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Shyamkrishna Balganesh
University of Pennsylvania Carey Law School

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Shyamkrishna Balganesh*

Good faith purchasers for value—individuals who unknowingly and in good faith purchase property from a seller whose own actions in obtaining the property are of questionable legality—have long obtained special protection under the common law. Despite the seller's own actions being tainted, these purchasers obtain valid title and are free to transfer the property without restriction. Modern copyright law, however, does just the opposite. Individuals who unknowingly, and in good faith, purchase property embodying an unauthorized copy of a protected work are altogether precluded from subsequently alienating such property without running afoul of copyright's distribution right. This Article examines copyright law's anomalous treatment of good faith purchasers and shows how the concerns motivating the good faith purchaser doctrine in the common law carry over to the principal settings where modern copyright law operates. These concerns relate to the free alienability of property and the undue informational burdens that consumers might have to bear. The Article then develops an analogous doctrine for copyright

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law that would balance the concerns of copyright owners against those of innocent consumers. Under this doctrine, good faith purchasers for value of objects embodying infringing content would obtain good title to such objects as long as they acquire the object from its manufacturer before a judicial determination of infringement against the manufacturer, i.e., so long as the manufacturer's title is merely voidable and not void. The Article illustrates how this doctrine would work in practice and shows how its core elements remain compatible with copyright law's existing analytical structure and normative ideals.

> The triumph of the good faith purchaser has been one of the most dramatic episodes in our legal history.
> —Grant Gilmore (1954)[1]

> Simply put, there is no such thing as a bona fide purchase for value in copyright law.
> —ISC-Bunker Ramo v. Altech, Inc (N.D. Ill. 1990)[2]

INTRODUCTION

The good faith purchaser for value, or *good faith purchaser*, is a rather well-known figure in the modern common law of contract and property.[3] Simply stated, the good faith purchaser is an individual who purchases an object without knowing that the seller's interest in that object is legally tainted in some way.[4] Rather than penalizing an innocent buyer in such situations, the common law developed the good faith purchaser doctrine to protect the buyer who had no knowledge of the underlying taint. So long as the purchase was made in good faith the buyer would obtain a fully valid interest in the object, one that could be further transferred without impediment.[5] Once the good faith purchaser obtained good title, he was thereafter empowered to transfer it to others freely without having to worry about the validity of the various transfers. The common law achieved this by treating the seller's tainted interest as a *voidable title* that could be freely transferred to the good faith purchaser at any time until a court repudiated it.[6] Central to the idea of voidable title was the common law's desire to maintain the free alienability of movables by minimizing the informational burdens on potential buyers, which could serve to deter their very interest in acquiring the object.

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1. Grant Gilmore, *The Commercial Doctrine of Good Faith Purchase*, 63 YALE L.J. 1057, 1057 (1954).
2. 765 F. Supp. 1310, 1331 (N.D. Ill. 1990).
3. For some of the leading work describing the idea, see J. WALTER JONES, THE POSITION AND RIGHTS OF A BONA FIDE PURCHASER FOR VALUE OF GOODS IMPROPERLY OBTAINED (1921); James Barr Ames, *Purchase for Value Without Notice*, 1 HARV. L. REV. 1 (1887); Calvin W. Corman, *Cash Sales, Worthless Checks and the Bona Fide Purchaser*, 10 VAND. L. REV. 55 (1956); Gilmore, *supra* note 1; Grant Gilmore, *The Good Faith Purchase Idea and the Uniform Commercial Code: Confessions of a Repentant Draftsman*, 15 GA. L. REV. 605 (1981) [hereinafter Gilmore, *Confessions*]; Saul Levmore, *Variety and Uniformity in the Treatment of the Good-Faith Purchaser*, 16 J. LEGAL STUD. 43 (1987); Alan Schwartz & Robert E. Scott, *Rethinking the Laws of Good Faith Purchase*, 111 COLUM. L. REV. 1332 (2011); Edward M. Swartz, *The Bona Fide Purchaser Revisited: A Comparative Inquiry*, 42 B.U. L. REV. 403 (1962).
4. *See* U.C.C. § 2-403 (AM. LAW INST. & UNIF. LAW COMM'N 1989) (dealing with good faith purchases).
5. *See id.*; Gilmore, *supra* note 1, at 1058–60.
6. Gilmore, *supra* note 1, at 1059; *see also* Gilmore, *Confessions*, *supra* note 3, at 609.

While the good faith purchaser doctrine has its origins in the law relating to the sale of goods, it moved in due course to a host of other areas involving analogous commercial transactions: negotiable instruments, corporate securities, bonds, and, eventually, even land purchases.[7] By the mid-twentieth century, the expansion of the doctrine and its underlying rationale prompted Grant Gilmore to famously conclude that "[t]he triumph of the good faith purchaser has been one of the most dramatic episodes of our legal history."[8] While the doctrine has met with intermittent objection and criticism over the years, it continues to be routinely invoked and applied in almost all common law jurisdictions.

Given the long and exalted history of the doctrine in the common law,[9] it is altogether surprising that modern copyright law not only offers good faith purchasers absolutely no protection but also subjects them to potential liability. Under current copyright law, when a buyer acquires an object containing copyrighted expression, they must ensure that their use of such expression in the object is a noninfringing, authorized use. If it turns out that despite the buyer's best efforts to ascertain this, the object does in fact contain infringing expression, copyright law severely curtails the buyer's ownership rights in the object. The innocent buyer in such a situation is precluded from transferring the object to other members of the public, since such a transfer would violate the copyright owner's distribution right.[10] Additionally, if the buyer learns of the infringing content at the time of the attempted sale, even if this was unknown at the time of the purchase, the buyer—even though he was a good faith purchaser—could be prosecuted for criminal copyright infringement.[11] In effect, copyright law treats a good faith purchaser's ownership over an object embodying infringing content as fundamentally inalienable. The condition of inalienability effectively operates as an equitable servitude on the purchaser's title to the object.[12]

To be sure, it is hardly the case that copyright law consciously conflates the ownership of copyright with the ownership of the physical object that contains the copyrighted work. To the contrary, copyright law has long cared about separating the two, both analytically and functionally.[13] Its principal

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7. Gilmore, *supra* note 1, at 1063–77; 3 HERBERT THORNDIKE TIFFANY, THE LAW OF REAL PROPERTY 2284 (3d ed. 1939).

8. Gilmore, *supra* note 1, at 1057.

9. For an excellent historical account of the development of the doctrine, see Harold R. Weinberg, *Markets Overt, Voidable Titles, and Feckless Agents: Judges and Efficiency in the Antebellum Doctrine of Good Faith Purchase*, 56 TUL. L. REV. 1 (1981).

10. 17 U.S.C. § 106(3) (2012).

11. *Id.* § 506(a) (detailing requirements for criminal liability for copyright infringement).

12. *See* Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 HARV. L. REV. 945 (1928).

13. 17 U.S.C. § 202 expressly provides:

> Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.

device for separating the ownership of copyrighted expression from the ownership of the object is the first sale doctrine.[14] Originally the creation of courts, the first sale doctrine allows the owner of a physical object that embodies copyrighted content to sell that object without incurring liability for copyright infringement. However, for the doctrine to apply, the law demands that the "first" sale of the content be authorized, or legal.[15] In other words, in situations where the first sale was itself an infringement, the law precludes the purchaser from selling the object. In essence, copyright's first sale doctrine directly rejects protecting the good faith purchaser's title.

In addition, since the early twentieth century, U.S. copyright law has consciously treated copyright infringement as a strict liability tort, specifically eliminating all protection for "innocent sellers" of infringing products.[16] Based on the argument that such an exception would hurt the interests of copyright owners and present courts with insurmountable evidentiary problems, copyright law today treats an infringer's intent or good faith as altogether irrelevant to the question of liability.[17] Together with the inapplicability of the first sale doctrine to such purchases, courts therefore readily accept the reality that "there is no such thing as a bona fide purchase for value in copyright law" today.[18] Indeed, this reality is routinely treated as altogether uncontroversial.

Unlike in the common law, which exempts the good faith purchaser from bearing the burden of the seller's unlawful behavior, copyright law forces the good faith purchaser to be vigilant about a seller's use of protected expression when buying the object. If the purchaser fails to detect the seller's unlawful (i.e., infringing) behavior—even after making all possible efforts—his title over the object becomes functionally defective. *Caveat emptor*, or "buyer, beware!" remains copyright law's emphasis, even though the law in all other fields has turned away from this emphasis and in favor of consumer protection.[19]

> Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

14. The doctrine has been codified. *See id.* § 109; *see also* 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.12 (Matthew Bender rev. ed. 2015).

15. 17 U.S.C. § 109(a) provides that "[n]otwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord *lawfully made* under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." (emphasis added).

16. *See* R. Anthony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 COLUM. J.L. & ARTS 133 (2007).

17. 4 NIMMER, *supra* note 14, § 13.08[B][1].

18. *See, e.g.*, ISC-Bunker Ramo Corp. v. Altech, Inc., 765 F. Supp. 1310, 1331 (N.D. Ill. 1990) (citation omitted).

19. *See generally* Walton H. Hamilton, *The Ancient Maxim Caveat Emptor*, 40 YALE L.J. 1133 (1931).

Copyright law's failure to protect good faith purchasers carries with it very important practical consequences. With advancements in technology and manufacturing, the number of physical consumer goods that contain copyrighted expression has grown exponentially in the last few decades. As a recent Supreme Court decision noted, in today's marketplace, "'automobiles, microwaves, calculators, mobile phones, tablets, and personal computers' contain copyrightable software programs or packaging . . ." and innumerable other consumer products "bear, carry, or contain copyrighted 'packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods.'"[20] Requiring consumers to ascertain whether the products they regularly purchase contain any infringing content or expression would place an enormous informational burden on consumers—precisely the type of burden that the good faith purchaser doctrine was developed to avoid.

For one, much of this expression is usually concealed and technical in nature (e.g., software code in an electronic device). Additionally, determining whether something is infringing is no easy task. It necessitates determining whether the expression was protectable under copyright law, whether it was copied from another protected work, whether it was "substantially similar" to the work from which it was copied, and whether such copying might indeed be lawful because of copyright law's several exceptions and limitations.[21] Lastly, given how long the term of protection is for copyright (i.e., the life of the author plus 70 years or 120 years from the date of creation),[22] an infringement could be determined several years after the creation of the work. A purchaser's title might thus come to be tainted decades after the initial purchase. In light of these far-reaching realities, it is somewhat bewildering that copyright's omission to accord a good faith purchaser any protection has received such little scrutiny and discussion—among courts, scholars, and policymakers.

Consider the following scenario, which illustrates this anomaly and, indeed, its ubiquity. Joe is looking to buy a used car. One morning, he comes across Frank's Craigslist advertisement offering to sell his 2008 Honda Civic for $15,000. Joe meets Frank, inspects the vehicle, takes it for a test drive, and agrees to buy the car. Frank tells Joe that he has had the car for less than a month and is selling it because he has been forced to relocate. Joe verifies all the documentation associated with the vehicle (registration, title, etc.), pays Frank in cash, and drives away.

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20. Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351, 1365 (2013) (citation omitted).

21. For a good overview of copyright law's uncertainty and the normative proposals associated with this phenomenon, see Steven J. Horowitz, *Copyright's Asymmetric Uncertainty*, 79 U. CHI. L. REV. 331, 337–55 (2012).

22. 17 U.S.C. § 302(a), (c) (2012) (providing that the copyright term "endures for a term consisting of the life of the author and 70 years after the author's death" or, in the case of anonymous works, pseudonymous works, or works made for hire, for "a term of 120 years from the year of its creation").

Unbeknownst to Joe, Frank had obtained the car from a local car dealer a few days earlier by impersonating an employee and writing a forged check. It takes the car dealership a week or so to discover Frank's trickery (i.e., impersonation), by which time Joe has purchased the vehicle from Frank and is in possession of it. Under the common law, the car dealership *cannot* recover the vehicle from Joe. Joe is a good faith purchaser for value, who obtains perfect title and is protected. Frank's title was voidable—and since the dealership did not avoid it before the transfer to Joe—the law protects Joe's ownership.[23] A few months later, when Joe wants to sell the vehicle to Cindy, who he finds on a website for used cars, he is therefore at complete liberty to do so, and Cindy too obtains perfect ownership of the car. The car remains freely transferable in the marketplace, with no constraints.

Now consider the following twist. A few months after Joe buys the car from Frank, a federal court finds that Honda committed copyright infringement by using Toyota's software code in the engine maintenance module of all Honda Civics manufactured after 2007. Joe gets good faith purchaser protection at common law, which protects him against Frank's fraud in procuring the car. However, Joe's ownership is nonetheless severely emaciated, because copyright law disallows him from selling, renting, leasing, or otherwise transferring the vehicle to the public, by treating such an act as a violation of the copyright owner's (i.e., Toyota's) distribution right.[24] If Joe sells the car to Cindy—even without their knowing about Honda's infringement at the time of the sale—Toyota could bring a claim for copyright infringement against him, seeking an injunction, statutory damages, or both. In effect, copyright law forces Joe to hold on to the $15,000 car for the duration of Toyota's copyright: 120 years! Joe's ownership interest, while protected by the common law, is thus eviscerated as a functional matter by current copyright law.

In this Article, I examine this surprising anomaly within copyright law. A close examination of the reasons behind the development of the common law's good faith purchaser doctrine reveals that they remain of equal, if not greater, applicability in the primary domains where consumers interact with copyright law in the modern context. This fact is only compounded by copyright law's rather fundamental dependence on litigation to determine the existence and scope of an infringement. Based on this reality, and the recognition that Congress consciously chose to do away with any exception to liability for all innocent infringers, the Article suggests a position that distributes the burdens

23. For an actual case with a nearly identical fact pattern where the court came to the same conclusion, see *Marlow v. Conley*, 787 N.E.2d 490 (Ind. Ct. App. 2003) (concluding that an innocent buyer who purchased a vehicle from a seller who had defrauded the original owner was protected against the owner's claim, since the buyer had obtained the certificate of title from the seller).

24. *See* 17 U.S.C. § 106(3).

of infringement equally between copyright owners and good faith purchasers through the recognition of a good faith purchaser doctrine in copyright law.

Building on the centrality of adjudication to the question of infringement, as well as on the underappreciated reality that copyright's distribution right is analytically dependent on the reproduction right, a good faith purchaser doctrine for copyright would work in four important ways. First, anyone who makes an unauthorized reproduction of the work *and* embodies that reproduction into a chattel should be treated as having "voidable" (rather than void) title to the chattel until a final judicial determination of infringement is made against that person, at which time the title should be considered to have been avoided, i.e., rendered void as a result of that determination. Second, a good faith purchaser for value of that chattel from a seller with voidable title would obtain good title to that chattel, provided of course that the transfer (from the seller with voidable title) occurred prior to the determination of infringement. Third, the good faith purchaser would remain free to transfer the chattel—without risk of infringement—to others on the market without triggering potential liability for copyright infringement. Fourth, subsequent purchasers from a good faith purchaser would also obtain good title to the chattel, and remain able to further alienate it on the market without liability.[25]

Good faith purchaser protection of this kind in copyright law is unlikely to interfere seriously with a copyright owner's legitimate interests. While each subsequent transfer is, technically speaking, a violation of the distribution right under current law, it nonetheless derives—as a causal matter—from a unitary wrongful act: the production of infringing content and its incorporation into an object, which amounts to an unauthorized reproduction, i.e., an infringement of the reproduction right by the producer of the object. Since the copyright owner will have the ability to go after the original wrongdoer for harm *arising from* that infringement, denying the owner equivalent claims against every subsequent transferee or consumer who attempts to resell the item does no harm to the copyright owner's interests, and at the same time greatly promotes the marketability of the object involved.

The Article unfolds in three parts. Part I begins by briefly setting out the basics of good faith purchaser protection at common law. It traces the origins of the doctrine and examines the primary motivations and considerations that went into the construction of the doctrine, both in its historical and modern forms. Part II then focuses on the puzzle that is at the heart of the paper: copyright law's anomalous treatment of the good faith purchaser and its attempts to impose liability on such purchasers. It begins by examining modern copyright law's treatment of good faith purchasers and then walks through the

25. And they would, in turn, obtain identical protection. This rule is known as the "shelter rule" in the law relating to good faith purchasers. *See* Menachem Mautner, *"The Eternal Triangles of the Law": Toward a Theory of Priorities in Conflicts Involving Remote Parties*, 90 MICH. L. REV. 95, 97–99 (1991).

historical reasons for copyright's omission of such protection to show how copyright law's purported rationale for the omission is premised on a fundamental non sequitur. It then argues that most of the reasons offered for good faith purchaser protection in the common law readily carry over to copyright law, where the realities of technological development and the modular nature of goods exacerbate the informational burdens placed on innocent purchasers. Finally, Part III argues for the creation of a good faith purchaser doctrine in copyright law. In so doing, it first draws on the analytical logic embedded within the working of copyright's distribution right, the first sale doctrine, and the copyright statute's remedial measures relating to "infringing articles." It then discusses what good faith purchaser protection would look like in copyright law, and draws out the principal consequences that would flow from such protection for innocent purchasers and for third parties acquiring infringing articles from them.

