[we] need not labor to delimit the precise contours of the ‘abstract ideas’ category.” “Abstract intellectual concepts” are “basic tools of scientific and technological work,” and patent protection “might tend to impede innovation more than it would tend to promote it.”) *See also Jacobellis v. Ohio*, 378 U.S. 184 (1964) (stating that the Court will “know a [patent eligible claim] when [it] see[s] it”).

⁷⁰ *Diamond v. Diehr*, 450 U.S. 175 (1981) (holding that the process applying an equation using a computer was patent-eligible because the invention achieved “something the industry had not been able to obtain.”). *See also Alice Corp. v. CLS Bank*, 134 S. Ct. at 2354 (2014) (clarifying that the invention in *Diehr* was patent eligible because it “improved an existing technological process” and “not because [it was] implemented on a computer”).

⁷¹ *Bilski v. Kappos*, 561 U.S. 593, 609 (2010) (discussing that an invention cannot merely be an abstract idea that is limited to a “particular technological environment” to be patentable and “allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”).

of the method was not “enough” to make the system eligible.⁷² The Federal Circuit added that “when a computer receives and sends information over a network . . . [is] not even arguably inventive” and merely carrying out an abstract idea is not enough to warrant patent eligibility.⁷³

Since *Alice Corp. v. CLS Bank*, software and business method patents have been invalidated with greater frequency.⁷⁴ Technologies that are seen as “abstract” are not patent-eligible, and the question of “abstractness” is now contemplated for almost all software technologies.⁷⁵ The Federal Circuit invalidated a patent, which claimed methods for online financial transactions between two entities because, in theory, the transaction could be carried out without computers.⁷⁶ More recently, the Federal Circuit invalidated a patent for a method of Internet-distribution of copyrighted products for abstractness.⁷⁷

⁷² *Alice Corp. v. CLS Bank*, 134 S. Ct. 2354, 2356 (2014) (establishing that what is claimed must amount to “more than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer.”).

⁷³ *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014).

⁷⁴ Imran Khaliq, *Post-Alice Corp. Decisions Show Increased Trend of Courts Invalidating Computerized Business Method Patents*, MONDAQ (Sept. 8, 2014), at <http://www.mondaq.com/unitedstates/x/340020/Patent/PostAlice+Corp+Decisions+Show+Increased+Trend+Of+Courts+Invalidating+Computerized+Business+Method+Patents>.

⁷⁵ 35 U.S.C. 101 (2012).

⁷⁶ *buySAFE, Inc.*, 765 F.3d at 1351 (holding a patent claiming “methods and machine-readable media encoded to perform steps for guaranteeing a party’s performance of its online transaction” ineligible for protection as abstract when it “describe[d] a well-known, and widely-understood concept – a third party guarantee of a sales transaction – and then applied that concept using conventional computer technology and the Internet.” The court held that computer functionality was merely generic because the “claims do not require specific programming” and are not “tied to any particular machine.” See also *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (discussing that abstractness is an issue for claims “involving contractual relations” between “intangible entities” because the contractual relations often relate to “fundamental economic practice long prevalent in our system of commerce.”).

⁷⁷ *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013), *vacated* 134 S. Ct. 2870 (2014), *remanded to* 772 F.3d 709 (Fed. Cir. 2014) (revealing messiness of abstractness standard, the Federal Circuit stripped a patent of eligibility after finding that it was “directed to the abstract idea of offering free media in exchange for watching advertisements” and the “mere implementation” of the idea on a computer doesn’t change that fact. The court added that the claims didn’t include meaningful limitations that would convert the abstract idea, because “adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”). See also *Planet Bingo, LLC v. VKGS LLC*, 2014 U.S. App. LEXIS 16412 (Fed. Cir. 2014) (invalidating a patent for the computer-aided management of bingo games in which court finds that claims for managing a bingo game “consis[t] solely of mental steps which can be carried out by a human using pen and paper.” The court rejected the argument the game required computer assistance due to thousands or millions of numbers to manage such that manual management would be impossible, because that capability of the invention was not captured

If a claim is merely an abstract idea, then it only becomes patent eligible if it survives the *Mayo* framework.⁷⁸ The *Mayo* framework arose from *Mayo Collaborative Service v. Prometheus Laboratories*, and holds that a patent must go beyond claiming “well understood, routine, and conventional activity.”⁷⁹ Use of a generic computer to carry out steps of a patent ineligible concept does not create eligibility.⁸⁰ Unlike *Diehr*, in which the Court granted a patent for a process that applied an equation using a computer, the Court in *Alice* said the computer failed to improve an existing technological process.⁸¹ Courts also consider whether “allowing . . . to patent . . . would effectively grant a monopoly over an abstract idea.”⁸² To survive an eligibility analysis, software and computerized business method claims must be narrowly drafted, instead of broadly claiming generic ideas.⁸³ Patent law continues to develop in order to deal with ever-changing technology, including software. Although the effects of *Alice* leave practitioners wondering whether inventions are merely “abstract,” the developing case law follows modern statutory law.

E. Patent Law’s Consideration of Moral Utility

At common law, the “moral utility” doctrine allowed courts and the United States Patent and Trademark Office (“USPTO”) to deny patent protection to

in the claims. The court added that the claims sought to organize “human activity,” making them similar to and ineligible on the same grounds as *Bilski* and *Alice*).

⁷⁸ See Preliminary Memorandum, Patent and Trademark Office, *Preliminary Examination Instructions in view of the Supreme Court Decision in Alice Corporation Pty. Ltd. v. CLS Bank International*, et al., (Jun. 25, 2014), at http://www.uspto.gov/patents/announce/alice_pec_25jun2014.pdf (“further guidance will be issued after additional consideration of the decision and public feedback in the context of the existing law under 35 U.S.C. § 101.”) Compare Gene Quinn, *Examiners Begin Issuing Alice Rejections for Software*, IPWATCHDOG (July 14, 2014, 10:00 am), <http://www.ipwatchdog.com/2014/07/14/examiners-begin-issuing-alice-rejections-for-software/id=50412/> (discussing that examiners appear to be issuing form language in rejections for computer-implemented inventions for a large number of applications).

