

Back to School with Microsoft: The First Sale Doctrine And Goods Made Abroad

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In *Microsoft v. Cietdirect.com*, a district court was asked to decide the applicability of the first sale doctrine to goods made and sold abroad, then imported by a purchaser into the United States. Microsoft accused Cietdirect.com of importing copyrighted copies of Microsoft Student Media software into the United States and distributing them in violation of its copyright in the software.

According to Microsoft, its Student Media software is manufactured abroad and sold to overseas students at a discount in order to provide them with the latest technology and to further their educational development. The software was meant to be distributed to students in Europe, the Middle East and Africa, and was not licensed for use in North America.

Microsoft supported its claim of copyright infringement by stating that Cietdirect.com sold Student Media software to an investigator in the United States through its website. The Microsoft software was clearly marked as Student Media software licensed for exclusive distribution to qualified educational users outside of the United States.

In response to Microsoft's complaint alleging copyright infringement in violation of 17 U.S.C. 501 and 17 U.S.C. 602, Cietdirect.com filed a motion to dismiss for failure to allege facts sufficient to overcome the "first sale" doctrine.

The "first sale" doctrine (codified at 17 U.S.C. 109) is an affirmative defense to copyright infringement that allows a purchaser to transfer a lawfully purchased copy of the copyrighted work without permission of the copyright holder. Thus, Cietdirect.com could avoid a claim of copyright infringement if the "first sale" doctrine applied.

In rejecting Cietdirect.com's motion, the trial judge ruled that the first sale doctrine did not apply because Microsoft had manufactured and first sold the software outside of the United States. Relying on *Summit Technology, Inc. v. High-Line Medical Instruments Co.*, 922 F. Supp. 299, 312 (C.D. Cal. 1996), the court stated that sales abroad of foreign-made materials that are protected by United States copyright do not terminate the United States copyright holder's exclusive distribution rights in the United States.

In so holding, the court distinguished the case from *Quality King Distributors Inc. v. L'Anza International Research, Inc.*, in which the Supreme Court held that the first sale doctrine applied to goods made in the United States, sold overseas, and imported back into the United States. In other words, the importation of gray market goods made by the copyright owner can be the subject of copyright claims, but only if the goods are made abroad. ✧

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