I.
GOOD FAITH PURCHASERS FOR VALUE

Before getting at the anomaly that lies at the heart of this Article, namely the divergence of copyright law and the common law on the protection afforded to good faith purchasers, this Part provides a brief overview of the basic ideas, concepts, and motivations underlying such protection at common law. It looks at some of the history behind the doctrine and how the doctrine has come to be extended and applied in the modern context, all of which remains directly relevant to understanding the puzzling nature of copyright law's omission of similar protection.

A. Origins in the Common Law

As a historical matter, the origins of the good faith purchaser doctrine in English common law are usually traced back to the sixteenth century, when it began to take shape under a largely analogous doctrine referred to as "market overt."[26] The market overt doctrine sought to protect purchasers who bought their goods from sellers in "open" fairs and markets, which formed the principal channel for trade during the time.[27] Since these markets were open and visible to the public at large, the seller was thought to be signaling publicly about the existence of an ostensible authority to transfer the goods in question. The innocent purchaser who relied on this authority was believed to be worthy

26. *See* JONES, *supra* note 3, at 33; Daniel E. Murray, *Sale in Market Overt*, 9 INT'L & COMP. L.Q. 24 (1960); J.G. Pease, *Market Overt in the City of London*, 31 LAW Q. REV. 270 (1915); J.G. Pease, *The Change of the Property in Goods by Sale in Market Overt*, 8 COLUM. L. REV. 375 (1908); Peter M. Smith, *Valediction to Market Overt*, 41 AM. J. LEGAL HIST. 225 (1997).

27. JONES, *supra* note 3, at 38–39 (describing the contours of such fairs and markets where the rule applied, and observing that the "market must be a legally constituted one"); *see also* Smith, *supra* note 26, at 235–42 (detailing the requirements of the doctrine).

of protection to ensure that buyers weren't altogether dissuaded by the likelihood of losing their purchased items despite their reliance on the seller's deception, which could in turn cause commerce to suffer. Sir William Blackstone provides an early description of the doctrine and its rationale:

> But property may also in some cases be transferred by sale, though the vendor *has none at all* in the goods; for it is expedient that the buyer, by taking proper precautions, may at all events be secure of his purchase; otherwise all commerce between man and man must soon be at an end. And therefore the general rule of law is, that all sales and contracts of any thing vendible, in fairs or markets *overt* (that is, open), shall not only be good between the parties, but also be binding on all those that have any right or property therein. . . . By which wise regulations the common law has secured the right of the proprietor in personal chattels from being d[i]vested, so far as was consistent with that other necessary policy, that purchasers, *bona fide*, in a fair, open, and regular manner, should not be afterwards put to difficulties by reason of the previous knavery of the seller.[28]

Similar descriptions of the doctrine and its purpose are found in Coke's *Institutes*.[29] In simple terms, the market overt doctrine allowed a good faith purchaser (the "bona fide" purchaser) who purchased an item in customary fair or market, with no knowledge of the seller's deception, and through an arm's length transaction, to be secure of his ownership interest in the item, i.e., to obtain good title even against the original owner of the item. The only exception to this general rule was in relation to "stolen" property, with the understanding that a thief could never transfer good title to another.[30]

The market overt doctrine represented an early modification of the rule *nemo dat quod non habet*, or "one cannot give that which one does not have."[31] Notably, the early form of the doctrine described the situation in largely binary terms. Either the good faith purchaser obtained *no* title—as in cases of theft—or the good faith purchaser obtained *perfect* title, leaving the original owner with no recourse whatsoever. Central to the doctrine was therefore the recognition that commerce necessitated such clear title (or lack thereof) as a direct incentive. In recognizing the role of such fairs and markets in commerce and the idea that they were a source of great sustenance for communities, Coke thus observed in no uncertain terms that through the market overt doctrine "the common law did ordain (to encourage men thereunto)."[32] By the late nineteenth

28. 2 WILLIAM BLACKSTONE, COMMENTARIES *450–51.

29. *See* 2 EDWARD COKE, THE INSTITUTES OF THE LAWS OF ENGLAND 713 (W. Clarke & Sons ed., 1809) (1642).

30. *See* 2 BLACKSTONE, *supra* note 28, at *448 ("But if my goods are stolen from me, and sold, out of market overt, my property is not altered, and I may take them wherever I find them.").

31. Henry E. Smith, *On the Economy of Concepts in Property*, 160 U. PA. L. REV. 2097, 2120 (2012). A variant of this maxim is the statement "*nemo plus juris ad alium transferre potest quam ipse habet.*" JONES, *supra* note 3, at 4; Smith, *supra* note 26, at 225 n.4.

32. 2 COKE, *supra* note 29, at 713.

century, the common law doctrine of market overt came to be codified in England.[33]

When the market overt doctrine crossed the Atlantic and made its way to the American colonies, however, American common law courts were at first somewhat skeptical of its consequences and of the claim that the doctrine was essential to commerce.[34] Particularly important in this skepticism appears to have been the binary approach that the early common law adopted, which required courts to choose between declaring the purchaser's title absolutely invalid and declaring it to be perfectly valid. In addition, the very idea of customary, regulated markets and fairs—which drew from English customary practice—seems to have found few parallels in the colonies.[35] By the nineteenth century this began to change, and courts became more open to protecting the good faith purchaser, now quite independent of markets overt.[36]

As some historians have pointed out, changes in the American economy "increased the impersonality of commercial activity," which enhanced the risks placed on good faith purchasers.[37] Thus emerged the concept of voidable title, which enabled courts to avoid conceptualizing good faith purchaser protection in purely binary terms. Under the voidable title idea, a seller whose interest in the good was tainted in some way could pass on perfect title to a good faith purchaser for value, as long as the original owner had not avoided that seller's title altogether through a legal action prior to the sale to the good faith purchaser. In this approach, the seller's title was treated as neither perfect nor altogether nonexistent, but as voidable, meaning that it could be set aside by bringing a legal action. Yet, until such avoidance it was capable of functioning as perfectly valid. The idea drew from contract law, which has for long maintained a distinction between void agreements and voidable contracts.[38] American courts, it would appear, came to recognize the undue burden that a rule of no title would place on good faith purchasers by relegating to them the costs of investigating title during each transaction, thereby impeding the efficient functioning of markets. One nineteenth-century court thus observed,

33. Sale of Goods Act 1893, 56 & 57 Vict. c. 71, § 22(1) (Eng.). The section reads: "Where goods are sold in market overt, according to the usage of the market, the buyer acquires a good title to the goods, provided he buys them in good faith and without notice of any defect or want of title on the part of the seller." *Id.*

34. *See* Weinberg, *supra* note 9, at 7 (observing that the doctrine was rejected and disapproved by courts in Massachusetts, Pennsylvania, New York, Maryland, Vermont, Ohio, Indiana, Kentucky, and Virginia, by the middle of the nineteenth century).

35. *See, e.g.*, Heacock v. Walker, 1 Tyl. 338, 341 (Vt. 1802) ("[I]n this State we have no such city customs; no prescriptive rights to vend particular articles in particular places; no fairs or statute markets.").

36. Weinberg, *supra* note 9, at 16–17.

37. *Id.* at 16.

38. *See* FREDERICK POLLOCK, PRINCIPLES OF CONTRACT AT LAW AND IN EQUITY 7 (3d ed. 1906) ("A *voidable* act . . . takes its full and proper legal effect unless and until it is disputed and set aside by some person entitled so to do.").

after applying the doctrine to find for a good faith purchaser, that "[a] contrary principle would endanger the security of commercial transactions, and destroy that confidence upon which what is called the *usual course of trade* materially rests."[39]

Thus emerged the modern doctrine of the good faith purchaser in American law. In 1906, the Uniform Sales Act codified the doctrine for the first time, by providing that "[w]here the seller of goods has a voidable title thereto, but his title has not been avoided at the time of the sale, the buyer acquires a good title to the goods, provided he buys them in good faith, for value, and without notice of the seller's defect of title."[40] A few years later, the Uniform Commercial Code replaced the Uniform Sales Act, and a majority of states adopted it as their law. Section 2-403 of the Code explicitly recognizes the good faith purchaser doctrine and reiterates its nonbinary nature by relying on the idea of voidable title.[41] In situations where an individual obtains goods from another (the original owner) through deception, a dishonored check, fraud, or the like, the law treats that individual's title as facially voidable, allowing her to transfer good title to a "good faith purchaser for value."[42] The original owner, i.e., the victim of the deception or the recipient of the bad check, can nonetheless prevent this if she succeeds in converting the deceiver's voidable title into a void title *prior* to the sale to the good faith purchaser.

B. Modern Common Law Protection

As currently understood, the good faith purchaser doctrine embodies three distinct elements: (1) the purchaser's *good faith*; (2) the transaction being a sale for *value*; and (3) the seller's title being *voidable* as a legal matter. Each of these elements deserves elaboration here since a good faith purchaser doctrine for copyright law might usefully retain many of these basic ideas.

1. Good Faith

The precise meaning of "good faith," at least insofar as it is applied to the good faith purchaser doctrine, has varied over time. Early on in the development of the doctrine, the idea was treated as synonymous with "absence of knowledge" on the part of the purchaser.[43] It was hardly a conduit through which to examine the purchaser's state of mind. An alternation seems to have emerged only when the doctrine began moving to the context of negotiable instruments and commercial paper.[44] Around this time, cases arose where

39. Root v. French, 13 Wend. 570, 572 (N.Y. Sup. Ct. 1835).

40. UNIF. SALES ACT § 24, U.L.A. app. I (1906).

41. U.C.C. § 2-403 (AM. LAW INST. & UNIF. LAW COMM'N 1989).

42. *Id.* § 2-403(1).

43. JONES, *supra* note 3, at 14–15.

44. *Id.* at 15 (observing that the idea "began to be more fully discussed, as something different from mere absence of knowledge, when negotiable instruments became common").

courts began asking whether the purchaser had acquired the goods "in the usual course of business,"[45] and whether the purchaser had "asked all those questions which . . . a party ought to ask."[46] Thus developed the objective approach to good faith, wherein courts asked whether the purchaser had behaved in a way that a reasonably prudent person would have behaved under the circumstances.[47] Shortly thereafter, courts grew uncomfortable with the objective approach and reverted back to a subjective one, suggesting that no amount of negligence on the part of the purchaser could deprive them of protection under the doctrine.[48] As the law moved to the United States, American courts seemed fairly reluctant to embrace an objective standard. Commentators confirm that a more subjective standard prevailed, under which the purchaser's "actual behavior" was the focus of the investigation.[49] This is supposedly captured in observations such as: "suspicious circumstances sufficient to put a prudent man on inquiry . . . are not sufficient of themselves to prevent recovery."[50] Over time, the law appears to have oscillated between objective and subjective versions of the test.

"Good faith" was finally defined by the codification of the doctrine in the Uniform Commercial Code (U.C.C.). In the current definition, the codifiers appear to have adopted an objective approach to the definition by providing that good faith "means honesty in fact and the observance of *reasonable* commercial standards of fair dealing."[51] Much of the work in this definition is done by the idea of "fair dealing," which is in turn meant to be understood contextually and as connected to "fairness of conduct," rather than the specific level of care exercised. Consequently, the good faith purchaser merely needs to comply with reasonable commercial standards, not in some abstract sense, but as they relate to fair dealing.[52] Or, as one commentary puts it, "[t]he issue is one of 'unfairness' not of 'negligence,'" which appears to have produced some confusion among courts.[53]

45. Miller v. Race (1758) 97 Eng. Rep. 398 (KB) 402 (internal quotations omitted).

46. Gill v. Cubitt (1824) 107 Eng. Rep. 806 (KB) 809.

47. *See* JAMES J. WHITE & ROBERT S. SUMMERS, UNIFORM COMMERCIAL CODE 707 (6th ed. 2010).

48. *See, e.g.*, Goodman v. Harvey (1836) 111 Eng. Rep. 1011 (KB); Crook v. Jadis (1834) 110 Eng. Rep. 1028 (KB). For an excellent overview of this movement in the law, see Neil O. Littlefield, *Good Faith Purchase of Consumer Paper: The Failure of the Subjective Test*, 39 S. CAL. L. REV. 48, 50–52 (1966).

49. WHITE & SUMMERS, *supra* note 47, at 707–08.

50. *Id.* at 707 n.2. (citing F. BEUTEL, BEUTEL'S BRANNON NEGOTIABLE INSTRUMENTS LAW 772–74 (7th ed. 1948)).

51. U.C.C. § 1-201(b)(20) (AM. LAW INST. & UNIF. LAW COMM'N 2011) (emphasis added). Absent the reasonableness language in the section, the definition could be, and indeed was, understood as embodying the subjective approach. For an excellent overview of the controversy and opposition surrounding the Code's adoption of the objective approach in the definition, see Littlefield, *supra* note 48, at 57–59.

52. WHITE & SUMMERS, *supra* note 47, at 709.

53. *Id.*

As the doctrine is currently understood, the good faith requirement entails an assessment of the buyer's behavior at the time of the purchase. It is perhaps overly simplistic to try and characterize its working in binary terms, as either subjective or objective.[54] The assessment is heavily contextual and often times looks to multiple aspects of the transaction to examine whether the buyer's behavior was reasonable under the circumstances. Thus, courts have held that when a buyer purchases a chattel, such as a car, without complying with the ordinary process through which such chattel is normally acquired in the market (e.g., title and deed), these circumstances ought to have raised sufficient suspicion, meaning that the buyer cannot be said to have acted in good faith.[55] Another common circumstance is where the buyer obtains an item for a price that is dramatically lower than its ordinary market value. This too has caused courts to conclude that the purchaser did not act in good faith.[56] Despite these emerging patterns, the leading commentary on the U.C.C. "caution[s] anyone who is confident about the meaning of good faith to reconsider."[57]

2. Value

The good faith purchaser must be a purchaser for value. On its face, this suggests that valuable consideration must have moved from the purchaser to the seller in return for the item and title over it. Early English decisions insisted that the consideration be "valuable" as opposed to merely good or meritorious, implying that some detriment on the part of the purchaser needed to be shown for it to qualify.[58] Modern American law takes a much simpler position, and the U.C.C. today defines "value" in extremely broad terms.[59] It includes "any consideration" that would qualify to support a simple contract, thereby outsourcing the determination to state contract laws, which tend to adopt much less exacting standards than English law.[60] Additionally, it also includes situations where the purchaser accepts delivery under a prior contract for purchase, and covers the acceptance of something for a preexisting claim, thereby making clear that debts can amount to consideration, an issue that early on had divided courts.[61] As noted previously, the question of value is hardly ever a contested issue during the application of the good faith purchaser

54. For an early argument along these lines, see Littlefield, *supra* note 48, at 50 (suggesting that the dichotomy emerged mostly out of "convenience").

55. *See, e.g.*, Ellsworth v. Worthey, 612 S.W.2d 396 (Mo. Ct. App. 1981).

56. *See, e.g.*, Kotis v. Nowlin Jewelry, Inc., 844 S.W.2d 920 (Tex. App. 1992).

57. *See* WHITE & SUMMERS, *supra* note 47, at 201.

58. JONES, *supra* note 3, at 25 & n.9.

59. *See* U.C.C. § 1-204 (AM. LAW INST. & UNIF. LAW COMM'N 1989) (defining "value"). The leading commentary on the subject notes that "[a]lmost any purchaser . . . except a donee, gives value" under the definition. WHITE & SUMMERS, *supra* note 47, at 200.

60. *See* U.C.C. § 1-204(4). For the standard under English law, see JONES, *supra* note 3, at 25 (observing how early English law emphasized "money consideration").

61. U.C.C. § 1-204(2), (3); *see* JONES, *supra* note 3, at 27 ("[A] pre-existing debt is not, in itself, sufficient to support a simple contract.").

doctrine (as long as there was a commercial transaction), and it comes up only indirectly as a factor during the assessment of the purchaser's good faith.