⁷⁹ *Mayo Collaborative Service v. Prometheus Laboratories, Inc.*, 132 S. Ct 1289 (2012).

⁸⁰ *Alice Corp. v. CLS Bank*, 134 S. Ct. 2354 (2014).

⁸¹ *Id.*

⁸² *Bilski v. Kappos*, 561 U.S. 593, 611-12 (2010) (“[a]llowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”). See also *Alice Corp. v. CLS Bank*, 134 S. Ct. 2354 (2014) (explaining that the “machine-or-transformation test” had been a “useful and important clue” for determining patent eligibility; however, it is not the “sole test” because it imposes limitations on the definition of “process” that Congress did not create).

⁸³ Michael S. Borella & Kevin E. Noonan, *Supreme Court Issues Decision in Alice Corp. v. CLS Bank*, SNIPPETS (2014), <http://www.mbhb.com/pubs/xpqPublicationDetail.aspx?xpST=PubDetail&pub=283>.

controversial matters.⁸⁴ The USPTO claimed that immoral inventions were not “useful” to the public, and therefore were ineligible for protection.⁸⁵ Now, the USPTO only contemplates “moral utility” of biotechnological patents.⁸⁶ Courts have hesitated to make “useful” mean “moral” without Congress’s blessing.⁸⁷ Congress has implemented special restrictions for inventions in biotechnology⁸⁸ and national security.⁸⁹ Given the power to draw restrictions for certain inventions, Congress has

⁸⁴ See *Lowell v. Lewis*, 15 F. Cas. 1018 (C.C.D. Mass. 1817) (holding that inventions that are “injurious to the well-being, good policy, or sound morals of society” are unpatentable). See also *Webber v. Virginia*, 103 U.S. 344, 347-48 (1880) (holding that “Congress never intended that the patent laws should displace the police powers of the States . . . those powers by which the health, good order, peace and general welfare of the community are promoted.”).

⁸⁵ See *Lowell v. Lewis*, 15 F. Cas. 1018 (C.C.D. Mass. 1817) (holding that inventions that are “injurious to the well-being, good policy, or sound morals of society” are unpatentable). See also *Webber v. Virginia*, 103 U.S. 344, 347-48 (1880) (holding that “Congress never intended that the patent laws should displace the police powers of the States . . . those powers by which the health, good order, peace and general welfare of the community are promoted.”).

⁸⁶ See Media Advisory, Patent and Trademark Office, *Facts on Patenting Life Forms Having a Relationship to Humans* (Apr. 1, 1998), at <http://www.uspto.gov/web/offices/com/speeches/98-06.htm> (discussing limitations on patenting particular biotechnological innovations, including life forms related to humans, stating that “it is the position of the PTO that human/non-human chimera could . . . not be patentable because, among other things, they would fail to meet the public policy and morality aspects of the utility requirement” which suggests the existence of the common law moral utility doctrine. The USPTO adds that “[t]he courts have interpreted the utility requirement to exclude inventions deemed to be ‘injurious to the well being, good policy, or good morals of society’”). However, see *Manual of Patent Examining Procedure*, 9th ed. (March 2014), §706.03(a) (stating that a rejection under 35 U.S.C. § 101 for lack of utility should not be based on grounds that the invention is frivolous, fraudulent or against public policy).

⁸⁷ *Juicy Whip, Inc. v. Orange Bang, Inc.*, 185 F.3d 1364, 1366 (Fed. Cir. 1999) (stating that “[o]f course, Congress is free to declare particular types of inventions unpatentable for a variety of reasons, including deceptiveness. Until such time as Congress does so, however, we find no basis in section 101 to hold that inventions can be ruled unpatentable for lack of utility simply because they have the capacity to fool some members of the public.”). See also Margo A. Bagley, *Patent First, Ask Questions Later: Morality And Biotechnology In Patent Law*, 45 Wm. & Mary L. Rev. 469 (2003), <http://scholarship.law.wm.edu/wmlr/vol45/iss2/3> (discussing how denial of patent protection is not a complete loss to an invention because the invention may still be practiced. Absence of a patent results in the inventor being denied monopoly and exclusive rights, and that the patent will not be published, which may permit the technology to be treated as trade secret.).

⁸⁸ See *supra* note 86. See generally Sander Rabin, *The human use of humanoid beings: chimeras and patent law*, *Nature Biotechnology* (2006), available at <http://www.nature.com/nbt/journal/v24/n5/full/nbt0506-517.html> (discussing generally the limitations on the USPTO’s ruling that patents may not issue on human organisms, but left open questions about non-human subject matter).

⁸⁹ 35 U.S.C. § 181 (2012) (authorizing the Commissioner of Patents to order that an invention be kept secret and to withhold the publication of an application or grant of a patent on the invention).

the power to discriminate against immoral inventions because they do not provide the public with legitimate benefits and utility.⁹⁰

III. ANALYSIS

To date, Congress has relied on copyright law to deal with incentivizing creation when new technology is developed to infringe copyrights.⁹¹ The business model for ReDigi, a digital secondary marketplace, is inconsistent with copyright policy because it infringes on copyrighted works, and fails to comply with patent policy because it lacks legitimate utility. Technology departs from legitimate constitutional purposes by: (1) causing or inducing copyright infringement; (2) being capable of substantial non-infringing uses; and (3) being subject matter eligible for patent protection in a post-*Alice* world. When technology is designed to, or substantially used for, infringing copyrights, should patent law make the technology patent-ineligible, such that the inventor can't gain exclusive rights? Applying this analysis to ReDigi raises questions of whether ReDigi was created for infringing uses and whether ReDigi's patents may be challenged.

