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IMPLIED LICENSE: AN EMERGING NEW STANDARD IN COPYRIGHT LAW

Orit Fischman Afori†

Abstract

This article addresses a proposed new standard in copyright law—the “implied license” doctrine—which has the potential to play a prominent role in copyright conflicts, especially in the context of digital media. The implied license doctrine is not new to intellectual property law but its use is currently limited. It is viewed essentially as a ramification of contract law, and as such the doctrine is usually applied to fill gaps in existing contractual or quasi-contractual relations as a means of identifying the subjective or even objective intent of the relevant parties. This article proposes a new conceptualization of the implied license doctrine, one that would enable courts to impose norms based on public policy considerations in order to bring reasonableness into the law of copyright, as it affects digital media, especially in the Internet. This standard of an implicit license should, in this view, override the intent of the relevant parties, even if explicitly stated, and would thus introduce clear and binding rules of conduct. In this sense, “implied license” is used metaphorically, since it is removed from the realm of contract law and is used in some cases as a means of bypassing actual contractual provisions.

The scope of application for the proposed doctrine can be seen, for example, in the case of copyright issues that challenge the legality of various practices on the Internet, such as linking, framing, the operation of search engines, and the sale of works through the transmission of digital copies. With respect to all these issues, the implied license doctrine can serve as a fine-tuning mechanism, permitting reasonable practices that are essential to the operation of

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the Internet, while taking into consideration other conflicting interests where appropriate.

I. INTRODUCTION

There are two basic truths about copyright law: it is an area of law in which a complex web of interests must be reconciled, and it is an area of law that is constantly challenged by rapid technological developments. The combination of these two factors requires legal mechanisms to reconcile conflicting interests in the technological age. Since there are a broad range of situations involving both different technologies and different interests, it is impossible to reach a just result by legislating strict rules; flexibility is inevitable. Thus, open standard norms are embedded in copyright law, transferring the final crystallization of the law to courts, which then develop law on a case-by-case basis. The most familiar example of such a mechanism is the "fair use" doctrine, although as case law has demonstrated, this doctrine is fact-specific and often unpredictable. Since copyright law is constantly confronted with new challenges represented by technological development, there is an urgent need for new open standards. This article discusses one potential new open standard norm: the "implied license" doctrine. This new standard has the potential for playing a prominent role in copyright case law in the future.

The implied license doctrine is, of course, not new. It is used in contract law to track the intent of the contracting parties for purposes of supplementing their agreement. In the realm of intellectual property, the doctrine was initially adopted in various patent contexts in order to introduce a certain degree of order, or rather logic, into the law. Later on, the implied license doctrine was imported into copyright law for similar purposes. Specifically, it sought to resolve two conflicts: the tension between the owner of a tangible object in

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2. See id. at 430-31.
which a work is incorporated and the owner of the copyright for that work, and the tension between the creator of a work (and/or the copyright owner) and his or her transferee (e.g., the work's commissioner). In both cases, the implied license doctrine functions as a means of allowing reasonable use of the work by one party, whether the owner of the chattel or the commissioner, by attributing to the work's creator/copyright owner implicit consent for such use.6

The question examined in this article is whether the implied license doctrine could be elaborated in a way that would allow reasonable use of works in the digital environment, especially on the Internet. The current frontier in copyright cases involves the legality of different Internet practices, such as linking and framing, the operation of search engines, and the sale of works through transmission of their digital copy. These practices, as is well known, occur daily in untold numbers. Moreover, copyrighted work is often involved, whether through its further dissemination or through its incidental reproduction, and the question of copyright infringement therefore arises. Courts are trying to fine-tune the conflicting interests of copyright owners, users, and intermediaries, while being careful not to block welcomed activities on the Internet.7 In such cases, the traditional implied license doctrine does not apply where there is no agreement between the parties, or worse, when the copyright holder explicitly refuses to permit the reproduction or other dissemination of his or her work. Nonetheless, if the implied license doctrine is understood as a legal metaphor and developed into a more sophisticated open standard—and thus divorced from its contractual origins—the operation of the doctrine does not have to track the intent of the copyright owner (whether explicitly stated or implicitly inferred). Such application would result in a deemed implicit consent on the part of the copyright owner in appropriate circumstances, even in the face of explicit statements to the contrary. Thus, the proposed new understanding of the implied license doctrine could provide courts with a powerful standard that may enable them to reach reasonable decisions. Basic Internet practices may be authorized if they comply with the implied license to use the copyrighted works in such manner.