3. *Voidable Title*

A critical component of the good faith purchaser doctrine at common law is the idea of "voidable title."[62] Voidable title came to signify the existence of a potentially actionable taint on the seller's title that required legal action on the part of the owner in order to attach. Voidable title is thus a situation where the law recognizes a holder as having "legal title but his transferor has the right to avoid the transfer and reassert title in himself."[63] Voidable title came to be contrasted with "void title," representing situations where the law—as a matter of public policy—demanded no further action on the part of the owner for the taint to attach.[64] In these situations, the taint was considered significant and injurious enough that the law refused to find any legal title in the holder. Paradigmatic of such void title is a seller's possession of goods obtained through theft.[65] The law views the crime of theft as sufficiently harmful and worthy of condemnation that it attaches the taint to the seller's possession right away, without the need for any action on the part of the owner for the taint to attach. To this day, possession through theft remains the primary, and perhaps only, instance of void title at common law, one that is incapable of protecting a good faith purchaser. It is important to note that it is not just the involvement of criminal law that renders title void, since innumerable types of fraud and trickery that are punishable as crimes are all perfectly capable of generating voidable title despite their being classified as crimes by the law.[66]

The law's distinction between void and voidable title therefore hinges on two independent analytical variables. The first is the perceived gravity of the taint in issue, and whether the law's condemnation of the taint-generating behavior overwhelms the need to provide good faith purchasers with any form of protection. The understanding that theft—as opposed to other property crimes—operates as an intrinsic wrong, i.e., *malum in se*, lies at the root of this

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62. *See* 92A C.J.S. *Vendor and Purchaser* § 581 (2014); Charles M. Weber, *The Extension of the Voidable Title Principle Under the Code*, 49 KY. L.J. 437 (1961).

63. Weber, *supra* note 62, at 439.

64. *See* 10 MATTHEW BACON, A NEW ABRIDGEMENT OF THE LAW 374 (Phila. 1846) ("A thing is void which was done against law at the very time of doing it, and no person is bound by such an act; but a thing is only voidable which is done by a person who ought not to have done it, but who nevertheless cannot avoid it himself after it is done; though it may by some act in law be made void."). For the rationale here, see 3 BLACKSTONE, *supra* note 28, at *145 ("[I]f an acquisition of goods by either force or fraud were allowed to be a sufficient title, all property would soon be confined to the most strong, or the most cunning.").

65. *See, e.g.*, O'Keeffe v. Snyder, 416 A.2d 862, 868 (N.J. 1980); Stevens v. Hyde, 32 Barb. 171, 1860 WL 7506 (N.Y. Gen. Term 1860).

66. *See* U.C.C. § 2-403(1)(d) (AM. LAW INST. & UNIF. LAW COMM'N 2002).

idea.[67] The second is the ease, certainty, and directness with which the very existence of the taint can be ascertained. Where the illegality directly impacts the transaction on its very face, such as when the transaction is prima facie nonconsensual (e.g., a direct theft), the law is ready and willing to treat the possessor's title as altogether void. By contrast, when the illegality requires proof of additional facts, the law treats the title that passes as voidable. Here, the technical nature of the criminality is seen as serving alternative goals that do not implicate protection of good faith purchasers. We see this logic at play in the U.C.C.'s good faith purchaser provision, where the drafters were acutely aware that "larceny" had expanded to include offenses that went well beyond the traditional idea of a mere unlawful taking, i.e., a theft.[68] In choosing to treat such expanded forms of larceny as generating voidable rather than void title, the drafters noted that the good faith purchaser doctrine is "freed from any technicalities depending on the extended law of larceny."[69] Further, "such extension of the concept of theft to include trick, particular types of fraud, and the like is for the purpose of helping conviction of the offender," which "has no proper application to the long-standing policy of civil protection of buyers from persons guilty of such trick or fraud" that lies at the root of good faith purchaser protection.[70]

When the good faith purchaser doctrine was codified in the U.C.C., the codifiers seem to have been motivated by these basic considerations, but they nonetheless chose not to define the concept of voidable title beyond specifying a few situations where conflicting opinions had emerged in prior case law. The comments accompanying section 2-403 therefore describe these situations as "troublesome under prior law," and the section itself identifies four scenarios that appear to be exemplars of such voidable title.[71]

The first involves cases of impersonation—situations where the original owner "was deceived as to the identity of the purchaser."[72] The identity here relates to the factual dimension of the person and not their legal status. The second involves the common situation of bad checks that bounce owing to insufficient funds.[73] Here, even though as a technical matter the original sale (from the owner to the fraudulent buyer) now lacks good consideration, the title is treated as voidable until actually avoided. The third situation involves "cash sales" where goods are delivered upon an agreement that no title is to transfer until actual payment is received.[74] Despite such an agreement, the buyer (who

67. The original formulation of *malum in se* traces back to Blackstone, who identified theft as belonging to that category. 1 BLACKSTONE, *supra* note 28, at *54.

68. *See* U.C.C. § 2-403 cmt. 2 (UNIF. LAW COMM'N 1962).

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.* § 2-403(1)(b).

74. *Id.* § 2-403(1)(c); *see also* WHITE & SUMMERS, *supra* note 47, at 202.

doesn't pay) obtains voidable rather than void title in the same way as she would in situations involving bad checks. The fourth situation covers instances where delivery of the goods is obtained through fraudulent behavior that would be punishable under criminal law as larcenous.[75] Here, despite the possibility of criminal punishment, the law treats the purchaser's title as merely voidable, allowing the good faith purchaser to obtain good title.

The concept of voidable title thus emerged as a means by which to balance the true owner's and the innocent purchaser's interests, rather than as a mechanism for penalizing criminal conduct. Today, the concept covers title that is tainted by a wide variety of actions, with the sole exception of theft (which produces void title).

C. Justifications for the Common Law Doctrine

As it works today, the good faith purchaser doctrine—with its reliance on the idea of voidable title—splits the risk between the innocent purchaser and the original owner. The purchaser with no knowledge of the taint merely needs to ensure that the seller's title has not been legally avoided prior to the sale, and that the transaction is otherwise at arm's length and in good faith. The original owner, on the other hand, is thereby incentivized to (1) actively monitor all dealings with the goods and (2) expeditiously commence an action to invalidate the seller's voidable title once a taint is detected so as to prevent the seller from passing on good title to a good faith purchaser. Two related, but nonetheless distinct, concerns therefore motivated the development and expansion of the doctrine.

The first concern originates in the idea of consumer protection and its recognition that in a market economy, buyers—unlike sellers—have little specialized knowledge about the goods being purchased.[76] This asymmetry in bargaining power and access to information necessitates shifting the risk of cloudy or ambiguous title away from an innocent, good faith buyer and onto the seller, who presumptively has the resources and expertise needed to eliminate such ambiguity in one way or another. Requiring a consumer to research a vendor's title to the chattel in question, especially in the absence of a formal registration system for such ownership (for example, as there is for motor vehicles), would be both unfair and inefficient. With the expansion of the doctrine to new domains, the consumer protection rationale has begun to develop obvious fault lines, especially in situations where the buyer is not an individual consumer, but is instead a repeat participant such as a reseller or vendor.[77] Grant Gilmore best described this rationale in the context of good faith purchasers when he observed that "[t]he policy of consumer protection

75. U.C.C. § 2-403(1)(d).

76. *See* Gilmore, *supra* note 1, at 1100–01; Fred H. Miller, *Consumer Issues and the Revision of U.C.C. Article 2*, 35 WM. & MARY L. REV. 1565, 1579 (1994).

77. Gilmore, *supra* note 1, at 1100–01

defines or ought to define its own limits,"[78] thus suggesting that the consumer protection rationale is of limited applicability.

A second and more frequently advanced rationale lies in the idea of marketability.[79] Here, the concern is less with the protection of the individual consumer (or with consumer welfare) and more with the systemic effects of uncertain title on the functioning of the market and sales of the object therein. In the absence of good faith purchaser protection, the pervasive uncertainty that would necessarily follow is likely to deter potential buyers from entering into market transactions out of fear that they would be saddled with the immediate consequences of the seller's tainted title.[80] Even if market transactions were to occur, it would likely have the effect of lowering the market's valuation of the goods, since the price would now reflect this pervasive risk. Rooted in the idea of market efficiency, under this rationale the good faith purchaser doctrine is directed at generating and safeguarding a buyer's marketable title.[81] What matters in protecting a good faith purchaser's ownership interest is the purchaser's ability to further transfer or alienate that interest to others in the marketplace. The value of ownership, in other words, is presumed to reside primarily in its ability to generate value for the purchaser.

It is important to appreciate that the concern with marketable title and valuation is altogether independent of any enforcement action on the part of the true owner. Regardless of whether the true owner finds it worthwhile to bring an action (for conversion or replevin) to recover the chattel, the uncertainty surrounding the good faith purchaser's ability to pass on good title to others is itself seen as an impediment to the efficient functioning of the market. This point becomes critical as we move to the copyright context, since it reveals that one of the concerns motivating the doctrine is agnostic to the enforcement equilibrium, since that equilibrium is always influenced by a variety of external variables such as the availability of insurance, transaction costs, etc. The ideal of marketable title in the chattel is therefore analytically and functionally unconnected to the good faith purchaser's (or indeed the true owner's) behavior. The mere existence of the pervasive uncertainty relating to a purchaser's ability to pass on good title to others imposes an externality on other market participants, which is likely to deter market behavior and render the overall functioning of the market less efficient.[82]

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78. *Id.* at 1101.

79. *See* JONES, *supra* note 3, at 3 ("The policy of the Courts has been, so far as accords with justice, to promote the commerce of the nation, by making the circulation and negotiation of property 'as quick, as easy, and as certain as possible.'" (citations omitted)).

80. *See id.* at 3–4; Schwartz & Scott, *supra* note 3, at 1358 n.81.

81. *See generally* William D. Hawkland, *Curing an Improper Tender of Title to Chattels: Past, Present and Commercial Code*, 46 MINN. L. REV. 697 (1962).

82. *Cf.* Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The* Numerus Clausus *Principle*, 110 YALE L.J. 1, 24–41 (2000) (defending the *numerus clausus* principle as similarly seeking to protect information cost externalities).

II.
COPYRIGHT LAW'S PUZZLING OMISSION

Simply put, modern copyright law offers no substantive protection to good faith purchasers of objects embodying infringing expression. While the law doesn't hold good faith purchasers liable for their purchase, it subjects their subsequent resale or alienation of the object (carrying infringing expression) to liability for infringement. Indeed, it does so despite being fully cognizant of the need to differentiate between ownership of expression and ownership of the chattel in which the expression is embodied.[83] Copyright law thereby effects what has been described as a "forcing," an involuntary imposition of ownership on someone.[84] This Part attempts to unpack this anomaly.

A. The Current Position

Among the several rights that the 1976 Copyright Act grants copyright owners is the exclusive right "to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending."[85] In effect, the exclusive right to alienate copies of the protected work thus resides with the copyright owner. The distribution right, as it is called, has long been seen as an essential part of the copyright owner's bundle of rights and can be traced back to the earliest copyright statutes.

On its face, the distribution right appears to extend only to a "public" distribution. However, the term "public" finds no definition in the statute, and presumably derives from the Act's merger of vending and publication into an altogether new term.[86] In the nearly four decades since the passage of the Act, no court has fully considered the meaning of "public" and whether it might limit the scope of the right. Nonetheless, the leading copyright treatise suggests that it does have some significance and notes that "private sales . . . fall outside the scope of infringement liability."[87] Since all sales are by definition private or bilateral in nature, determining when a sale is private (as opposed to public) is fraught with problems. The distinction seems to hinge on whether the acquisition of the object was open to any member of the public—such as when it is advertised, or listed for sale on a publicly accessible website or service—or whether it was limited to an identifiable individual.[88] If this is indeed the only

83. 17 U.S.C. § 202 (2012) ("Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.").

84. *See* Lee Anne Fennell, *Forcings*, 114 COLUM. L. REV. 1297 (2014).

85. 17 U.S.C. § 106(3).

86. 2 NIMMER, *supra* note 14, § 8.11[B][1]; *see also* 4 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 13.10 (2014) (adopting a similar position). *But see* John M. Kernochan, *The Distribution Right in the United States of America: Review and Reflections*, 42 VAND. L. REV. 1407, 1410 (1989) (arguing that the term does not limit the distribution right).

87. 2 NIMMER, *supra* note 14, § 8.11[C][1][b] n.139.

88. *See id.* (suggesting the existence of a "designated recipient" to operationalize the distinction); 4 PATRY, *supra* note 86, § 13.10 (suggesting that the distinction is whether the

distinction, it hinges entirely on to whom the defendant might have been willing to sell the product, which is impossible to effectively ascertain ex post. This likely explains why courts routinely assume that nearly any distribution about which the plaintiff has actual proof is sufficiently public to qualify as an actionable distribution.[89]

A far more important limitation on the distribution right—and one that is today codified in the 1976 Act—is the first sale doctrine.[90] Early in the development of the distribution right under prior statutes, the question emerged whether the exclusive right to distribute copies amounted to a restraint on the ability of a chattel owner to freely transfer or use the physical object (i.e., chattel) in which the copy was embedded. If the two were coterminus, copyright's distribution right would operate as an equitable servitude on the chattel, restricting its owner's ability to alienate it.[91] The issue reached the Supreme Court in the 1908 case of *Bobbs-Merrill Co. v. Straus*.[92] There, the plaintiff owned the copyright in a book, imposed a minimum resale price on dealers, and purported to treat violations of the price condition as an act of copyright infringement through notice on the first page of every book.[93] The statute in question granted copyright owners the "sole right to vend" protected copies,[94] largely analogous to today's "exclusive right to distribute." Interpreting the true scope of the right, the Court refused to construe it as allowing the copyright owner "to restrict future sales."[95] As the Court put it:

> What the complainant contends for embraces not only the right to sell the copies, but to qualify the title of a future purchaser by the reservation of the right to have the remedies of the statute against an infringer because of the printed notice of its purpose so to do unless the purchaser sells at a price fixed in the notice. To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.[96]

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distribution was to someone as a member of the "general public" or as an identifiable person such as a "family member, friend, colleague, or the like").

89. *See, e.g.*, Ford Motor Co. v. Summit Motor Prods., Inc., 930 F.2d 277, 300 (3d Cir. 1991) ("[A] violation of section 106(3) can also occur when illicit copies of a copyrighted work are only distributed to one person."); Luar Music Corp. v. Universal Music Grp., 861 F. Supp. 2d 30, 40 (D.P.R. 2012); Jalbert v. Grautski, 554 F. Supp. 2d 57, 68 (D. Mass. 2008); Psihoyos v. Liberation, Inc., No. 96 CIV. 3609, 1997 WL 218468, at *3 (S.D.N.Y. Apr. 30, 1997).

90. *See* 17 U.S.C. § 109(a) (2012).

91. *See generally* Chafee, *supra* note 12; Molly Shaffer Van Houweling, *The New Servitudes*, 96 GEO. L.J. 885, 910–14 (2008).

92. 210 U.S. 339 (1908).

93. *Id.* at 341–42.

94. Copyright Act of 1860, § 4952, 3 Stat. 3380, 3406 (1901).

95. *Bobbs-Merrill Co.*, 210 U.S. at 350.

96. *Id.* at 351.

Thus emerged what has since come to be known as the "first sale" doctrine. The Copyright Act of 1909 codified the first sale doctrine, and made clear that "the copyright is distinct from the property in the material object copyrighted" and that the Act did not "forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained."[97]

The current statute maintains this position but qualifies it in several important respects. Section 109(a) contains the first sale doctrine and allows an "owner" to sell or otherwise dispose of the possession of a copy "lawfully made" under the terms of the statute.[98] In other words, the availability of the first sale doctrine is contingent on the transferred copy being noninfringing. If, or when, that copy is itself *un*lawfully made, that is, infringing, the defense simply does not apply. Indeed, recent decisions of the Court affirm without doubt this basic proposition.[99]

To the extent that the first sale doctrine was meant to be copyright law's primary mechanism of ensuring that it does not "qualify the title" of the chattel owner by "restrict[ing] future sales," it is limited exclusively to owners of lawfully made copies.[100] The Copyright Office put it best when it noted that "[t]he distribution right . . . enables the copyright owner to prevent alienation of the copy—up to a point . . . when ownership of a lawfully made copy is transferred to another person."[101] A good faith purchaser of an object embodying an infringing copy is therefore altogether outside any protection offered by the first sale doctrine.

Additionally, copyright infringement today is conceived of as a strict liability tort, meaning that the infringer's precise state of mind is irrelevant to the question of wrongdoing.[102] The Copyright Act treats the question of the infringer's knowledge, intent, or negligence as irrelevant to the imposition of liability, though the infringer's innocence is a factor that courts are allowed to consider in determining the appropriate remedy or the quantum of damages.[103] Consequently, the good faith purchaser obtains no protection under the scienter requirements of copyright infringement.

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97. Copyright Act of 1909, § 41, 320 Stat. 1075, 1084 (1909).