A. Does ReDigi Cause Copyright Infringement?

ReDigi facilitates infringement of copyright holders' exclusive rights to reproduce and distribute.⁹² To use ReDigi, a seller designates files, which they may not actually own,⁹³ from a personal library, and then ReDigi's software assesses whether the file was legally obtained.⁹⁴ If the file is eligible for resale, then the file is

⁹⁰ Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) (stating that "the sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of the authors.").

⁹¹ See *supra* note 54 discussing how copyright law has been used to manage the tradeoff between artistic protection and technological innovation. See also American Library Association, et al., *Balanced Copyright Preserves the Right to Innovate*, LIBRARY COPYRIGHT ALLIANCE, available at http://www.librarycopyrightalliance.org/bm~doc/balanced_copyright_innovation.pdf (arguing that "while copyright promotes creativity, many of the specific measures adopted or recently proposed to protect copyright in the digital age actually impede innovative technologies and services.").

⁹² 17 U.S.C. § 106 (2012). See *supra* note 31. See generally *Capitol Records, LLC v. ReDigi, Inc.*, 934 F. Supp. 2d 640, 661 (S.D.N.Y. 2013).

⁹³ See *supra* note 4 for a discussion of ownership versus access.

⁹⁴ U.S. Patent No. 8,627,500 (issued on Jan. 7, 2014) (claiming a verification aspect that assesses whether the user identity matches the provided account information, that the file matches the provided description. To evaluate whether a song was "legally owned" and "lawfully purchased," the patent is ambiguous and states that evaluating "owned" is a "policy decision." The claims include evaluating whether content is "legally owned," because digital media objects (DMOs) are evaluated at a flexible standard. The patent says, "a liberal policy is to assume every DMO was legally acquired. A highly restrictive policy assumes that only DMO's with DRM . . . are legally owned," but there is no resolution about which policy is adopted to be "non-infringing" in the minds of ReDigi.)

migrated by “atomic transfer.”⁹⁵ ReDigi argues that this technology prevents a file from being reproduced because it “migrates” the file “packet by packet,” and a desktop client sweeps the seller’s computer for duplicates.⁹⁶ ReDigi claims that the technology does not violate a copyright holder’s exclusive right to reproduce.⁹⁷ ReDigi argues that copies made during upload constitute “fair use,” an affirmative defense to infringement.⁹⁸ ReDigi’s argument that it does not “reproduce” relies on the functionality of the “sweeping” software, and on seller’s good faith in deleting copies from every file, CD, and device.

ReDigi’s technology interferes with a holder’s right to distribute because it enables an individual to alienate digital works, which are not in the scope of the First Sale Doctrine. The current interpretation of the First Sale Doctrine does not cover digital MP3s, therefore ReDigi’s enabling the resale of purchased digital work is an unlawful distribution of original works.⁹⁹ For this reason, when sellers use ReDigi, they are infringers of copyrighted works. The creators of the software are secondarily liable for facilitating and advocating for the infringement, for having

ReDigi’s patent covers two types of claims: apparatus and method. “Apparatus claims cover what a device *is*, not what device *does*.” *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1468 (Fed. Cir. 1990) (emphasis by the court), cert. denied, 493 U.S. 1076 (1990). Method claims consist of steps or acts that must be carried out or performed, instead of any tangible things. *Paragon Solutions, LLC v. Timex Corp.*, 566 F.3d 1075, 1090 (Fed. Cir. 2009).

⁹⁵ *Id.*

⁹⁶ *Capitol Records, LLC v. ReDigi, Inc.*, 934 F. Supp. 2d 640, 661 (S.D.N.Y. 2013). *See also* U.S. Patent No. 8,627,500 (issued on Jan. 7, 2014) (stating that “[t]he goal is to delete, expunge, remove, or disable all of the copies of this digital media object . . . so that there is only a single copy of the DMO whose ownership will be transferred during the sale . . . it may be impossible to delete the copy of a digital media object.”). The claims provides that the software will “remember” the sale so that any connected devices will be wiped, that the software will use a fingerprint of the DMO so if the seller attempts to upload the file a second time, the copy will be recognized, and that whenever portable devices are connected, “the manager will attempt to remove copies as well.” The language suggests that ReDigi’s “sweeping” method is not fail-proof, and may intrude on the reproduction right under 17 U.S.C. § 106.

⁹⁷ *See Answer at 9, Capitol Records v. ReDigi*, No.12-cv-0095 (S.D.N.Y. Jan.19, 2012)(“No copy of the file in the ReDigi Cloud is made when the Eligible File is sold by one ReDigi user to another ReDigi user.”), *but see supra* note 96.

⁹⁸ *See supra* note 50. *See Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 653 (S.D.N.Y. 2013) (“The Court has little difficulty concluding that ReDigi’s reproduction and distribution of Capitol’s copyrighted works falls well outside the fair use defense.” ReDigi’s argument that uploading to and downloading from the ReDigi server “for storage and personal use” fails because these uses “fall outside the ambit of fair use.”). *See generally* *Arista Records, LLC v. Doe 3*, 604 F.3d 110, 124 (2d Cir. 2010) (court held no fair use available when a user uploads and downloads on P2P file-sharing network when the network was found to be infringing).

⁹⁹ *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 651 (S.D.N.Y. 2013). The court rejected the argument that First Sale applies to digital works and stated “the court cannot . . . condone the wholesale application of the first sale defense to the digital sphere, particularly when Congress has declined to take that step.”

specific knowledge of the infringement without attempting to filter¹⁰⁰ out infringing uses from non-infringing uses, and for directly benefitting from the infringing uses. Although ReDigi continues to argue for a digital First Sale Doctrine, the current void in copyright law makes ReDigi's use a violation of current copyright law.

