



Adobe Systems, Inc. v. Hoops Enterprise, LLC - "First Sale Defense" is Not Applicable to Copyright Infringement Cases where OEM Software was Licensed, Not Sold

02.06.2012

The U. S. District Court for the Northern District of California granted partial summary judgment, on February 1, 2012, to rule that the "first sale defense" was inapplicable as a defense to the plaintiff's copyright infringement claim in *Adobe Systems Incorporated v. Hoops Enterprise LLC*, No. C 10-2769 (N. D. Cal. 02/01/2012). The crucial fact was that Adobe Systems Incorporated ("Adobe") licensed the software in question, and had not sold it.

The "first sale defense" is an affirmative defense available under the Copyright Act, 17 U. S. Code 109(a), which limits the exclusive statutory rights of copyright owners and allows those who have purchased copies of copyrighted works to resell those works without infringing the owners' copyright. The Ninth Circuit has held that this "first sale" defense is limited to copies made domestically in the United States, not manufactured abroad.

The Adobe products in this case were copies of OEM software distributed by Adobe in a bundle with approved hardware components, subject to restrictive licensing agreements that did not transfer title to the software. The bundles were product-specific and not licensed to be un-bundled and sold separately or re-bundled with any products that Adobe had not previously approved.

Hoops Enterprises LLC and the other Defendant sold OEM copies of Adobe's software on the auction site eBay and another web site. The copies sold by Defendants had been unbundled from the hardware with which they were originally packaged and then sold separately. Adobe had not licensed the Defendants to make or distribute copies of its software. However, the Defendants contended that Adobe's license agreements with the OEM manufacturers did not create significant restrictions on the transfer of the OEM copies or impose notable use restrictions on those copies.

The court did not buy those arguments. It held that the undisputed evidence showed that Adobe only transferred a license in the software, not a title of ownership. Adobe's license agreements specified they were only granting a license and did impose significant restrictions to prevent re-sellers from selling the software separately from the bundled hardware. Because the transfer of the OEM software was subject to a license and did not constitute a sale, the "first sale defense" could not protect the Defendants. The court ruled further that the "first sale defense" could not apply, under Ninth Circuit precedent, to the Adobe OEM software manufactured abroad.

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