98. 17 U.S.C. § 109(a) (2012).

99. *See, e.g.*, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013); Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc., 523 U.S. 135 (1998).

100. *Bobbs-Merrill Co.*, 210 U.S. at 35–51.

101. U.S. COPYRIGHT OFFICE, DMCA SECTION 104 REPORT 86–87 (2001).

102. *See, e.g.*, United States v. Liu, 731 F.3d 982, 988 (9th Cir. 2013) ("In a civil suit, liability for copyright infringement is strict."); Monge v. Maya Magazines, Inc., 688 F.3d 1164, 1170 (9th Cir. 2012) (observing that the "innocent intent" of the defendant was no defense to infringement); Faulkner v. Nat'l Geographic Soc'y, 576 F. Supp. 2d 609, 613 (S.D.N.Y. 2008) ("Copyright infringement is a strict liability wrong in the sense that a plaintiff need not prove wrongful intent or culpability."); Educ. Testing Serv. v. Simon, 95 F. Supp. 2d 1081, 1087 (C.D. Cal. 1999) ("There is no need to prove anything about a defendant's mental state to establish copyright infringement; it is a strict liability tort."); 4 NIMMER, *supra* note 14, § 13.08[B][1].

103. *See* 17 U.S.C. §§ 405(b), 406(a), 504(c)(2).

Owing to these limitations, the good faith purchaser of an object embodying infringing expression must hold on to the object for the duration of the copyright term, or risk being treated as an infringer subjected to some level of liability in transferring it in any way to members of the public. The statute's expansive definition of distribution in effect renders the purchaser's title altogether inalienable.

B. A Misplaced Rationale for the Omission

While *Bobbs-Merrill* did not expressly mention the "lawfully made" limitation on the first sale doctrine, it is crucial to appreciate that the lack of protection for good faith purchasers emerged independently and in a manner that is analytically distinct from the narrowing of the first sale doctrine.[104] The first sale doctrine merely failed to remedy a preexisting and independent problem created by copyright law's gradual erosion and eventual elimination of the "innocent infringer" defense to copyright infringement.[105]

Copyright infringement is a strict liability tort in the sense that the defendant's state of mind—intent, negligence, or knowledge—is altogether irrelevant to the determination of liability. This remains copyright's position regardless of the precise right involved or the nature of the defendant's infringing activity.[106] In other words, liability is strict regardless of whether the infringement is of the exclusive right to reproduce, perform, distribute, or any other enumerated right relating to the protected work.

As a historical matter, however, this was *not* the case under earlier copyright statutes. The Copyright Act of 1790 (much like the Statute of Anne)[107] drew a distinction in its treatment of infringement between liability for reproducing or publishing the work, and liability for selling or vending an infringing work.[108] As to the latter, which corresponds to the modern distribution right, the statute provided that liability would attach:

> [I]f any other person or persons . . . shall print, reprint, publish, or import . . . any copy or copies of such map, chart, book or books, without the consent of the author or proprietor thereof . . . ; or *knowing the same* to be so printed, reprinted, or imported, shall publish, sell, or expose to sale, or cause to be published, sold or exposed to sale, any copy of such map, chart, book or books, without such consent first had and obtained in writing.[109]

104. Indeed, it seems to have flowed from U.S. copyright law's gradual elimination of the innocent infringer defense. For an excellent overview of this occurrence, see Reese, *supra* note 16, at 133.

105. *Id.*

106. *See* 4 NIMMER, *supra* note 14, § 13.08[B][1] ("In actions for statutory copyright infringement, the innocent intent of the defendant constitutes no defense to liability.").

107. *See* Act for the Encouragement of Learning, 8 Ann., c. 19, § II (1710) (Gr. Brit.).

108. *See* Copyright Act of 1790, § 2, 1 Stat. 124, 124 (1790).

109. *Id.* (emphasis added).

For liability to attach for selling or vending an article containing infringing expression, the seller therefore had to know of the infringing nature of the product in question.[110] The provision succeeded in creating a bifurcated system of liability, which remained in all copyright legislation until the enactment of the 1909 Act—in effect establishing an "innocent seller" exception to copyright infringement.

The innocent seller exception offered significantly wider protection than the common law's good faith purchaser doctrine. First, it treated the requirement of knowledge as an element of the plaintiff's prima facie case. Although analytically it remained an exception to infringement, as a structural matter it was not a defense but rather an affirmative requirement of the plaintiff's case to establish infringement. Perhaps for this reason, courts seem to have adhered to the requirement in varying degrees, depending on context.[111] Second, the primary impetus for the exception was to free large sellers from having to bear the prohibitive costs of determining the infringing nature of expression embodied in their products (primarily books).[112] The rationale for the exception was thus the protection of sellers—and their overall enterprise—rather than the marketability of the individual goods themselves. Consumer protection, so to speak, had very little to do with the innocent seller exception, reflected in the emphasis on the seller rather than the purchaser. Third, by conditioning liability on the seller's knowledge of the underlying infringement, the seller was able to avoid liability in a variety of different situations, especially where the copying wasn't a direct reproduction of the protected work. In such situations, establishing that the seller had knowledge of the infringing nature of the underlying content remained fraught with difficulty, and often impossible to prove in individual cases.[113] It is perhaps owing to a mix of these reasons that courts came to apply the exception somewhat erratically, on occasion completely ignoring the mandate of the statute.[114]

The Copyright Act of 1909 altogether eliminated the exception for innocent infringers, rejecting any consideration of the defendant's state of mind

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110. *See* EATON S. DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS 487 (1879) (observing that for a seller to be liable for copyright infringement, "it must be shown" that the seller "was aware of th[e] fact" of the underlying infringement).

111. For an overview, see Reese, *supra* note 16, at 156–60.

112. *See id.* at 160 (noting how a "seller of copyrighted works would generally be poorly positioned to determine whether the copies she sold were infringing").

113. *See* ABKCO Music, Inc. v. Harrisongs Music, Ltd., 722 F.2d 988, 999 (2d Cir. 1983) ("[T]he problems of proof inherent in a rule that would permit innocent intent as a defense to copyright infringement could substantially undermine the protections Congress intended to afford to copyright holders."); 4 NIMMER, *supra* note 14, § 13.08[B][1] (noting how an additional problem with the exception is that "a defendant may easily plead innocence, and the plaintiff [may] be left without any practical ability to disprove it").

114. *See* Reese, *supra* note 16, at 156–60.

in determining copyright infringement.[115] This change in position was conscious, since the "innocent infringer" was discussed during hearings leading up to the passage of the Act.[116] The sole form of protection for innocent infringers was in the limitation of remedies.[117]

The Act of 1976 preserved this structure. Legislative history accompanying the Act reveals that Congress closely considered—but ultimately rejected—the possibility of reintroducing protection for innocent infringers.[118] Indeed, the history suggests that in the intervening period the Supreme Court had come to accept the reality that "good faith of the defendants" was altogether irrelevant to the question of infringement.[119] Responding to a study by the Copyright Office on the question of reintroducing innocent infringer protection, noted copyright scholar Melville Nimmer offered the following reasons for why the law should avoid such protection:

> It is my view that basic to the problem of innocent infringement must be the underlying premise that as between two innocent parties (i.e., the copyright owner and the infringer), it is the infringer who must suffer, since he, unlike the copyright owner, either has an opportunity to guard against the infringement (by diligent inquiry), or at least the ability to guard against the infringement [contractually or through insurance]. . . . Moreover, it is generally true that the volume purveyors of copyrighted materials . . . are, in fact, innocent of any knowledge of infringement. Even where there is an absence of such innocence, it is usually on the basis of negligence (of a type difficult to establish), rather than knowledge. Therefore, to render a complete or partial exemption for the innocent infringer would seriously impair the protection afforded to a copyright owner.[120]

Nimmer's observations highlight the prevailing understanding at the time, which Congress came to endorse as part of the 1976 Act. Exempting innocent sellers from liability for infringement was, as noted previously, premised on the idea that they bear an undue burden as part of their product sales. This concern alone, as Nimmer suggests, was hardly worthy of protection—especially at the expense of the copyright owner's interests. To the extent that sellers were taking a risk when purveying potentially infringing goods, they could obtain an

115. Alan Latman & William S. Tager, *Study No. 25: Liability of Innocent Infringers of Copyrights*, *in* COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS 139, 141 (1958) ("[T]he 1909 statute contained no broad provisions excusing innocent infringers."); Reese, *supra* note 14, at 175.

116. Latman & Tager, *supra* note 115, at 141.

117. *Id.*

118. As an example, see *id.* at 135–69.

119. *See id.* at 145.

120. Melville B. Nimmer et al., *Comments and Views Submitted to the Copyright Office on Liability of Innocent Infringers of Copyright, in* COPYRIGHT LAW REVISION, *supra* note 115, at 159, 169. These concerns find discussion in the Nimmer treatise as well. *See* 4 NIMMER, *supra* note 14, § 13.08[B][1].

indemnity agreement from the manufacturer, protect their interests through insurance, or both.[121] As Nimmer points out, volume sellers are usually blissfully (or willfully) ignorant of the infringement in question, even when not altogether innocent or in full knowledge of the same. Calibrating when and how liability might be imposed on such intermediate situations thus posed a host of additional concerns, all of which could be at the expense of the copyright owner's rights. Not surprisingly, in 1976 Congress avoided extending any protection to the innocent infringer or seller as a matter of substantive liability and retained a series of minor protections at the remedial stage, just as it had in 1909. This remains the law today.

With the elimination of the innocent seller exception and the curtailment of the first sale doctrine, good faith purchasers were left with no substantive protection under copyright law. It is important to appreciate that when discussing innocent infringer protection under copyright law, the legislative history focused on broad-based protection (i.e., relating to liability in general) and not narrower protection relating to good faith *purchasers* as a separate class of market participants. Indeed, this point is borne out in Nimmer's comments about the seller being able to obtain a contractual indemnity or insurance protection against infringement—both of which assume a commercial vendor rather than an individual attempting to sell their used product, such as Joe in our earlier hypothetical. Consequently, the legislative history contains no direct discussion of copyright law's deviation from the common law in relation to good faith purchasers.

All the same, courts have interpreted modern copyright law as consciously choosing against good faith purchaser protection. The Second Circuit considered this question in *Platt & Munk Co. v. Republic Graphics, Inc*.[122] There, the defendant argued that it was in lawful possession of goods embodying the plaintiff copyright holder's protected works, by virtue of a contractual delivery, which the defendant was allowed to resell without permission under the first sale doctrine.[123] In rejecting the idea that "lawful possession" might be sufficient to transfer title, the court noted that such an interpretation would allow "any bailee of such objects [to] sell them without infringing the copyright, whatever his liability for conversion might be."[124] The court found this to be problematic because it would mean that "an innocent purchaser of a copy from a conceded pirate would be free to resell it without liability for infringement" and "cases to the contrary are legion."[125] This last

121. Nimmer et al., *supra* note 120, at 164, 169. This argument and its solution are discussed in some detail later on, in the context of the need for good faith purchaser protection in copyright law. Ralph Brown, another copyright scholar, has also echoed and emphasized the point. *Id.* at 164 (commentary by Ralph S. Brown).

122. 315 F.2d 847 (2d Cir. 1963).

123. *Id.* at 849–50.

124. *Id.* at 851.

125. *Id.* (citations omitted).

observation is without doubt a direct rejection of good faith purchaser protection.

Later cases shed more light on the analytical basis for this rejection. In *American International Pictures, Inc. v. Foreman*,[126] the Fifth Circuit dealt with a case of copyright infringement that the owners of copyrights in multiple motion pictures brought against a film distributor. The defendants contended that since they were in lawful possession of copies of the films—from the copyright owner—they were exempt from liability for further distributing those copies.[127] Again, the court rejected this argument, observing that "an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder."[128] To support its logic the court further treated as uncontested the principle that "unless title to the copy passes through a first sale by the copyright holder, subsequent sales do not confer good title."[129] The court was thereby implying that in the absence of a first sale the purchaser's legal title is tainted and copyright law offers no immunity from infringement. More recent cases have put the point even more starkly, observing in no uncertain terms that "there is no such thing as a bona fide purchase for value in copyright law"[130] and that copyright contains "[n]o good faith purchaser exception to the first sale doctrine."[131]

Yet, when one probes courts' reasons for rejecting good faith purchaser protection, things become somewhat murky. Their reasoning can be traced back to a crucial non sequitur in understanding the relationship between ownership of an object and the copyright in content embedded into the object. After 1909, copyright law clearly abandoned the need to establish knowledge or intent as an element of copyright infringement. In this sense, the seller's innocence was therefore no defense to infringement. The Second Circuit in *Platt & Munk*, discussed above, was therefore correct in noting that an innocent purchaser who resells the infringing copy would face liability for copyright infringement, even when they would be immune from tort liability for conversion.[132] Implicit in this analysis is the idea that since the common law recognized a valid title in the purchaser (under the good faith purchaser doctrine), liability for conversion would never attach. Copyright law certainly does not recognize such immunity from liability since it contains no protection for innocent purchasers.

126. 576 F.2d 661 (5th Cir. 1978).

127. *Id.* at 663–64.

128. *Id.* at 664.

129. *Id.*

130. ISC-Bunker Ramo Corp. v. Altech, Inc., 765 F. Supp. 1310, 1331 (N.D. Ill. 1990).

131. Novell, Inc. v. Unicom Sales, Inc., No. C–03–2785, 2004 WL 1839117, at *12 (C.D. Cal. Aug. 17, 2004).

132. Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847, 851 (2d Cir. 1963).

All the same, the absence of such immunity from liability does not arise *because* of any infirmity in the purchaser's underlying legal title (owing to the absence of a first sale) as the Fifth Circuit implies. Indeed it is the absence of such immunity—and the resultant inability to alienate the object further without risk—that produces the practical imperfection in the purchaser's title, and not the other way around. The Fifth Circuit's reasoning inverts this logic by mistakenly treating the consequence involved (i.e., functionally imperfect title) as its very cause (i.e., legally imperfect title). The mere possibility of liability for copyright infringement says nothing about the purchaser's title to the chattel itself. A transferor might become subject to liability to one party while simultaneously transferring title to another. The mere possibility of such liability does not legally affect the transferor's ability to transfer good title, even though we might note that as a practical matter the persistence of potential liability impairs the transferor's title. Thus, when the Fifth Circuit unequivocally noted that it was only when there was a legal first sale that there could be a transfer of good title, and that infringing sales were *incapable* of transferring good title to the object, that proposition had no independent basis.[133] Neither copyright law nor the common law require or suggest such a conclusion.

The *risk* of liability for copyright infringement may well exist at the time that a chattel containing protected expression is transferred from one person to another. Notwithstanding the existence of such risk, title nevertheless certainly passes from transferor to transferee. Especially given the well-known reality that title is a "relative" concept,[134] in that it operates between two individuals, the mere existence of good title in the transferee need not immunize the transferor from liability for copyright infringement. The importance of this logic, which originates in copyright law's structure as a private law mechanism rather than as a system of public regulation, cannot be overstated.

Although copyright law grants copyright owners a cause of action for interference with their exclusive right to distribute, it does not seek to enforce that right independent of the copyright owners' own actions. In other words, it actively delegates the decision of whether and when to pursue an action to the private party involved, resulting in horizontal actions between two private parties.[135] This is materially different from situations where the law actively penalizes or criminalizes certain market transfers and subjects transferors to

133. *Am. Int'l Pictures, Inc.*, 576 F.2d at 664.

134. For a recent account of this idea, see David Fox, *Relativity of Title at Law and in Equity*, 65 CAMBRIDGE L.J. 330 (2006).

135. For a general discussion of how copyright law delegates enforcement to private actors, i.e., copyright owners, see Shyamkrishna Balganesh, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723, 752–60 (2013).

punishment for attempting such transfers.[136] Certain kinds of cultural artifacts, animal products, hazardous materials, weapons, and the like fall into these categories. When the law forbids transfers of such objects, it would be appropriate to suggest that the very transfer being opposed to the law becomes void, in effect tainting it altogether, resulting in there being no *lawful* transfer of title.[137] However, when the law doesn't *forbid* the transfer but instead merely subjects it to potential private law liability, it makes little sense to suggest that the transfer itself doesn't produce good title in the transferee.[138]

Treating an infringing, nonfirst sale as incapable of transferring title rests on a belief that it is the copyright owner who has good title to such infringing articles, since the only way to legalize them is through the copyright owner's authorization. Yet this conflates ownership of the infringing article with ownership of the copyright, a proposition that copyright law vehemently tries to distance itself from.[139] Indeed even early common law came to reject this conflation when copyright owners attempted to rely on the ownership-based doctrine of chattel replevin to demand that infringing copies be delivered to them upon a finding of infringement.[140] Treating title to the chattel, even when it incorporates infringing content, as independent from ownership of copyright is thus a well-enshrined ideal—one that the Fifth Circuit's logic turns on its very head.