B. Is ReDigi Capable of Non-Infringing Uses?

The second inquiry is established by precedent cases on new technology capable of infringing copyrights, and asks whether ReDigi is capable of substantial non-infringing uses.¹⁰¹ The DMCA imposes liability for copyright infringement on creators and distributors of technology designed to “circumvent” copyright protection measures.¹⁰² For infringing technologies, the primary considerations are: (a) whether the technology is protected as a “fair use”, (b) whether the primary purpose of the technology is to infringe copyrights, and (c) whether the technology is capable of substantial non-infringing uses. ReDigi's particular design, and even its promoted purpose, is for the re-sale of digital content.¹⁰³ No infringement occurs when a seller re-sells music that is no longer protected under copyright, but ReDigi does not purport to have any filters or methods for separating “public domain” content from protected content.¹⁰⁴ Even if any individual uses of ReDigi were “fair”, the majority of the remaining uses call for the distribution of purchased digital content for a commercial profit, which is the kind of behavior that copyright law seeks to prevent.¹⁰⁵

If ReDigi were to restrict its function to only non-infringing uses, like works with naked licenses or in the public domain, the consumer market would be minimal because non-infringing uses would be for works that don't receive copyright

¹⁰⁰ See *supra* note 52.

¹⁰¹ See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

¹⁰² U.S. Copyright Office, Library of Cong., Digital Millennium Copyright Act Section 104 Report 48 (2001), available at http://www.copyright.gov/reports/studies/dmca/dmca_study.html. See *supra* note 44 for background on DMCA.

¹⁰³ *The New ReDigi*, <http://www.reddigi.com/site/index-invite.html> (last visited Dec. 20, 2014).

¹⁰⁴ See *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 918 (2005) (holding summary judgment was in error when there was substantial evidence of intent to infringe, including that distributor failed to “develop filtering tools or other mechanisms to diminish the infringing activity using the software.”).

¹⁰⁵ See *supra* notes 50 and 98. ReDigi's taking of copyrighted works fail to “advance public welfare” to tip the 17 U.S.C § 107 balancing test in favor of a fair use because (1) the purpose and character use is non-transformative and for commercial profit, (2) the copyrighted works are entitled to a high level of protection as original works of music, (3) ReDigi takes the entire work, thereby taking too much in quantity and quality; and (4) ReDigi's uses of the original work cause harm to the original because ReDigi creates competition for the original, which would reduces profit for the holder. This is particularly true because digital works do not decay over time the way that physical works do, thereby making First Sale a poor argument for this element of fair use.

protection.¹⁰⁶ iTunes has already taken strides to deflate prices, making ReDigi's discounted prices less attractive.¹⁰⁷

While ReDigi's intention aligns with the constitutional design of "promot[ing] the progress of . . . useful arts" by providing access to music at reduced costs, it interferes with constructive monopolies created by copyright law. It is unrealistic to expect that ReDigi might limit its function to non-infringing uses, like for public domain works. In *ABC v. Aereo*, the Court held a technology service company liable for copyright infringement when it provided users with a technology that allowed them to watch television shows without the authority of the copyright holder.¹⁰⁸ Aereo has several patents on television antennae systems; one antenna, the subject of the lawsuit, was designed specifically to circumvent copyright laws.¹⁰⁹ The defense of fair use that arose in *Sony Corp.* was not addressed in the Court's holding in *Aereo*.¹¹⁰ The Court will not hurry to resolve questions that Congress hasn't given clear direction on.¹¹¹

C. Is ReDigi's Patent Subject-Matter Eligible?

Technology that is narrowly designed to infringe copyrights has minimal legitimate public benefit, and the government should not invest "time, services, and use of funds" in protecting such technology.¹¹² The third question, whether ReDigi's "atomic transfer" patent qualifies for patent protection under the current interpretation of eligibility standards, is a threshold question under current patent laws.¹¹³

¹⁰⁶ See *supra* note 30 about the bounds of copyright protection.

¹⁰⁷ See *supra* note 17.

¹⁰⁸ *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

¹⁰⁹ Pete Putman, *Deconstructing Aereo's Patent*, TVTECHNOLOGY (Apr. 23, 2013 3:27PM), <http://www.tvtechnology.com/news/0086/deconstructing-aereos-patent/270097>. See generally AEREO, INC. Patent applications, PATENTDOCS (March 2014), <http://www.faqs.org/patents/assignee/aereo-incl/>.

¹¹⁰ Brief for United States as *Amicus Curiae* Supporting Petitioners, *ABC, Inc. v. Aereo, Inc.*, 134 S.Ct. 2498 (2014), No. 13-461 ("questions involving cloud computing . . . and other novel issues not before the Court, as to which 'Congress has not plainly marked [the] course,' should await a case in which they are squarely presented.") (quoting *Sony Corp.*, 464 U.S. 417, 431 (1984)).

¹¹¹ See, e.g., *Omega, S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 990 (9th Cir. 2008), *aff'd*, 131 S. Ct. 565 (2010) (relying on the "First Sale" Doctrine without contemplating fair use).

¹¹² In *re Mavety Media Group Ltd.*, 33 F.3d 1367 (Fed. Cir. 1994) (considering a mark for the word "tail" and considered word may have a nonvulgar meaning of "rear end" or a vulgar meaning of a "female sexual partner," court held that mark could not be registered - not because Congress seeks to regulate morality, but because "such marks [should] not occupy the time, services, and use of funds of the federal government."). See also In *re McGinley*, 660 F.2d 486, 673 (1981) (defining scandalous marks, which are not-protectable, as "shocking to the sense of propriety, offensive to the conscience or moral feelings or call out for condemnation.").

¹¹³ U.S. Patent No. 8,627,500 (issued on Jan. 7, 2014) (claiming "atomic transfer . . .") See generally *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice Corp. v. CLS Bank*, 134 S. Ct. at 2354,

ReDigi was issued a patent, U.S. 8,627,500, on January 7, 2014, which claims a “method and apparatus for sharing, transferring, and removing previously owned digital media.”¹¹⁴ The patent claims a process for managing digital content using “digital data processors (e.g. personal (or private) computers, laptops, dedicated music devices...) that are in communications with one or more stores.”¹¹⁵ While not a law of nature or physical phenomena, the patent walks the “abstract” line because the inventive concept is merely for transferring content from one user’s device to another. The concept of a digital transfer parallels physical transfers at garage sales: a physical transfer of goods, where a seller can discard of, and a buyer can obtain, a used good. ReDigi takes electronic sales of digital goods, and links them to a technological environment. The Federal Circuit’s newest decision in *Ultramercial* suggests that a court would find ReDigi’s inventive concept to be abstract and merely computer-implemented, therefore ineligible for protection. ReDigi’s concept would be ineligible because the “transfer of content between computers is merely what computers do”¹¹⁶ and ReDigi failed to claim any specific hardware components.¹¹⁷

D. Does ReDigi Survive the Complete Patent Framework?

In addition to being subject-matter eligible, an invention must also be novel,¹¹⁸ non-obvious,¹¹⁹ fully described,¹²⁰ and useful.¹²¹ The “useful” question is particularly relevant for ReDigi because the usefulness of an invention may be

2356 (2014) (requiring more than an abstract idea merely implemented by a generic computer, and abstract is a component of subject matter eligibility).

¹¹⁴ U.S. Patent No. 8,627,500 (issued Jan. 7, 2014).

¹¹⁵ *Id.* at page 1, column 2.

¹¹⁶ *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014). *See also Alice*, 134 S. Ct. at 2355 (holding that none of the hardware recited by the system claims “offer a meaningful limitation beyond generally linking ‘the use of the [method] to a particular technological environment,’ that is, implementation via computers.” The court adds that the claims “recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea.” The Court also adds that 101 should not be interpreted “in ways that make patent eligibility ‘depend simply on the draftsman’s art.’”).

¹¹⁷ *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014). *Compare* *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (rejecting a patent on a claim that uses a computer to complete a financial transaction that could be carried out entirely by hand). *Contra* U.S. Patent No. 8,627,500 (issued on Jan. 7, 2014) (calling for an almost-entirely electronic transaction). *See also* note 114 for information on the method and apparatus claim distinction in patent law.

¹¹⁸ 35 U.S.C. § 102 (2012).

¹¹⁹ 35 U.S.C. § 103 (2012). *See generally* Tim Worstall, *Is the Patent System Broken? Well, Amazon’s Just Patented The Sale of Second Hand Goods*, FORBES (Feb. 6, 2013 10:33AM), <http://www.forbes.com/sites/timworstall/2013/02/06/is-the-patent-system-broken-well-amazons-just-patented-the-sale-of-second-hand-goods/> (discussing how Amazon’s “secondary market for digital objects” is not obvious because the concepts are based on exchanges for “real world, for real goods.”).

¹²⁰ 35 U.S.C. § 112 (2012).

¹²¹ 35 U.S.C. § 101 (2012).

diminished for technologies against public policy. Patent law encourages innovation by granting “constructive monopol[ies]” to inventors.¹²²

Historically, courts considered inventions to be unpatentable if they were against public policy.¹²³ The USPTO pointed out the ineligibility of certain biotechnologies for failing to meet “public policy and morality aspects of the utility requirement,” which is believed to suggest a resurrection of the “moral utility doctrine” that was thought to be abandoned.¹²⁴ Inventions that facilitate violations of the laws have been patent-protected, but ReDigi presents an invention that is designed solely for violating the law, and only has limited legal uses.¹²⁵

ReDigi’s public benefits, like increasing access to works at reduced cost and decreasing “alienation” of works, must be weighed against the injury to copyright holders. ReDigi could “filter” out illegitimate uses by restricting utility to works that are in the public domain or nakedly licensed, but it is highly unlikely that ReDigi would make such a move and still retain its marketability.¹²⁶

Despite being keenly aware of ReDigi’s copyright-infringing uses, the USPTO granted ReDigi’s patent. This granting gave ReDigi the ability to access and gain more customers, which further injures copyright holders’ rights. ReDigi has not volunteered any ways in which the technology is solely “useful” and beneficial to the public. The passage of the DMCA suggests that Congress seeks to reduce “copyright infringement” as it is against public policy. Copyright laws are outdated, and have been outpaced by technology, but the idea of infringement being immoral continues. The “moral utility” doctrine of patent law is relatively dormant, but it may be an avenue for controlling the detriments of ReDigi and similar technologies.¹²⁷ Resurrecting the doctrine would require care because technologies like ReDigi may have non-infringing uses that promote free expression and information sharing.¹²⁸

¹²² Judge Frank H. Easterbrook, *Intellectual Property is still Property*, 13 Harv. J.L. & Pub. Pol’y 108, 108 (1990) (arguing that the patent system’s exclusive rights are not for preventing competition or monopolizing a market, but instead recognizes efforts made in creating technology, and balances “dynamic gains” with “allocative losses” to allow an inventor a limited time over which he can demand a price for his intellectual property).

¹²³ See *supra* notes 85–90 and surrounding text for a discussion of morality in patent eligibility.

¹²⁴ Cynthia M. Ho, *Splicing Morality and Patent Law: Issues Arising from Mixing Mice and Men*, 2 WASH. U. J.L. & POL’Y 247, 253 (2000), available at <http://www.public.iastate.edu/~jwcwolf/Papers/HoPaper.pdf>.