The Fifth Circuit's observation could be read to suggest that the purchaser did not obtain good title in the narrow sense of being able to further transfer the work onto others without potential liability. However, this would make sense only if the court was using the idea of "good title" entirely in explanatory terms, as denoting the consequence of no immunity. As noted previously, however, the court appears to use the phrase as a justification for the lack of immunity; in other words, as a reason rather than as a consequence. This

136. *See generally* Robert Iraola, *A Primer on the Criminal Penalty Provisions of the Native American Graves Protection and Repatriation Act*, 28 AM. INDIAN L. REV. 431 (2003); Susan Rose-Ackerman, *Inalienability and the Theory of Property Rights*, 85 COLUM. L. REV. 931 (1985).

137. Agreements in direct contravention of a statutory prohibition are thus routinely declared by courts as void. *See* Trotter v. Nelson, 684 N.E.2d 1150, 1153 (Ind. 1997), *abrogated on other grounds by* Liggett v. Young, 877 N.E.2d 178 (Ind. 2007); 15 ARTHUR L. CORBIN, CORBIN ON CONTRACTS § 79.2 (Joseph M. Perillo ed., 2014).

138. This is analogous to the situation where a seller contracts to sell an object to a buyer at a future date, but in the intervening period sells it to a stranger. In making the sale to the stranger, the seller is certainly risking the possibility of liability for breach of contract, and the buyer may or may not choose to sue when performance becomes due. Yet, this *potential* liability says nothing about the validity of the stranger's title, which is unquestionably good. The seller's liability to the buyer was personal and bears no relationship to the stranger's title.

139. 17 U.S.C. § 202 (2012); *see also* H.R. REP. NO. 94-1476, at 124 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5739 (describing the principle as "a fundamental and important one").

140. *See* Colburn v. Simms (1843) 67 Eng. Rep. 224 (Ch.) 229; 2 Hare 543, 554–55 (refusing to find such a remedy to rest on any "common-law right anterior" to the terms of the statute). Later U.S. courts also adopted this position and continued to reject the replevin argument. For a useful discussion, see Marc Alexander, *Discretionary Power to Impound and Destroy Infringing Articles: An Historical Perspective*, 29 J. COPYRIGHT SOC'Y U.S.A. 479, 484–85 (1982).

renders such a reading suspect and confirms the court's circular logic. Further, to suggest that good title in the object is somehow related to potential copyright liability produces the anomaly that a person with bad title at the time of the transfer somehow obtains good title the moment the copyright term in the underlying content expires. A third and equally troublesome reading of the court's observation is that its use of the term "title" was in relation to the underlying copyright, not the physical object. Again, this seems improbable since the court's entire discussion was in relation to the first sale doctrine, which relates only to the physical object and not the sale of the copyright.[141] In addition, the statute defines "copies" in terms of the "material object . . . in which a work is fixed," making this distinction clear.[142]

Consequently, a copyright law-compliant first sale is hardly a prerequisite for good title in the copy. The problem with the Fifth Circuit's logic in *American International Pictures* is that it suggests, especially to other courts, that copyright law's omission of good faith purchaser protection relates somehow to the intrinsically tainted nature of that purchaser's title. Copyright law, however, says nothing about that. Yet, almost every court in the country that has since considered the question makes reference to the title-based logic of the Fifth Circuit, giving it an aura of credibility that it simply does not seem to deserve.[143]

Caught between the elimination of the innocent seller exception, the narrowing of the first sale defense, and the faulty logic connecting title to potential liability for copyright infringement, copyright law today contains no version of protection for good faith purchasers of value. Substantively much of the fear with such protection is its negative impact on copyright owners and their market. Allowing purchasers to further alienate infringing copies of a work without liability can crowd out the market for original, noninfringing versions, which is in turn likely to interfere with copyright's incentive to create. What this concern ignores is the possibility of an intermediate position that remains sensitive to the concerns of both purchasers and copyright owners.

C. Justifying Good Faith Purchaser Protection in Copyright Law

As noted previously, the two principal reasons for the development of the good faith purchaser doctrine at common law were consumer protection and marketability.[144] Consumers were seen to be at a serious informational disadvantage vis-à-vis nefarious vendors whose title was tainted in some way.

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141. *See* Am. Int'l Pictures, Inc. v. Foreman, 576 F.2d 661, 664 (5th Cir. 1978).

142. 17 U.S.C. § 101 (defining "copies").

143. *See, e.g.*, UMG Recordings, Inc. v. Augusto, 628 F.3d 1175, 1179 (9th Cir. 2011); Metal Morphosis, Inc. v. Acorn Media Publ'g, Inc., 639 F. Supp. 2d 1367, 1373 (N.D. Ga. 2009); Microsoft Corp. v. Big Boy Distribution LLC, 589 F. Supp. 2d 1308, 1318 (S.D. Fla. 2008); Palmetto Builders & Designers, Inc. v. UniReal, Inc., 342 F. Supp. 2d 468, 474 (D.S.C. 2004); Too, Inc. v. Kohl's Dep't Stores, Inc., No. 2:01-CV-1256, 2002 WL 31409852, at *3 (S.D. Ohio Sept. 4, 2002).

144. *See supra* text accompanying notes 76–82.

In recognition of this, the law chose to split the risk of such nefarious behavior equally between the true owner and the good faith purchaser.[145] Similarly, the common law was concerned that saddling consumers with the consequences of nefarious intermediaries would impede consumers' willingness to purchase goods. Without protection, purchasers would run the risk of losing their acquisitions if the chain of title was tainted in some way despite best efforts to ensure good title.[146] Not surprisingly, both reasons carry over to the modern copyright context, albeit with some modification.

Copyright law has undoubtedly expanded over the last few decades. This expansion has been in terms of altogether new subject matter as well as expanded coverage for existing subject matter.[147] Taken together with copyright's elimination of formalities as a prerequisite for protection,[148] this reality has unquestionably had the effect of dramatically increasing the likelihood of protected expression being copied, often times without the infringer's knowledge of such copying or its unlawfulness.[149] As the Supreme Court recently confirmed, an overwhelming majority of consumer products today contain copyrighted expression in some form or another; either in the form of software code, or literary and artistic content contained in the product's packaging, design, or instructions.[150] While this in itself poses a challenge for consumers to determine the legality of a manufacturer's use of such content, the problem is compounded to a large degree by the nonmodular nature of such content within consumer products.

In a vast majority of consumer products where copyrighted content is used, even if a consumer is able to discern and identify the existence of copyrighted content, such content ordinarily remains inseparable—to the consumer—from the rest of the product involved.[151] Returning to our example involving Joe and Honda's use of infringing software code: even if Joe were informed that his car contained such infringing code, he is very likely (unless he is a Honda engineer!) in no position to disaggregate the infringing software from the car to convert the car into a noninfringing article when he decides to sell it a few years later to someone else. To him, the fundamentally nonmodular

145. *See id.*

146. *See id.*

147. *See generally* LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY (2004); WILLIAM PATRY, MORAL PANICS AND THE COPYRIGHT WARS (2009); Neil Netanel, *Why Has Copyright Expanded? Analysis and Critique*, *in* 6 NEW DIRECTIONS IN COPYRIGHT LAW 3 (Fiona Macmillan ed., 2007).

148. For an excellent overview of how U.S. copyright law came to eliminate copyright formalities, see Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485, 487–88 (2004).

149. *See* Reese, *supra* note 16, at 135–44.

150. Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351, 1365 (2013).

151. Property scholars have occasionally used the term "lumpy" to describe this attribute of resources and the entitlements in them. *See* Lee Anne Fennell, *Lumpy Property*, 160 U. PA. L. REV. 1955, 1957–61 (2012).

nature of the product means that the existence of some infringing content in any small—and inseparable—part of the product could well have the effect of rendering all of it useless. Indeed, this is true in varying degrees for all products embodying expression, including literary works such as books.[152] If a consumer purchases a novel at a bookstore and later learns that a tenth of the book is directly copied, the consumer has no way of ripping out only the infringing content (even assuming it were identifiable) without destroying the entirety of the book at the time that they seek to sell it used. Here again, the integrated nature of the physical embodiment compounds consumers' fundamental inability to even know whether expressive content contained in their products is infringing.

Added to this is of course, the well-recognized reality that determining whether content is infringing requires recourse to courts. In situations where the putatively infringing content isn't identical to the copyrighted content, but is at best "substantially similar,"[153] determining whether actionable infringement occurred is a highly complex question, even for lawyers well-versed in copyright law. It is therefore unrealistic to expect this of lay consumers.[154] In short, the belief that an innocent purchaser will be able to determine, through any amount of "diligence," whether (1) there is copyrighted content in the product purchased; (2) such content is infringing in nature, as a matter of copyright law; and (3) the content, even if infringing, is capable of being excised from the rest of the product, is altogether unrealistic.

Even if such diligence is conceded to be insufficient, one might still argue that purchasers who choose to eventually sell the product in question (without knowing whether the expressive content embedded within it is infringing) have the option of protecting their interests by seeking a contractual indemnity from the manufacturer (i.e., original seller) of the product. Indeed, as seen earlier, this argument was central to many commentators' rejection of the innocent seller exception to infringement under the 1976 Act.[155] An indemnity agreement as a mechanism of protection makes much sense when the seller is a commercial entity that is regularly involved in selling goods.[156] In these

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152. Especially in relation to what is described as fragmented literal similarity. *See* Twin Peaks Prods., Inc. v. Publ'ns. Int'l, Ltd., 996 F.2d 1366, 1372 (2d Cir. 1993); TufAmerica, Inc. v. Diamond, 968 F. Supp. 2d 588, 597 (S.D.N.Y. 2013). The original formulation comes from the Nimmer treatise. 3 NIMMER, *supra* note 14, §§ 13–28.

153. *See generally* Shyamkrishna Balganesh, Irina D. Manta & Tess Wilkinson-Ryan, *Judging Similarity*, 100 IOWA L. REV. 267, 272–78 (2014).

154. *Id.*

155. *See* Nimmer, *supra* note 120, at 169.

156. For a useful discussion of where this practice was ubiquitous at the time of the drafting of the 1976 Act, see Ralph S. Brown, Jr., *Study No. 23: The Operation of the Damage Provisions of the Copyright Law: An Exploratory Study*, *in* COPYRIGHT LAW REVISION, *supra* note 115, at 59, 86 (1958) (observing how indemnities are "elaborately developed" in relation to a set of actors, all of whom are commercial); *see also* Frank L. Fine, *Record Piracy and Modern Problems of Innocent*

situations, obtaining an indemnity from a "supplier"[157] works as an efficient mechanism of mitigating the risk of liability from distributing a potentially infringing product. All the same, an indemnity (or indeed insurance) makes little sense for an individual, i.e., noncommercial, purchaser who might choose to purchase a product for personal use, and then sell it as a used good several years later. In these situations—ubiquitous in today's marketplace—seeking an indemnity from a seller at each transition point in the chain of title adds a layer of transaction costs that could in the long run interfere with consumers' very willingness to resell everyday objects.

Indeed, the U.C.C. also recognizes this fundamental limitation. Section 2-312(3) of the U.C.C. deals with the implied warranty against infringement, and provides that unless disclaimed, a seller "warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement or the like."[158] Importantly, however, this applies only to a seller "regularly dealing in goods of the kind" involved.[159] In other words, the U.C.C. consciously excludes individual, noncommercial resellers from its ambit, an omission that is considered altogether unproblematic.[160]

Going back to our hypothetical involving Joe and his Honda Civic: if Joe buys Frank's Honda Civic and Cindy later seeks to buy it from Joe, the parties are all individual consumers engaged in one-off transactions. In each sale, neither party seeks to sell or buy used cars commercially. Consequently, it is unrealistic to presume that buyers will be in a position to require their individual seller to indemnify against all future copyright infringement arising from sales of the car. Frank may, unless expressly disclaimed, obtain an implied indemnity from the Honda dealer. However, this implied indemnity will not extend to Joe since Frank himself is not a commercial dealer. Frank is also unlikely to be willing to issue Joe such an indemnity, nor is Joe or any subsequent buyer likely to bargain for one. A single break in the chain of indemnities renders such protection meaningless.

The indemnity argument therefore cannot apply to the situation of individual purchasers and sellers, and its application misapprehends altogether the way chattels regularly change hands in society. Individual purchasers are unlikely to see the need for an indemnity against liability for their resales, and lack the negotiating power to demand such an indemnity from an original seller, usually a commercial vendor. While the indemnity rationale may have

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Copyright Infringement, 8 COLUM. J.L. & ARTS 69, 87 (1983) (noting that, even in relation to some commercial establishments such as record retailers, obtaining indemnities is problematic).

157. 4 NIMMER, *supra* note 14, § 13.08[B][1].

158. U.C.C. § 2-312(3) (AM. LAW INST. & UNIF. LAW COMM'N 2014).

159. *Id.* In addition, the drafters seem to have contemplated only patent and trademark infringement, as evidenced in the official commentary, raising the question whether copyright infringement was consciously omitted from the coverage of the provision. *Id.* § 2-312 off. cmt. 2.

160. *Id.* § 2-312 off. cmt. 3 ("A sale by a person other than a dealer, however, raises no implication in its circumstances of such a warranty.").

been forceful as an argument against the innocent seller defense, especially in relation to commercial vendors, its fundamental orientation is different from that of the good faith purchaser, which focuses instead on the individual qua purchaser rather than on the individual qua repeat seller.

A second concern is the effect of such pervasive uncertainty on the overall marketability of objects. If consumers have no way of accurately determining whether a product embodies infringing expression—knowing of the possibility that if it does, their title becomes inalienable and the product could be seized or destroyed[161]—their very willingness to purchase such products downstream in the open marketplace could be impeded in the long run. To be sure, this has yet to occur despite copyright law's lack of good faith purchaser protection; arguably, the theoretical possibility of such risk aversion remains hypothetical at best.

However, there are at least two reasons to be less sanguine about this reality in today's context. First, the size and coverage of the market for used goods has grown exponentially over the last several years.[162] The advent of the Internet and ecommerce has spurred this growth, putting a wider range of individual sellers in contact with potential buyers (through services such as eBay, Craigslist, and the like.[163] As the volume and context for these transactions grow, the pervasive uncertainty in their ownership and legality can have negative consequences for the marketplace and for copyright law generally. This is true even if these consequences are yet to be seen directly, since copyright owners are yet to begin suing good faith purchasers who attempt to transfer their infringing products on the used goods market. Interestingly, in its most recent decision on the first sale doctrine, the Supreme Court directly addressed the argument that the harm from such uncertainty was greatly "exaggerated"[164] since uncertainty had not been empirically shown to have impacted consumer sales. Despite the questionable legality of the type of sales involved, consumers had not exhibited the risk aversion that one might legitimately worry about. The Court's response was simple: copyright law, consumers, and commerce should not have to rely on copyright owners' forbearance. As the Court put it:

> [T]he fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert [their] resale rights.

161. 17 U.S.C. § 503(b) (2012) (authorizing the court to "order the destruction or other reasonable disposition of all copies . . . found to have been made or used in violation of the copyright owner's exclusive rights").

162. *See generally* Brief of eBay, Inc. et al. as Amici Curiae in Support of Petitioner, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013) (No. 11-697), http://www.americanbar.org/content/dam/aba/publications/supreme_court_preview/briefs/11-697_petitioner_amcu_google-et-al.pdf [https://perma.cc/Z3UY-XMHL].

163. *Id.*

164. *Kirtsaeng*, 133 S. Ct. at 1390 (Ginsburg, J., dissenting) ("The absence of such suits indicates that the 'practical problems' hypothesized by the Court are greatly exaggerated.").

> They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself. . . . [T]he practical problems . . . are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant.[165]

In short, uncertainty over the legality of a transfer risks limiting the pervasiveness and ubiquity of such transfers in the future, especially as the market for used goods continues to grow and expand.

Additionally, there is good reason to believe that such collective forbearance[166] may be a thing of the past. While copyright owners may choose not to sue individual resellers for violations of the distribution right today, their willingness to continue this forbearance in the future is largely dependent on a continuing alignment between their enforcement incentives and revenue streams.[167] As the transaction costs of enforcement decrease, through assignments or otherwise, and copyright owners experiment with newer revenue streams, it is possible to envision a future in which lawsuits against individual resellers of infringing products become a viable enforcement mechanism, and perhaps an independent source of revenue.[168] With copyright's allowance for a minimum amount of statutory damages without any proof of harm,[169] copyright owners could come to see few disadvantages, if any, in abandoning their tolerance for such individual instances of infringement and instead attempt to deter such behavior through lawsuits or the threat of such actions.[170] Indeed, in a few industries, copyright owners have begun experimenting with this approach, even though the practice is yet to become widespread.[171] Were this to occur, the prior enforcement equilibrium would be disrupted, and the net effect on the marketplace for used goods containing protected expression is certain to be a reduction in trade. Marketability, in other words, would be impacted directly.