¹²⁵ *Whistler Corp. v. Autotronics, Inc.*, 1988 U.S. Dist. LEXIS 17302, 14 U.S.P.Q.2D (BNA) 1885, 1886 (W.D. Tex. 1988) (finding utility in a radar signal detector, even though the device aids those who violate the law). See also ROCKY MOUNTAIN RADAR, <https://rockymountainradar.com/the-best-radar-detector/> (radar detectors and scramblers specifically designed to prevent consumers from being detected by police officers).

¹²⁶ See *What is Freegal*, FREEGAL (Jan. 1, 2015), <http://www.freegalmusic.com/questions>, for a discussion of a service underwritten by libraries that offers free downloads of music and movies by the Sony Entertainment Group.

¹²⁷ Dan L. Burk & Mark A. Lemley, *Article: Policy Levers in Patent Law*, 89 Va. L. Rev. 1575 (2003) (“The courts have all but abandoned the requirement that an invention be morally beneficial, permitting patents even on inventions that seem calculated to deceive.”).

¹²⁸ See *supra* notes 44 and 55 and surrounding text for a discussion of DMCA. Congress passed the DMCA as a method of improving the balance between innovation and creativity by imposing

There's an argument to be made that there is no authority either allowing or implementing limitations in patent law for inventions designed to violate copyright law.¹²⁹ This bridge has been crossed before with the principle of "functionality" used as a means for dividing works into copyright and patent channels.¹³⁰ Congress can create and amend laws that improve both patent and copyright protection.¹³¹ Congress is entitled to provide power, accordingly, to the USPTO.¹³²

If Congress withholds patent protection from copyright-infringing technologies, it would stop legitimizing technologies that are harmful to the public. Without patent protection, an inventor can practice his invention, but without the key innovation incentives of exclusion or monopoly.¹³³ The inventor, in practicing his invention, could become liable for inducing copyright-infringement. ReDigi's patent provides the façade that it is beneficial to the public and the progress of science and the useful arts — a false legitimacy that could be resolved by denying patent protection. Alternatively, providing ReDigi with a monopoly would give it the exclusive opportunity to practice its technology, which would eliminate competition. Fewer infringement-inducing technologies could reduce the potential for copyright infringement. ReDigi's patent would reduce competition with Apple and Amazon because of a reduced incentive to create digital secondary markets, especially without protection of a digital First Sale Doctrine.¹³⁴

liability for technology that is designed to "circumvent" measures that control access to a copyrighted work. The DMCA protects copyrighted works while attempting to limit the incentive for creating technology that infringes copyrights.

¹²⁹ Musicians and Artists Profile, USPTO (Sept. 2, 2011 11:13AM), <http://www.uspto.gov/faq/musicart.jsp> (discussing that Congress created the Library of Congress' Copyright office for dealing with copyrights). USPTO interference with the Copyright Office may lead to confusion, disorganization, and misapplication of copyright laws that the USPTO may be unfamiliar with. Dina LaPolt, *Opinion: Copyrights Different Than Patents, Trademarks*, The Hill (Dec. 10, 2014 7:49PM) (stating that "the Copyright Office's ongoing review of copyright laws is being compromised by involved from the USPTO" because the "USPTO has no particular expertise in copyright law" and "there is no 'C' in PTO").

¹³⁰ 17 U.S.C. § 101 (2010) (identifying that any design "utilitarian function" will trigger a separability test for determining whether the invention is better covered by patent or copyright); see also Dennis S. Karjala, *The Relative Roles of Patent and Copyright in the Protection of Computer Programs*, 17 J. Marshall J. Computer & Info. L. 41 (1998) ("little subject matter overlap" between copyright and patent subject matter "copyright has always eschewed protection of functional works . . . patent law has tried to steer clear of works that are merely useful in the sense of informing human beings or portraying an appearance but not functional in the sense of actually doing work in the physical world.").

¹³¹ Edward C. Walterscheid, *To Promote the Progress of Science and Useful Arts: The Anatomy of a Congressional Power*, 43 IDEA 1 (2002).

¹³² *General Information Concerning Patents*, United States Patent and Trademark Office (Oct. 2014), available at <http://www.uspto.gov/patents-getting-started/general-information-concerning-patents>.

¹³³ See *supra* note 67.

¹³⁴ See *supra* notes 4,5-8, and 21 for background on Apple's control of the music market. See generally John T. Soma & Michael K. Kugler, *Why Rent When You Can Own? How ReDigi, Apple, and Amazon Will Use the Cloud and the Digital First Sale Doctrine to Resell Music, E-Books, Games,*

Congress has implemented special requirements for categories of technology before. For example, secrecy must be maintained for patents affecting national security.¹³⁵ Secrecy would be a chronically-violated requirement for patent holders like ReDigi, who seek to reach a large audience of consumers.¹³⁶ However, a patent law requirement geared specifically towards technologies designed to copyright-infringement may be used to reduce harm to copyright holders.

IV. PROPOSAL

Currently, when a technology's primary purpose is for infringing copyrights, the technology may be patent-protected. Once used in an infringing manner, the technology distributor may be liable for copyright infringement. The current model, based on judicial direction and the DMCA, permits patent-protection for inventions that have minimal legitimate use. In *Sony*, the Court assessed distributors' infringement liability when they distributed video tape recorders allowing consumers to record television shows.¹³⁷ Similarly, in *Aereo*, a service company was held liable for infringement when it allowed consumers to watch television shows at any time and without authority.¹³⁸ Thus far, the courts have relied only on copyright law to protect copyright holders' rights.

A. Current Focus on Copyright: Previous and Pending Legislative Actions

Congress recently contemplated extending the application of the First Sale Doctrine to digital content.¹³⁹ Copyright policy weighs against creating a digital First Sale Doctrine because copyright holders' rights would be over-exhausted and sale prices for digital content are not set to incorporate secondary sales possibilities, so holders would be burdened with reduced royalties.¹⁴⁰

and Movies, 15 N.C. J.L. & TECH 425, 449 (2014). Apple's pending patent for a digital secondary marketplace would give Apple an extreme advantage in market competition, as it already employs a limiting EULA. Apple would be in a position to monopolize the market because ReDigi is designed to comply with iTunes music specifically. Apple could manipulate the digital content market under the guise of "maintaining authenticity of music."

¹³⁵ 35 U.S.C. § 181 (2015).

¹³⁶ *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 918 (2005) (holding music company liable for infringement when it "had shown itself to be aiming to satisfy a known source of demand for copyright infringement" after the collapse of Napster. "After the notorious file-sharing service, Napster, was sued by copyright holders for facilitating copyright infringement . . . promoted and marketed themselves as Napster alternatives.").

¹³⁷ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

¹³⁸ *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

¹³⁹ See *First Sale Under Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the House Judiciary Comm.*, 113th Cong. (2014), available at <http://judiciary.house.gov/index.cfm/2014/6/hearing-first-sale-under-title-17>.

¹⁴⁰ See *supra* note 39 and surrounding text for an explanation of exhaustion. See generally U.S. Copyright Office, Library of Cong., Digital Millennium Copyright Act Section 104 Report 48 (2001)

Congress designed the DMCA to moderate the balance between protection of copyrighted works and advancing technology and innovation. Technology like Grokster and the Aereo antenna suggests that innovators are still designing technologies to circumvent copyright measures.¹⁴¹ The DMCA highlighted the importance of balancing copyright protection and innovation, but didn't do enough to reduce innovation for copyright-infringement purposes.

Copyright holders may protect themselves from infringement-inducing technology by employing Digital Rights Management (DRM) software, which can limit the use of digital content after its first sale. DRM could be used to give a song license a limited lifetime, to limit the number of times a song can be transferred, or even to prevent the song from being played if the user transfers the file to another.¹⁴² Copyright holders may implement restrictive agreements during the original transfer, so that buyers are limited on the uses of the digital content.¹⁴³

B. Turning the Focus to Patent Utility

Copyright law has managed the tradeoff between “supporting creativity through copyright protection” and “promoting technological innovation by limiting infringement liability,” but patent law may be able to help with the balance.¹⁴⁴ As previously discussed, inventions must be novel,¹⁴⁵ non-obvious,¹⁴⁶ fully described,¹⁴⁷ and useful to qualify for patent protection.¹⁴⁸ “Laws of nature, physical phenomena,

[hereinafter DMCA], available at http://www.copyright.gov/reports/studies/dmca/dmca_study.html (stating that, opponents to digital first sale “pointed out that the impact of the doctrine on copyright owners was also limited in the off-line world by a number of factors, including geography and the gradual degradation of books and analog works. The absence of such limitations would have an adverse effect on the market for digital works We are concerned that these proposals for a digital first sale doctrine endeavor to fit the exploitation of works online into a distribution model – the sale of copies – that was developed within the confines of pre-digital technology.”).

¹⁴¹ See *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 918 (2005). See also *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014). See, e.g., *Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487 (1st Cir. 2011), cert denied, 132 S. Ct. 2431 (2012) (holding a consumer liable for infringement when he used file-sharing software to download and distribute music recordings without authorization).

¹⁴² See *supra* note 9. See Jason Fitzpatrick, *How to Check Out Library Books on Your Kindle for Free*, HOW-TO GEEK (Apr. 17, 2012) (discussing how libraries allow members to borrow e-books on devices, like Kindle, where the book will automatically expire or return itself at the expiration date, and if you return the book with notes or highlighting, the book will be “restored” to new). See also Brad Stone, *Amazon Erases Orwell Books From Kindle*, NEW YORK TIMES (July 17, 2009) (discussing how e-books are controlled after conducting a transaction to buy the e-book).

¹⁴³ See *supra* note 134 about how Apple implements restrictive transfers.

¹⁴⁴ *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 918 (2005)

¹⁴⁵ 35 U.S.C. § 102 (2012).

¹⁴⁶ 35 U.S.C. § 103 (2012).

¹⁴⁷ 35 U.S.C. § 112 (2012).

¹⁴⁸ 35 U.S.C. § 101 (2012).

and abstract ideas” do not qualify for protection.¹⁴⁹ To promote innovation that is useful and legitimate, the USPTO should use “utility” to deny patent protection to inventions that are substantially infringing and do not give rise to fair use. This separate treatment of inventions would not be unprecedented.¹⁵⁰

This extension of the utility doctrine creates two opportunities for evaluating “legitimate utility” of an invention: (1) at patent examination by a patent examiner; and (2) by a third party who has suffered or will suffer harm that copyright protection is intended to prevent. Patent examiners may deny patent protection to patents that substantially infringe copyrights, and are not protected by fair use. The examiner would make an assessment based solely on the application, and would treat the application as *prima facie* evidence of an intent to infringe. Then, should the examiner deny the patent, the USPTO would bear the burden of showing that the patent should be denied.¹⁵¹ Just as with other grounds for rejection, the applicant would have the opportunity to overcome the rejection with evidence.