In short, the same set of concerns that motivated the common law to develop the good faith purchaser doctrine applies with equal, if not greater,

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165. *Id.* at 1366–67 (majority opinion).

166. Tim Wu has characterized such forbearance as "tolerated use." *See* Tim Wu, *Tolerated Use*, 31 COLUM. J.L. & ARTS 617, 617 (2007) (defining the term to cover "technically infringing, but nonetheless tolerated, use of copyrighted works").

167. *See* Balganesh, *supra* note 135, at 747.

168. For an affirmative argument along these lines, see Shyamkrishna Balganesh, *Copyright Infringement Markets*, 113 COLUM. L. REV. 2277 (2013).

169. 17 U.S.C. § 504(c)(1) (2012).

170. *See* Balganesh, *supra* note 135, at 764–69.

171. The recording industry remains the prime example, though it has begun in other areas as well (e.g., copyright trolling). *See id.* at 738–46 (describing the activities of Righthaven, a copyright troll that operated in the newspaper industry); Justin Hughes, *On the Logic of Suing One's Customers and the Dilemma of Infringement-Based Business Models*, 22 CARDOZO ARTS & ENT. L.J. 725 (2005) (discussing the spate of lawsuits against peer-to-peer filesharing in the recording industry).

force to the principal settings where consumers interact with copyright law. The challenge therefore lies in developing a mechanism that introduces such protection into copyright law without impinging on copyright law's core ideals.

III.
GOOD FAITH PURCHASER PROTECTION IN COPYRIGHT LAW

Having demonstrated how copyright law came to ignore any form of protection for good faith purchasers, which it subsumed under its elimination of the innocent infringer defense, this Part moves to the prescriptive. It argues for the development of a good faith purchaser doctrine for copyright law, drawing on the core rationale for the doctrine at common law and copyright law's own analytical and normative underpinnings. Part III.A begins by laying the groundwork for the doctrine by describing how copyright law's current framework contains three important analytical ideas that may be fruitfully synthesized into full-blown good faith purchaser protection in copyright law. Part III.B then pieces these analytical ideas together into an altogether new good faith purchaser doctrine in copyright law, and works through the new doctrine's consequences and implications.

A. Analytic Precepts

While copyright law may deserve a good faith purchaser doctrine owing to the risk that consumers routinely face in relation to infringing articles and the reach of the distribution right, the solution does not inhere in simplistically transplanting the common law doctrine over to copyright. Copyright law concerns itself with a host of additional considerations that are alien to the common law, including the need to provide copyright owners with sufficient protection in the marketplace to ensure that its promise of exclusive rights continues to operate as an incentive for further creativity.[172] Successfully developing good faith purchaser protection in copyright law will entail integration of the doctrine's core considerations from the common law with copyright's foundational ideals, both analytical and normative. All the same, embedded within the workings of the copyright system—and all too often ignored—is a series of important analytical ideas which, when taken together, suggest that copyright's principal concerns might indeed be rendered fully compatible with good faith purchaser protection. This Section identifies three such ideas and lays the groundwork for an independent good faith purchaser doctrine in copyright law, which Part III.B develops.

172. *See generally* COPYRIGHT OFFICE, SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 13–14 (1965).

1. The Subsidiarity of the Distribution Right

As a purely conceptual matter, copyright infringement relies extensively on the requirement of copying. Indeed, as some put it, "absent copying, there can be no infringement of copyright."[173] Copying is thus a prerequisite for any infringement of copyright's exclusive rights, with the exception of the public performance and public display rights.[174] While the distribution right has always been a part of the copyright owner's arsenal, it too depends on copying as a functional prerequisite, owing to the simple reality that the right relates to distributions (or vending) of *copies* of the protected work. Consequently, as a historical matter, violations of the distribution right were usually accompanied by violations of the reproduction right, even if different parties were responsible for them.[175] The 1976 Act continued this dependence, by centering the distribution right around "copies" of the copyrighted work, understood in turn to mean the material objects in which the work is fixed.[176] Since the creation of those copies without authorization from the copyright owner would amount to a violation of the reproduction right, the distribution right is therefore analytically dependent on the reproduction right. This explains why in the first two decades following the passage of the 1976 Act, hardly any plaintiffs "alleged violation of the distribution right apart from violation of the reproduction right."[177]

With copyright's allowance for the complete divisibility of its bundle of rights, however, the distribution and reproduction rights can come to vest in different owners.[178] In addition, the advent of digital technology has ensured that today, a work may be distributed by individuals without their making a copy of the work themselves. While these developments have downplayed the adjudicative dependency of the distribution right on the act of copying, the *analytical* dependence of the distribution right on reproduction continues. It is only in the exceptionally rare situation that one encounters a violation of the distribution right without an analytically prior—and identifiable—violation of the reproduction right, be it by the same party violating the distribution right, or someone else.[179] As a consequence, the distribution right is subsidiary to the reproduction right as an analytical and practical matter. An action for a violation of the distribution right will usually also allow an action for a

173. 2 NIMMER, *supra* note 14, § 8.01[A].

174. 17 U.S.C. § 106(4), (5) (2012).

175. 2 NIMMER, *supra* note 14, § 8.11[C][1].

176. 17 U.S.C. § 101 (defining "copies"); 17 U.S.C. § 106(3) (describing the distribution right).

177. 2 NIMMER, *supra* note 14, § 8.11[C][1].

178. 17 U.S.C. § 201(d)(2) ("Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred.").

179. For example, when a party makes copies of a work under a license from the copyright owner, but then distributes those copies without the owner's authorization after the license has been terminated. *See* MAI Sys. Corp. v. Peak Comp., Inc., 991 F.2d 511, 519 (9th Cir. 1993); 4 PATRY, *supra* note 86, § 13:9.

violation of the reproduction right, especially in relation to tangible embodiments (as opposed to digital products).[180]

On occasion, courts have translated this subsidiarity into practical significance. A few early decisions under the 1909 Act relied on a principle of secondary liability to give effect to this subsidiarity.[181] In situations where violations of both the reproduction and distribution rights were claimed, but against different defendants, this principle allowed courts to deviate from the default approach of joint and several liability and instead hold the violator of the reproduction right primarily liable for the entirety of the damages. The violator of the distribution right then became secondarily liable only if the award could not be satisfied through the primary liability.[182] The motivating logic here was that the distributor's liability was causally connected to the copier-manufacturer's actions, especially when the distributor had no knowledge of the infringing nature of the copy being distributed. Very few cases have since extended this idea further.[183] All the same, it highlights how the idea of subsidiarity can be fruitfully incorporated into the structure of liability for violations of the distribution right.

More than just a legal concept, the idea of subsidiarity also embodies an economic logic that courts have usefully employed in expanding the domain of indirect liability for copyright infringement. Copyright's doctrine of contributory infringement is premised on the idea that in numerous situations, one party higher up in the chain of causation, such as a device manufacturer, is in a significantly better position—both as a matter of cost and technological ability—to control infringement than others lower down the chain. The upstream party is in effect the "cheapest cost avoider" of the infringement.[184] A very similar logic is at play in the principle of subsidiarity, where the manufacturer, who reproduces the protected expression in the infringing article and then distributes it on the market, is in a significantly better position than downstream purchasers or resellers to control the harm produced. The

180. *See* 2 NIMMER, *supra* note 14, § 8.11[C].

181. Detective Comics, Inc. v. Bruns Publ'ns, 28 F. Supp. 399 (S.D.N.Y. 1939), *decree modified*, 111 F.2d 432 (2d Cir. 1940). For an early identification of this idea, see Latman & Tager, *supra* note 115, at 146–47.

182. *Detective Comics*, 28 F. Supp. at 401.

183. *See, e.g.*, Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304, 309 (2d Cir. 1963) (accepting the logic, but noting that it was rooted in the concern with double recovery). For a modified version of the rule, see N. Music Corp. v. King Record Distrib. Co., 105 F. Supp. 393, 402 (S.D.N.Y. 1952) (eliminating joint liability for a distributor and restricting the distributor's liability to "damage which is attributable to their individual infringements").

184. This approach, made famous by Guido Calabresi in the context of tort law, posits that liability ought to be imposed on the "cheapest cost avoider," i.e., the party that is able to avoid the harm at issue in the most cost efficient manner. *See* GUIDO CALABRESI, THE COST OF ACCIDENTS: A LEGAL AND ECONOMIC ANALYSIS 24–34 (1970); Guido Calabresi & Jon T. Hirschoff, *Toward a Test for Strict Liability in Torts*, 81 YALE L.J. 1055, 1060 (1972). For an extension to copyright's indirect liability setting, see Douglas Lichtman & William Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 HARV. J.L. & TECH. 395, 398 (2003).

manufacturer's initial violation of the reproduction right is thus causally prior to, and facilitative of, the subsequent violations. The subsidiarity of the distribution right to analytically prior reproductions is thus but another way of operationalizing the cheapest cost avoider logic.

2. Courts and Declarations of Infringement

The role of courts within the overall skein of the copyright system is largely underappreciated. While courts play a very important role in the actual making of copyright law and policy,[185] they also play an equally central role in the internal workings of the system. While patent and trademark law involve a formal grant of rights by an agency following a review of the applicant's claim to exclusivity, the copyright system is formality-free in nature—meaning that a copyright owner obtains protection, i.e., exclusive rights, independent of any formal review by an agency, the Copyright Office, or otherwise.[186] Current law requires a plaintiff to register the work with the Copyright Office any time prior to the commencement of a lawsuit for infringement.[187] While such registration constitutes prima facie evidence of the copyright's validity,[188] courts almost never defer to the registration unless both parties stipulate to its validity. It thus falls almost entirely to courts to delineate the scope and coverage of the plaintiff's rights for the first time during an individual case, especially if the work contains both protectable and unprotectable elements.

Determining the scope and coverage of copyright in a work is an issue indelibly entangled with the question of infringement. It is often only during a court's determination of whether the defendant copied protected material that the logically prior question of *whether* particular material within the work was in fact protected gets addressed at all.[189] Given the intricate connection between infringement and scope, the court's signaling role within the copyright system remains critical, albeit unappreciated. A judicial finding of infringement or noninfringement serves as public notice—for the first time—of (1) the existence of valid copyright protection over the work, (2) the scope and extent of such protection, and (3) the defendant's violation of such protection. While we tend to think of (3) as the principal function of an infringement action, the reality remains that (1) and (2) are of equal, if not greater, significance to the

185. For a general overview, see Shyamkrishna Balganesh, *Stewarding the Common Law of Copyright*, 60 J. COPYRIGHT SOC'Y U.S.A. 103 (2013).

186. *See* David Fagundes & Jonathan S. Masur, *Costly Intellectual Property*, 65 VAND. L. REV. 677, 706–07 (2012) (describing this as the "screenlessness" of the copyright system); Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87, 137–38 (2004) (describing the limited and "non-substantive" role that the Copyright Office has in copyright law compared to other areas).

187. 17 U.S.C. § 411(a), (b) (2012).

188. *Id.* § 410(c) ("In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate.").

189. *See* Mark A. Lemley, *Our Bizarre System for Proving Copyright Infringement*, 57 J. COPYRIGHT SOC'Y U.S.A. 719, 722–26 (2010).

working of the system. This is especially so, given the fundamentally in rem nature of the copyright entitlement, and the law's imposition of a private law-driven duty "not to copy" on all others without the copyright owner's authorization.[190]

To the extent that the copyright system seeks to guide individuals to plan their activities in a way that doesn't infringe protected works, notice becomes a critical issue.[191] Courts and copyright litigation therefore play a central role in alleviating the informational deficit produced by the system's abolition of formalities, a reality that is often ignored. Infringement determinations—whether for a plaintiff or defendant—serve the all-important role of providing notice to actors, even if it comes significantly later than would be ideal, i.e., a judicial finding of infringement dates back to the commencement of infringement, and applies not just on a prospective basis but retroactively as well. At the time of the actual infringement, a defendant may therefore have little notice of such infringement. Since knowledge is not a prerequisite for liability, the notice that the judicial determination provides emerges far too late for that specific defendant. The law recognizes this reality by providing declaratory judgments on noninfringement, which parties frequently opt for.[192]

Notice of actual infringement—from a judicial determination—is thus of no obvious utility in proceedings relating to *that very act* of infringement. It remains of extreme utility, however, in situations where the legality of the principal or original act of infringement isn't the main issue addressed, but instead the collateral (and downstream) consequences of such infringement are. Good faith purchaser protection represents one such collateral consequence, insofar as it is concerned with title over infringing articles and purchasers' powers in relation to such articles that are acquired without actual notice of infringement. Copyright law might thus fruitfully internalize the central role of courts in generating actual and constructive knowledge of infringement in this domain.

3. Reassigning Title to Infringing Articles

While copyright law does not contain a good faith purchaser doctrine, it does provide remedies that empower courts to directly affect parties' relative claims over "infringing articles."[193] As part of a final judgment or decree, section 503(b) of the 1976 Copyright Act authorizes courts to "order the

190. *See* Shyamkrishna Balganesh, *The Obligatory Structure of Copyright Law: Unbundling the Wrong of Copying*, 125 HARV. L. REV. 1664, 1665 (2012).

191. For a recent account, see Peter S. Menell & Michael J. Meurer, *Notice Failure and Notice Externalities*, 5 J. LEGAL ANALYSIS 1, 4 (2013) (noting the difficulties posed by the current copyright system's failure to provide actors with adequate notice).

192. *See* 3 NIMMER, *supra* note 14, at § 12.01[A][3][b]; Lorelei Ritchie de Larena, *Re-evaluating Declaratory Judgment Jurisdiction in Intellectual Property Disputes*, 83 IND. L.J. 957, 967–69 (2008).

193. 17 U.S.C. § 503 (2012).

destruction or other reasonable disposition" of copies made in violation of the copyright owner's exclusive rights.[194] The remedy of destruction or forfeiture has been in existence since the late-nineteenth century.[195] It derives from the recognition that infringing copies or articles could have the effect of interfering with the market for the copyright owner's original versions, thereby impeding the limited market exclusivity that was a legitimate part of the copyright bargain. Eliminating such infringing copies from the market, when feasible, has thus come to be seen as an option for plaintiffs once an infringement is found, and which courts may award on a discretionary basis.

While destruction is certainly the remedy most frequently sought under section 503(b), the legislative history accompanying the 1976 Act makes it abundantly clear that Congress included the phrase "other reasonable disposition" in the statute with the idea that courts could use their discretion to craft other remedial measures relating to copies as they saw appropriate in any given case.[196] The House Report notes that a court might "order the infringing articles sold, delivered to the plaintiff, or disposed of in some other way that would avoid needless waste and best serve the ends of justice."[197] The equitable and discretionary nature of the remedy thus gives courts significant flexibility to determine how title over infringing copies may be dealt with in light of the equities of the case involved.

Courts have exercised this discretion in a variety of ways. One court, for example, ordered the parties to negotiate with each other in an effort to see if the plaintiff would purchase the infringing copies from the defendant.[198] In another case, a court granted the plaintiff the right to have all the infringing copies destroyed, but then offered the plaintiff additional compensation for a waiver of that right.[199] And in a few other cases, courts have ordered the defendant to deliver the infringing copies into the possession of the plaintiff, thereby effecting an involuntary transfer of title between the parties.[200]

In the exercise of their remedial discretion in this area, courts are well aware of the reality that they are reassigning title over the infringing articles in

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194. *Id.* § 503(b).

195. For a useful discussion of this history, see Alexander, *supra* note 140, at 482–85.

196. H.R. REP. NO. 94-1476, at 160 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5776 ("Section 503(b) of the bill would make this provision more flexible by giving the court discretion to order 'destruction or other reasonable disposition['] of the articles found to be infringing.").

197. *Id.*

198. Encyclopaedia Britannica Educ. Corp. v. Crooks, 542 F. Supp. 1156, 1188 (W.D.N.Y. 1982) ("[T]he parties should be afforded some opportunity to meet and determine whether some type of purchasing or other agreement can be reached concerning the collection of existing works before the court orders the erasure of any infringing copies.").

199. Jones Bros. Co. v. Underkoffler, No. 1067, 1937 WL 25996, at *1 (M.D. Pa. Dec. 6, 1937) ("The court is of the opinion that these sums should he [sic] reduced to $500.00 for damages and $500.00 for waiver of the right to destroy the infringing memorial. . . .").