The applicant must show that the invention is deserving of patent rights by showing that it doesn’t substantially infringe on copyrights, and that the invention only uses copyrighted works as “fair” uses. While patent examiners may not be best equipped to handle these kinds of arguments, the USPTO may designate a group of examiners to handle these kinds of inventions, as a new “technology center.”¹⁵²

If the USPTO grants the patent, then the application may be challenged by third parties under one of the available post-grant proceedings.¹⁵³ A party has standing to

¹⁴⁹ *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

¹⁵⁰ See *supra* notes 123–124. See also Media Advisory, Patent and Trademark Office, *Facts on Patenting Life Forms Having a Relationship to Humans* (Apr. 1, 1998), at <http://www.uspto.gov/web/offices/com/speeches/98-06.htm>. See also 35 U.S.C. § 181 (2012).

¹⁵¹ See Office Statement, Patent and Trademark Office, *Official United States Patent and Trademark Office Statement on the Trademark Trial and Appeal Board’s (TTAB) Decision in Blackhorse v. Pro Football (TTAB Cancellation No. 92046185)* (June 19, 2014), at <http://www.uspto.gov/news/DCfootballtrademark.jsp> (explaining how USPTO mark cancellation proceedings occur). See also Perry J. Viscounty, et al., *Watch Your Mark – navigating the prohibitions on immoral, scandalous and disparaging trademarks*, WORLD TRADEMARK REVIEW (December 2014), at www.lw.com/thoughtleadership/watch-your-mark (explaining that the USPTO has the initial burden of proof for unregistrability, and if met, the burden shifts to the applicant to present “competent evidence”).

¹⁵² United States Patent and Trademark Office, *General Information Concerning Patents*, USPTO (Oct. 2014), http://www.uspto.gov/patents/resources/general_info_concerning_patents.jsp#heading-6 (“the work of examining applications for patents is divided among a number of examining technology centers (TCs), each TC having jurisdiction over certain assigned fields of technology”).

¹⁵³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (modifying available post-grant proceedings to include: inter partes review, post-grant review, and ex parte reexamination, which allows third parties to challenge any unexpired patents on the basis of novelty or obviousness; however, the third party does not have an absolute right to participate in the reexamination). Congress may create an additional proceeding for dealing with technologies that cause copyright infringement, as ex parte reexamination does not guarantee a third party can stay involved in a proceeding, but for copyright holders acting as third parties, an absolute right to stay

challenge if they can “prove that practice impairs commercial value of [their] copyright or has created likelihood of future harm.”¹⁵⁴ This challenge towards the “legitimate utility” of an invention requires the third party to present evidence of the harm. If the third party has standing and the issue is ripe to bring a suit for copyright infringement, the third party must have done so prior to challenging the “legitimate utility” of the invention or the third party must show that it is in the same shoes as parties who have already sued the inventor for copyright infringement.

The USPTO could create an “incontestability” status for inventions that are not challenged for “legitimate utility” and are not the subject of copyright infringement suits in ten years from the patent’s issuance date. This could be loosely modeled after the trademark “incontestability of a mark” designation.¹⁵⁵ Much like a mark that remains unchallenged, a technology created with significant legitimate uses should be entitled to protection. Technology often morphs over time as consumers create new (and often illegitimate) ways to use inventions. Therefore, this proposal is restricted to technology, like ReDigi, which is initially designed to infringe on copyrights. ReDigi, much like Aereo, advertises and promotes the infringing use, even after receipt of cease-and-desist orders.¹⁵⁶ Other technologies, such as those created primarily for non-infringing uses, should still be able to access patent protection. The utility of these alternate scenarios, however, should be contemplated with future research.

V. CONCLUSION

The Supreme Court decided several cases dealing with technology designed to infringe copyrights and circumvent copyright protection. Copyright holders may argue against a digital First Sale Doctrine, but if Congress extends the doctrine, copyright holders may wish to implement more DRM software or restrictive agreements to protect their works. Congress attempted to resolve issues with respective technologies with the DMCA; but there are still inventions claiming patent protection that are designed to infringe, like ReDigi and Aereo.

Congress should contemplate adjusting patent-eligibility standards to require that an invention is genuinely useful, with substantial non-copyright-infringing uses. The invention should be denied patent protection if the patent application clearly indicates intent to infringe, even if the patent satisfies other USPTO requirements.

involved may be desirable. *See* Manual of Patent Examining Procedure, 9th ed. (March 2014), §2209 for further discussion of ex parte reexamination.

¹⁵⁴ Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

¹⁵⁵ 15 U.S.C. § 1065 (2010) (“except on a ground for which application to cancel may be filed at any time . . . the right of the owner to use such registered mark.. shall be incontestable” when “registered mark has been in continuous use for five consecutive years subsequent to the date of such registration . . . still in use . . . no final decision adverse to the owner’s claim of ownership . . . no proceeding involving said rights pending . . . affidavit is filed” and mark is not generic.”).

¹⁵⁶ Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640, 658-59 (S.D.N.Y. 2013).

Issued patents should be contested for “legitimate utility” if the technology has been involved with or caused infringement liability.

Technologies designed to infringe copyrights tend to be software-based or computer-implemented, and are raising red flags at the USPTO for subject matter eligibility.¹⁵⁷ The high-level of scrutiny that arose post-*Alice* means these technologies should be challenged as merely abstract ideas, especially inventions like ReDigi that transforms a physical garage sale into a digital one.¹⁵⁸ In light of *Alice*, ReDigi’s patent may be abstract. ReDigi’s patent raises questions of why a monopoly should be awarded to a technology that is specifically designed to infringe. Copyright holders may implement barriers so their digital content cannot operate on ReDigi and similar technologies. While the future of ReDigi is unclear, it continues to allow consumers to join the marketplace. With the advent of Apple and Amazon into the digital secondary market, ReDigi may dissolve as a “sacrifice” while Apple and Amazon and other giants reap from its benefits.

¹⁵⁷ See *supra* note 78.

¹⁵⁸ See *Bilski v. Kappos*, 561 U.S. 593, 611-12 (2010); *Alice Corp. v. CLS Bank*, 134 S. Ct. 2354 (2014).