200. *See, e.g.*, Rogers v. Koons, 960 F.2d 301, 313 (2d Cir. 1992) (discussing the "turn-over order").

question, despite copyright law's attempt to separate ownership of the article embodying the work from ownership over the work itself. It is perhaps for this reason that a few courts have declared that the remedy of destruction or forfeiture is unavailable against innocent third parties who acquire the infringing article without engaging in any overt act of infringement themselves.[201] In *Foreign & Domestic Music Corp. v. Licht*,[202] a case under the analogous provisions of the 1909 Act, the Second Circuit denied the plaintiff such a remedy against a defendant company that had merely acquired the infringing copies at issue from another company that had unlawfully made them. Judge Learned Hand thus observed in the case:

> The plaintiff appears to suppose that Eureka Productions, Inc., which produced the films and from which the Wyngate Company obtained them, had no title to the "sound tracks," and that the Wyngate Company could therefore get no right in them. That is not true. It is indeed true that while they were in the hands of Eureka Productions, Inc. they were subject to be impounded, and if the plaintiff recovered judgment against the infringer, they were subject to forfeiture and destruction. . . . The remedy of forfeiture and destruction is given only against an *infringer*, and the Wyngate Company was not an infringer so far as concerned the making of the "sound tracks." True, it was a second act of infringement by Eureka Productions, Inc. to sell—"vend"—the "sound tracks," if it did sell them to the Wyngate Company; but, even so, it was not an infringement for the Wyngate Company to buy them; one does not infringe a copyright by buying an infringing copy of the "work," though the buyer will infringe, if in his turn he sells the copy he has bought . . . .[203]

Here, Judge Hand makes several important points. First, the holder of an infringing copy—even if they are the unauthorized producer or maker of that copy—is not automatically denied title to it merely because it is infringing in nature. Second, title to the copy may only be denied (through a forfeiture or destruction) upon a finding of infringement. Third, and as a result, an innocent purchaser cannot be denied good title to the copy, since the purchaser is not an infringer under copyright law. All the same, if that innocent purchaser should choose to sell that copy to others, it could trigger the remedy of title reallocation. While the 1976 Act does not codify this limitation,[204] the same logic has been understood to apply to the terms of the 1976 Act as well.[205]

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201. 5 NIMMER, *supra* note 14, § 14.08.

202. *See, e.g.*, Foreign & Domestic Music Corp. v. Licht, 196 F.2d 627 (2d Cir. 1952).

203. *Id.* at 629.

204. *See* Alexander, *supra* note 140, at 489 (noting how during the drafting of the 1976 Act Congress "quietly dropped" any reference to this principle).

205. *See* Societe Civile Succession Richard Guino v. Int'l Found. for Anticancer Drug Discovery, 460 F. Supp. 2d 1105, 1109 (D. Ariz. 2006); 5 NIMMER, *supra* note 14, § 14.08 (suggesting that this interpretation is "clear"). Indeed, the principle was seriously considered for inclusion in the 1976 Act, with a few draft bills suggesting codification. *See* William S. Strauss, *Study*

Copyright law thus provides for destruction of an infringing article, or a reallocation of title to it, as remedies only when defendants have themselves engaged in infringement. Where there is no act of infringement, the possessor of the article retains good title over it. Nevertheless, this creates a paradox. If the ability to alienate the article is taken as a central component of good title, then it makes little sense to speak of title in such an article since the possessor becomes an infringer—subject to title reallocation—the moment a transfer is made. The only rational and practical way of solving this paradox involves bifurcating the rights of a purchaser and seller in relation to infringing articles, using the flexibility afforded by the statute (and equity) to courts in this area.

B. A Good Faith Purchaser Doctrine for Copyright

As we have seen, copyright law would stand to benefit significantly from the introduction of some measure of protection for good faith purchasers. While a mechanistic transplantation of the doctrine from the common law to copyright law ought to be avoided, this does not imply that copyright law needs to develop every last element of the doctrine independently. To the contrary, there are elements of the common law doctrine that copyright law could incorporate into its own formulation, eliminating the need for courts and parties to grapple with the initial uncertainties that invariably accompany the creation of a new rule.[206]

Since the objective of the doctrine is to protect "good faith" purchasers "for value" of articles containing infringing copies, copyright law could retain the common law's understanding of when the good faith requirement is satisfied, and what a purchase for value entails.[207] Given that the same set of consumers are the intended beneficiaries of protection under both doctrines, retaining the common law's understanding of good faith—on the assumption that it builds on and informs prevalent marketplace norms—makes perfect sense. A purchaser of an infringing article would thus be understood to have acted in good faith when they had no actual, implied, or constructive knowledge of the infringing nature of the article at the time of its purchase. This is identical to how the common law standard relates to other kinds of taints on the seller's title. The same is true for the idea of a transaction of value, where copyright law could outsource the question of consideration to state contract law directly governing the actual transaction in question.

The most crucial modification that copyright law will require is the notion of voidable title, the primary concept around which the good faith purchaser

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No. 24: Remedies Other than Damages for Copyright Infringement, *in* COPYRIGHT LAW REVISION, *supra* note 115, at 111, 122–23 (1959).

206. For a general overview of the problems associated with interdoctrinal borrowing, see Edward Rock & Michael Wachter, *Dangerous Liaisons: Corporate Law, Trust Law, and Interdoctrinal Legal Transplants*, 96 NW. U. L. REV. 651 (2002).

207. *See generally supra* Part I.

doctrine came to revolve in the common law. Since the primary situations where the void/voidable distinction emerged related to taints in the actual sale, extending this concept and its legal consequences to the context of an infringing article will require paying close attention to copyright law's treatment of infringement and its consequences in relation to the notion of title in the article embodying an infringing copy. The discussion below addresses this nuance while also examining the primary instances where a new good faith purchaser doctrine for copyright law might work.

The doctrine would work in the main by ensuring that a good faith purchaser for value of an infringing article (i.e., an object embodying an infringing copy) obtains good title to it. This would in turn produce three interrelated consequences: (1) until a judicial finding of infringement, the person responsible for an infringing article (i.e., the manufacturer or copier who is responsible for the reproduction) holds voidable rather than void title in it; (2) a good faith purchase from someone with voidable title results in good title, which may be alienated at any time without liability for infringement (conversely, a purchase from someone with void title does not result in a transfer of title and a subsequent sale can trigger liability); and (3) subsequent purchasers from a good faith purchaser similarly obtain good title, and may further transfer it onto others without inviting liability for copyright infringement. Each of these is examined more fully below.

1. Void and Voidable Title in Relation to Infringement

As noted previously, good faith purchaser protection hinges on recognizing the wrongdoer in question as having voidable, rather than void, title in the object because it enables them to pass good title onto the good faith purchaser. Leaving aside for the moment violations of copyright's distribution right and focusing instead on the act of producing or making an infringing copy, the question becomes one of determining how the law ought to treat a manufacturer's ownership interest in the infringing article embodying the unauthorized copy. Returning to our hypothetical involving Joe and Frank, the issue is the nature of Honda USA's title in a Honda Civic that it manufactures, which incorporates unauthorized copies of Toyota's software code, thereby infringing Toyota's reproduction right.

Early cases refused to treat the title in such infringing articles as vesting with the copyright owner, even by analogy to the doctrine of accession. The early English case *Colburn v. Simms* considered the question at length as a matter of common law and concluded that "it does not necessarily follow . . . that one who writes or prints upon his own paper the composition of another has thereby so mixed his property with the property of the author whose work he has copied that he has lost his original title to the material . . . ."[208] Most

208. Colburn v. Simms (1843) 67 Eng. Rep. 224 (Ch.) 229; 2 Hare 543, 554–55.

U.S. courts came to adopt this position, and held that, at least prior to a final judgment of infringement, a copyright owner had no title to the infringing article that would allow an action for replevin to be brought at common law.[209]

Once an infringement has been adjudicated however, the copyright statute—both then and now—has allowed courts to grant the copyright owner the remedy of forfeiture, thereby implying that a final judgment affects *some* alteration in the title to infringing articles.[210] While a final judgment does not of course automatically vest title in the copyright owner, especially since the remedy is discretionary, it may more appropriately be understood as having the effect of invalidating the defendant-manufacturer's title in the infringing article.

It is in the above distinction that we find a mechanism for parsing the infringer-manufacturer's title in the infringing article. Until a final judgment of infringement against the manufacturer, a manufacturer of an infringing article must be seen as having voidable title in that article, and after such a judgment, that title is rendered void. Not only is this position in keeping with the way in which courts have historically treated title to the infringing article as part of the remedy of forfeiture but it also comports with the law's reasons for distinguishing between voidable and void title, discussed previously.

The act of making an infringing article, while a direct infraction of the reproduction right, is nowhere near the crime of theft in terms of its gravity and social harm, and thus does not justify immediately tainting the infringer's title in the physical embodiment of the unauthorized copy. This is evidenced by the fact that the law does not make the simple act of infringement a crime unless *willfully* committed.[211]

Nor is the mere act of making an infringing article one from which an illegality can be directly ascertained so as to vitiate the possessor's title. As discussed, the crime of theft was seen to do this, but only when the theft (larceny) was overt, i.e., direct and nonconsensual.[212] Such a taking was seen to be direct enough, and since it required no additional evidence or inferences to know whether it was unlawful ex ante, it was deemed to taint the entire process. When the law expanded to cover thefts of a more technical nature, where such an ex ante determination of illegality became impossible until

209. Am. Tobacco Co. v. Werckmeister, 146 F. 375, 375 (2d Cir. 1906), *aff'd*, 207 U.S. 284 (1907); Hegeman v. Springer, 110 F. 374, 375 (2d Cir. 1901), *aff'd*, 189 U.S. 505 (1903); Gustin v. Record Pub. Co., 127 F. 603, 605 (C.C.E.D. Pa. 1904); Rinehart v. Smith, 121 F. 148, 148 (C.C.E.D. Pa. 1903). *But see* Morrison v. Pettibone, 87 F. 330, 332 (C.C.N.D. Ill. 1897) (taking the contrary view and holding that an infringement gave the copyright owner title over the infringing article).

210. 17 U.S.C. § 503(b) (2012).

211. *Id.* § 506(a)(1). Further, the mere act of reproduction or distribution, even when done for a commercial end, does not produce an inference of such willfulness, which needs to be independently proven. *Id.* § 506(a)(2) ("[E]vidence of reproduction or distribution of a copyrighted work, by itself, shall not be sufficient to establish willful infringement of a copyright.").

212. *See* U.C.C. § 2-403 cmt. 2 (AM. LAW INST. & UNIF. LAW COMM'N 1962) (refusing to extend the theft exception in good faith purchaser doctrine to the "extended law of larceny").

judicial determination, the mere categorization of the act as a theft or larceny was taken to be insufficient to vitiate title on its face.[213] The act of making an infringing article belongs to the latter category. An infringing article consists of a material object into which the protected work is embedded without the copyright owner's authorization. As long as the maker has valid rights in that object, the unlawfulness in the making is impossible to determine ex ante.[214] The illegality is therefore of a "technical" nature, which requires proof of additional elements—one precisely of the kind that produces voidable rather than void title.

Under copyright's good faith purchaser doctrine, then, a person who produces an article that contains potentially infringing expression obtains voidable title in it. When a court finds the making of that article to be infringing, i.e., as a violation of the reproduction right, that title becomes void. The effect of the judicial finding is that the manufacturer's subsequent transfers of the infringing article invite potential civil and criminal liability, as well as additional liability for contempt. Since the original defendant's title may be considered to be altogether avoided through such a judicial order, all subsequent purchasers obtain no protection whatsoever.

To the extent that certain kinds of illegal copying are rather obvious on their very face—for example, the manufacturing of counterfeits and their sale at a significantly lower price—courts would still be empowered to deny purchasers the benefit of protection by finding the element of "good faith" to be altogether missing. This would be in keeping with how courts approach similar issues in other contexts where a taint is apparent on the very face of the transaction. In these situations, courts continue to treat the title in question as voidable, and not void, but fault the purchaser for willfully disregarding the circumstances of the purchase.[215] The same approach might be fruitfully employed in instances of egregious counterfeits, on a case-by-case basis.

The analysis thus far contemplates a situation where the infringing article is still in the possession of its maker at the time of the judicial determination of infringement. In many cases, however, the manufacturer will have sold the article to a third party before the judgment, such that it is the third party and not the manufacturer who is in possession at the time of the judicial determination.

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213. *Id.*

214. As noted earlier, the act here resembles situations involving the doctrine of accession, where a person mistakenly transforms the property of another such that the contributions of both become inseparable. Here, the law determines the parties' relative entitlements by reference to their intentions and motives. As noted earlier, the common law chose not to adopt this approach with regard to copyright. *See* Colburn v. Simms (1843) 67 Eng. Rep. 224 (Ch.) 229; 2 Hare 543, 554–55. For a general overview of the doctrine of accession, see Earl C. Arnold, *The Law of Accession of Personal Property*, 22 COLUM. L. REV. 103 (1922).

215. *See, e.g.*, Kotis v. Nowlin Jewelry, Inc., 844 S.W.2d 920, 924 (Tex. App. 1992) ("An unreasonably low price is evidence the buyer knows the goods are stolen.").

The next two Sections consider copyright's good faith purchaser protection under these circumstances.

2. Good Faith Purchasers of Infringing Articles

The discussion thus far has focused on the title of the maker or manufacturer of the infringing article in that article, before and after a judicial finding of infringement, based on a violation of the reproduction right. In most situations, however, the manufacturer responsible for the production of the infringing article (i.e., who has violated the reproduction right) isn't in possession of the infringing article at the time the judicial finding of infringement is made. In addition, the person who is in actual possession of the object is ordinarily a good faith purchaser from the manufacturer who produced it. The question then is how the law should treat such purchasers, who obtain the infringing article before any judicial determination, and who remain in possession of the article when the determination is made—even though the judicial proceeding itself doesn't directly impact them (i.e., since they themselves have performed no infringing activity).[216]

As noted, the person who makes the infringing article would, under copyright's good faith purchaser rule, have voidable title in it at the time that it is transferred to the good faith purchaser, since no judicial determination of infringement exists at the time.[217] As a result, the good faith purchaser obtains good title to the infringing article through the purchase. Indeed, recognizing clear and unencumbered title in good faith purchasers who obtain an object from a seller with voidable title to it remains the very raison d'être for the doctrine. Consequently, the same treatment should be afforded to good faith purchasers by copyright law.

Nevertheless, it is crucial to unpack what "good title" means for a good faith purchaser under copyright law. Even under existing law, a good faith purchaser can retain possession of the infringing article without any interference.[218] A judicial determination that the object is an infringing article would not alter that since copyright's remedies relating to forfeiture and involuntary title transfer do not affect innocent purchasers who aren't infringers themselves.[219] And the judicial determination itself only directly affects the manufacturer of the article. The principal modification would lie in completely immunizing a good faith purchaser from liability for infringement for further transfers of the object to others. "Good title" to an object must encompass the

216. The reference to "judicial determination" here is exclusively to a judicial proceeding brought against the manufacturer or maker of the infringing article in which the manufacturer or maker as defendant is found to have infringed, at minimum, the copyright owner's reproduction right. No subsequent purchaser is a party to the lawsuit, since that purchaser was not involved in the act of manufacturing the article.

217. *See supra* Part II.B.1.

218. *See supra* Part I.B.3.

219. 5 NIMMER, *supra* note 14, § 14.08.

ability to alienate it on the market without liability, which renders such immunity a logical consequence of recognizing valid title in the good faith purchaser. As noted previously, under current law a good faith purchaser of an infringing article risks liability for copyright infringement during such a transfer by violating the copyright owner's distribution right.[220]

Under the new doctrine, a good faith purchaser who buys an infringing article from a seller with voidable title in it obtains good title. This entails immunity from liability for further transfers of the article both before and after the court finds the manufacturer liable for infringement and designates the objects involved as infringing articles. The good faith purchaser can now transfer valid title to other third parties without the law treating such transfers as a violation of the public distribution right.

In essence, this doctrine works as a modified version of pre-1909 copyright law's innocent seller exception to infringement.[221] Yet it is significantly different in two important respects. First, it applies only to a good faith *purchaser*, and thus focuses on the behavior of the party at the time of the purchase rather than at the time of the sale.[222] It matters little that, between the good faith purchaser's acquisition of the object and its subsequent resale, the purchaser learns of the infringing nature of the article—or that a court has determined its status as such. More importantly, it would not extend to a defendant who did not obtain the infringing article through an arm's length purchase. Thus, acquisitions through mere gifts would be excluded, as would sales by retailers who obtain the articles as mere consignees from the manufacturer, since they would not be transactions "for value," and thus beyond the market-driven rationale for the doctrine. Second, the protection would operate as an affirmative defense that the defendant needs to assert, rather than as part of the prima facie case.[223] This would ensure that the protection kicks in only when the good faith purchaser is sued for copyright infringement, leaving unaffected the copyright owner's burden in ordinary infringement actions against sellers.

All the same, one might worry that by eliminating liability (for violations of the distribution right) when good faith purchasers seek to resell the infringing article, the copyright owner's legitimate interests will be significantly impacted. As we saw earlier, this was a concern that motivated Congress to eliminate any protection for innocent sellers under the current Act.[224] A closer scrutiny of the immunity being offered under this new rule reveals that copyright owners are unlikely to have their interests affected in any

220. 17 U.S.C. § 106(3) (2012).

221. *See supra* text accompanying notes 107–13.

222. Under the innocent seller exception, it remained unclear *when* the seller's lack of knowledge mattered. The plain language of the statute suggested that it was knowledge at the time of the sale, rather than the purchase. *See* Copyright Act of 1790, § 2, 1 Stat. 124, 124 (1790).

223. *See generally* text accompanying notes 207–216.

224. *See supra* text accompanying notes 113–19.

significant way. When an infringing article is made and distributed, a copyright owner's interests are believed to lie in (1) obtaining compensation for any economic harm suffered,[225] (2) disgorging any profits wrongfully made from the infringement,[226] and (3) taking the infringing articles out of circulation.[227] Each of these interests can obtain sufficient protection even without requiring a good faith purchaser to be found liable.

Under the formulation suggested here, the copyright owner would still be able to commence an action against the manufacturer of the infringing article for both the copying of protected expression and for first introducing the infringing copy onto market. The good faith purchaser obtains the article only because the manufacturer chose to transfer it on the open market to the good faith purchaser. The defendant-manufacturer is therefore likely to be in violation of both the reproduction and distribution rights. Any possible economic harm to the plaintiff is directly attributable to the defendant-manufacturer's actions. All of the plaintiff's lost revenues—the primary means of computing economic harm for a damages recovery[228]—can be legitimately recovered from the defendant-manufacturer. It is hard to conceive of any lost revenue that the copyright owner suffers that might be attributable exclusively to the good faith purchaser but not the manufacturer. While some copyright owners may find a benefit to commencing separate actions against different defendants, this alone does not suggest that reducing such actions poses a threat to the copyright owner's interests.

As for attributable profits, in most cases, resales by good faith purchasers are unlikely to involve significant profits that are worthy of being disgorged separately, rather than as part of the economic harm suffered by the copyright owner—meaning that they could be factored into a court's award of damages for the violation of the reproduction right.[229]

This then leaves us with the copyright owner's interest in ensuring that the infringing articles are taken out of circulation, so as to avoid diluting or curtailing the market for the originals. While this is certainly a legitimate interest, it too is nonetheless constrained by the requirement that the remedy of destruction or forfeiture cannot be applied to infringing articles that are in the possession of innocent parties.[230] As a result, the remedy is most suited to actions directly against an infringing manufacturer who is still in possession of

225. *See* H.R. REP. NO. 94-1476, at 161 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5777 ("Damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefiting from a wrongful act.").

226. *Id.*

227. For a useful history of this remedy, see Ruth C. Trussell, *A Reappraisal of the Impounding and Destruction Provisions of the Copyright Law: Sections 101(c) and (d) and the Rules of Procedure*, 26 COPYRIGHT L. SYMP. 95 (1976).

228. 5 NIMMER, *supra* note 14, § 14.02.

229. *See* H.R. REP. NO. 94-1476, at 161 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5777.

230. *See supra* note 205 and accompanying text.

the infringing articles. Though current law makes an innocent reseller an infringer, it is inconceivable how this remedy might be exercised against that reseller since the "distribution," which is a prerequisite for the infringement itself, involves the defendant-infringer parting with title and possession of the infringing article. While in theory the remedy may allow the copyright owner to seek the forfeiture or involuntary transfer of any *remaining* infringing articles in the possession of the reseller, it does nothing to take the already-distributed articles out of circulation. Consequently, immunizing good faith purchasers from liability will have little effect on this particular interest of the copyright owner. Again, insofar as they seek to take infringing articles out of circulation, the copyright owner is better off going after the source, i.e., the manufacturer.

The idea of subsidiarity discussed earlier provides a useful way in which all of the copyright owner's interests can continue to be served—by simply emphasizing and enhancing recovery from the defendant-manufacturer instead of the good faith purchaser. In some ways this formulation takes the idea of "secondary liability"[231]—developed by one early court—a step further by now making defendant-manufacturers of infringing copies primarily liable, instead of good faith purchasers, for the economic consequences of such infringing copies. Since the idea is not precluded by the terms of the statute or its legislative history, the move is unlikely to be problematic.[232]

3. *The Shelter Rule*

The final category of purchasers who might obtain an interest in the infringing article are purchasers who obtain the infringing article from a good faith purchaser *after* a judicial determination of infringement has been made against the manufacturer of the article.[233] Since their purchase is after the judicial finding of infringement, which is now a matter of public record, they may be presumed to have actual notice of the article's infringing character. Consequently, it is questionable whether they would qualify for good faith purchaser protection themselves since a lack of diligence about the infringing

231. Detective Comics, Inc. v. Bruns Publ'ns, 28 F. Supp. 399, 401 (S.D.N.Y. 1939), *decree modified*, 111 F.2d 432 (2d Cir. 1940).

232. An objection to the requirement that the copyright owner bring an action against the manufacturer rather than against the good faith purchaser is the three-year statute of limitations. *See* 17 U.S.C. § 507 (2012). Since the manufacturer's infringing actions take place well before the good faith purchaser's resale, it might be seen as imposing an undue burden on the copyright owner. However, this concern is easily remedied by incorporating a "discovery rule" approach to the statute of limitations, or by commencing the tolling of the limitation period based on a "duty of diligence" that is imposed on the plaintiff. *See generally* 3 NIMMER, *supra* note 14, § 12.05[B][2].

233. Note that here we are not concerned with purchasers who obtain the article directly from the manufacturer, since after a finding of infringement the manufacturer's title in the infringing articles becomes void and the manufacturer is therefore incapable of transferring any title to a purchaser.

nature of the article in question might render their good faith nonexistent at the time of their purchase.[234]

The common law confronted this question during the evolution of the good faith purchaser doctrine. Typically, after the sale to a good faith purchaser, the original owner of the goods in question obtains a civil judgment alleging fraud, misrepresentation, or the like, against the party with voidable title. Subsequent purchasers from the good faith purchaser are then likely to have knowledge or notice of the original defect at the time of their purchase, rendering them ineligible for good faith purchaser status themselves. These purchasers may not be perfectly innocent, yet to call their title into question runs the risk of rendering the good faith purchaser's title functionally useless. Without protection for subsequent purchasers, good faith purchasers are unlikely to further alienate their property. To ameliorate this, the common law developed the "shelter rule," under which a transferee from a good faith purchaser obtains good title, regardless of whether the transferee qualifies for good faith protection.[235] In describing the shelter rule, one court observed:

> As a general rule, if one is entitled to protection as a bona fide purchaser, he may convey a good title to a subsequent purchaser irrespective of notice on the part of the latter of defects in the title; in other words, a purchaser with notice from a bona fide purchaser without notice succeeds to the rights of the latter and occupies the position of a bona fide purchaser. The reason for this is to prevent a stagnation of property, and because the first purchaser, being entitled to hold and enjoy, must be equally entitled to sell.[236]

Without the protection of the "shelter rule," common law courts were concerned that property would stagnate by remaining with the good faith purchaser indefinitely, thereby also eviscerating the good faith purchaser's title of its functional significance by preventing further alienation of the property. The shelter rule is crucial to good faith purchaser protection at common law and essential to its very functioning.[237] At its core, the shelter rule is more

234. Such diligence is commonly required under the common law's traditional good faith purchaser standard. *See, e.g.*, City of Rio Rancho v. Amrep Sw. Inc., 260 P.3d 414, 423 (N.M. 2011) (observing that "due diligence, [which] would have led to a knowledge of the infirmities" is an essential element of good faith purchaser protection); Swanson v. Swanson, 796 N.W.2d 614, 617 (N.D. 2011); Ojeda de Toca v. Wise, 748 S.W.2d 449, 451 (Tex. 1988). The idea of "diligent inquiry" was also central to the concern with allowing innocent sellers an exception to copyright infringement. *See* Nimmer, *supra* note 120, at 169.

235. *See* Amethyst Land Co. v. Terhune, 326 P.3d 12, 17 (N.M. 2014); 77 AM. JUR. 2D *Vendor and Purchaser* § 419 (2014) ("The 'Shelter Rule' provides that one who is not a bona fide purchaser, but who takes an interest in property from a bona fide purchaser, may be sheltered in the latter's protective status."); JONES, *supra* note 3, at 120 ("When a bona fide purchaser acquires the title he can, of course, transfer it to sub-purchasers, even if they have notice.").

236. Schulte v. City of Detroit, 218 N.W. 690, 691 (Mich. 1928) (internal citations omitted).

237. *See* JOHN G. SPRANKLING, UNDERSTANDING PROPERTY LAW 407 (2012).

about fully protecting the good faith purchaser than it is about protecting the person seeking the shelter.[238]

Understood in this vein, copyright law ought to afford good faith purchasers the same protection as the common law for its protection to be meaningful. Under the new doctrine, purchasers who buy the infringing article from good faith purchasers, even with actual or constructive knowledge of its infringing status, should acquire good title in the article. Such title in turn allows the purchaser to distribute it further without any liability for infringement. Without a shelter rule, good faith purchasers in copyright law would find their protection to be functionally meaningless, since few subsequent purchasers, if any, would be willing to buy the infringing article after a judicial finding of infringement. In effect, good faith purchaser protection would be moot without the shelter rule.

Providing "sheltered" purchasers with immunity from infringements of copyright's distribution right might once again give rise to the concern that this modification will come at a cost to the copyright owner's interests. Again, much like with good faith purchasers, any harm that such subsequent sales produce for the copyright owner can be adequately quantified into the recovery from the manufacturer of the infringing article. This modification, much like the prior one, places an impetus on the copyright owner to expeditiously police the source of the infringement, so as to hold liable the party that is also the cheapest cost avoider of the harm at issue.

* * *

Building on the hypothetical involving Honda's unauthorized use of Toyota's protected software code in the manufacture of its cars, consider the following sequence of events illustrating the doctrine described above: Assume that between January and July 2008, Honda manufactures several Honda Civics containing Toyota's code in their engine computer modules. On August 10, 2008, Toyota commences a copyright infringement action against Honda in a federal district court, alleging violations of its exclusive rights of reproduction and distribution. A few weeks later, on August 30, 2008, during the pendency of the lawsuit, Joe purchases a 2008 Civic (containing the infringing content) from Honda, in good faith. On November 15, 2008, the federal district court makes a final determination of infringement against Honda, finding that it had copied Toyota's code into its cars during the relevant period. On December 1, 2008, Tony purchases a Civic from Honda, once again containing the infringing content. Later, on December 20, 2008, Joe sells his car to Cindy, who he finds on a used car website. At the time of purchase, Cindy knows of the lawsuit and the court's final determination.

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238. *See, e.g.*, Hancock v. Gumm, 107 S.E. 872, 876 (Ga. 1921) ("If one with notice sell to one without notice, the latter is protected; or if one without notice sell to one with notice, the latter is protected, *as otherwise a bona fide purchaser might be deprived of selling his property for full value*." (emphasis added) (quoting 2 GA. CIVIL CODE § 4535)).

Even though the cars that Honda produces during the relevant period are infringing articles, until the court's formal declaration of infringement, Honda's title in them is merely voidable, rather than void. As a result, when Joe purchases his car from Honda, he is a good faith purchaser for value. The transaction is one for value, and Joe has no knowledge of the infringing activity that taints the object, even though Toyota has commenced a lawsuit against Honda at the time. With no final determination, the lawsuit does not provide notice of infringement. Joe thus obtains good title to the car.

This is in contrast to Tony, who purchases the car after the court's final determination of infringement. The court's finding that Honda infringed Toyota's copyright in its car manufacturing serves to convert Honda's previous voidable title into an altogether void title. Honda thus has no title that transfers to Tony under the traditional *nemo dat* principle. While Tony gets possession of the car, he has no legally recognized interest in it; as a result, he cannot transfer it to a third party or indeed avoid liability for infringement should he sell it to someone else. A consequence of Joe obtaining good title to the car as a good faith purchaser is that Joe can further alienate the car without incurring potential liability under copyright's distribution right. Consequently, his subsequent transfer of the car to Cindy does not invite liability for infringement. Cindy in turn is protected under the shelter rule; even though she has actual notice of the infringing nature of the article and would therefore not qualify as a good faith purchaser herself, she gets the same protection and obtains good title to the car since her acquisition was from Joe, a good faith purchaser. The table below summarizes the sequence of events and their legal consequences.

TABLE: EVENTS AND THEIR CONSEQUENCES UNDER THE NEW RULE

Date	**Event**	**Legal Consequence**
January–July 2008	Honda manufactures 2008 Civics infringing Toyota's copyright	Honda has *voidable title* in the 2008 Civics
August 10, 2008	Toyota commences copyright infringement lawsuit against Honda	No legal consequence
August 30, 2008	Honda sells a 2008 Civic to Joe in a market transaction	Joe obtains *good title* to the 2008 Civic he purchases
November 15, 2008	Federal court finds Honda to have infringed Toyota's copyright in its 2008 Civics	Honda's title to all its 2008 Civics is *invalidated*, i.e., rendered *void*

December 1, 2008	Honda sells a 2008 Civic to Tony in a market transaction	Tony obtains *no title* to the 2008 Civic under *nemo dat*
December 20, 2008	Joe sells his 2008 Civic to Cindy in a market transaction	Cindy obtains good title under the shelter rule; Joe is immune from liability

CONCLUSION

The persistence and gradual expansion of good faith purchaser protection remains one of the enduring accomplishments of the common law. Reflecting the common law's commitment to free alienability and notice, as well as its recognition of marketplace realities, the doctrine seeks a delicate balance between the interests of the true owner and an innocent third party in a variety of domains: chattels, negotiable instruments, commercial paper, and real estate. Despite this reality, U.S. copyright law over the last century has offered very little protection for good faith purchasers of infringing articles. Good faith purchasers of infringing articles are instead taken to have questionable title to such articles, and subject to liability for reselling them on the market.[239]

The legislative history accompanying the copyright statute reveals that Congress never seriously considered creating a good faith purchaser doctrine. It did consider—and reject—an expansive innocent seller exception on the understanding that such protection was superfluous and might interfere with the legitimate interests of copyright owners. Later courts mistakenly understood this rejection to imply that an innocent purchaser of an infringing article obtained no title in it. As a result, the idea that copyright law "rejects" good faith purchaser protection became commonplace, and was taken to fit with copyright's analytical and normative commitments.[240]

Yet, as I have argued here, good faith purchaser protection is essential for consumers of copyrighted works and, at the same time, perfectly compatible with copyright's goals and objectives. Consumers of copyrighted works operate under the same informational restrictions and disadvantages as they do in other markets where good faith purchaser protection has been extended. The complex, standards-based system of copyright law only exacerbates this reality, by making it near impossible for consumers to ascertain in advance whether the objects that they are transacting in make unauthorized use of protected expression. Protecting consumers against the wrongful actions of infringing manufacturers by exempting their resales from liability is therefore essential. All the same, this need not come at the cost of copyright owners' interests. Since it is the manufacturer of the infringing article that is primarily

239. *See supra* text accompanying notes 122–31.
240. *See supra* text accompanying notes 118–22.

responsible for the economic harm, copyright recovery can be simultaneously recalibrated in that direction with few problems. In the process, copyright owners and good faith purchasers will find their interests adequately protected.

With the rejection of a natural rights-based "common law copyright" on both sides of the Atlantic,[241] substantive common law is thought to provide few lessons, if any, that copyright law could incorporate into its utilitarian framework. It is perhaps for this reason that the absence of good faith purchaser protection in copyright law has come to be accepted as an immutable reality by courts, escaping scholarly attention altogether. To the extent, however, that the common law is understood as "nothing else but reason,"[242] crystallized over ages, while remaining relevant in modern commercial settings, copyright law would do well here to examine whether its divergence from it is unjustifiably dogmatic.

241. *See* Donaldson v. Beckett (1774) 1 Eng. Rep. 837 (HL) 846; Wheaton v. Peters, 33 U.S. (8 Pet.) 591, 682 (1834).

242. 1 COKE, *supra* note 29, at 138.