For example, a statement on a website requesting that the site not be linked or have its content scanned by search engines would be

6. See infra Part II.
7. See, e.g., Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003). This will be discussed in greater detail infra.
overridden by an implied license to link or search. This conclusion could reasonably be reached by a court under a more nuanced version of the implied license doctrine, from the mere conduct of the owner of the copyrighted material in posting his or her work online. In this manner, the new mechanism of the implied license could be used by courts to introduce policy considerations into copyright law, especially with respect to the operation of the Internet by permitting various practices which reasonably should be allowed. In other words, the proposed implied license doctrine may serve as a means to define the rules of conduct in the digital environment by maintaining the freedom of dissemination of information on the Internet while keeping enough flexibility to protect other interests, such as proprietary interests, on a case-by-case basis.

The implied license doctrine's potential for solving contemporary conflicts in copyright law was initially observed to a certain degree in a limited number of scholarly writings, and only on a doctrinal level. This article proposes a much broader and more advanced understanding of the implied license doctrine as a new standard in copyright law.

Part II of this article will address the doctrinal basis of the implied licenses as used in positive intellectual property law, showing how the doctrine has traditionally been used in specific circumstances to infer the assumed intent of the relevant parties. This review will then be used as a background for the subsequent sections that will explain the proposed new conceptualization of the implied license doctrine as a broader standard. Section III will briefly set out the significant role of open standard norms in copyright law. Section IV then presents the proposed mechanism for implementing the implied license doctrine as a non-contractual concept, enabling courts to infuse reasonableness into copyright conflicts. As the doctrine here proposed is divorced of its origins in contract law, the modified underlying principle is the imposition of terms on participants in the “copyright game,” regardless of their intent. Furthermore, this new conceptualization of the implied license doctrine will be justified and supported by a broader inspection of developments in copyright law.

The evolution of copyright law is characterized by the development of new open standards from existing concepts and doctrines. The proposed implied license as an open standard is the offshoot of the traditional limited doctrine, adapted to the digital context. Finally Section V illustrates the proposed new mechanism's application to three actual conflicts in copyright law. They are: (1) the practice of linking and framing; (2) the operation of search engines; and (3) the sale of works by transmission of their digital copies. In all these areas, copyright law has to respond to new digital realities. In all three, the implied license doctrine could play a prominent role in allowing such activities as a general rule, based upon policy considerations, while providing for case-by-case exemptions if required under the circumstances.

II. GENERAL OUTLINE OF THE IMPLIED LICENSE DOCTRINE IN TRADITIONAL INTELLECTUAL PROPERTY

The implied license doctrine is deeply-rooted in intellectual property law. The use of the doctrine originates in nineteenth-century patent law, and was later imported into copyright law. This introduction shall briefly describe the traditional use of the doctrine, and explain how it is used only in limited contexts. Despite its considerable potential as an instrument for resolving problems in intellectual property law, the doctrine has not expanded beyond these traditional, limited uses.

A. The Origins of the Implied License Doctrine in Patent Law

Generally, the concept of an implied license is used to infuse reasonableness into the enforcement of patent rights. A patent is a vast monopolistic right, conferring on its proprietor a right to exclude any use of the patented invention. “Use” of an invention includes a wide spectrum of acts. For example, if a medication is based upon a patented invention, the “use” of such medication includes the simple act of swallowing the pill or any other method by which the medication is delivered. In order to avoid infringing the patent owner’s rights, a consumer buying medication at the pharmacy should


10. 35 U.S.C. § 271(a) (2000) ("Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . during the term of the patent therefor, infringes the patent.")).
theoretically be required to simultaneously purchase a license permitting the use of the medication. This is an absurd outcome. This is where the implied license doctrine comes to the rescue and infuses reasonableness into patent law. Under the doctrine, a purchaser of a tangible good which incorporates a patented invention is permitted to use such good in the natural and normal way it was intended to be used. In the medication example this would include swallowing the pill. The legal reasoning is that the patent owner is deemed implicitly to have allowed such use through the mere act of selling the good which incorporates the patented invention. This long-standing rule is known as the "patent exhaustion" theory, since the patent owner has exhausted his control over his patented product by authorizing its sale.

The other aspect of the implied license doctrine is its use as a defense against patent infringement claims. The implied license defense may be based upon different common law tests, sometimes confounded, such as estoppel or acquiescence, which all depend on the conduct of the patent owner. An implied license is formed by conduct through "[a]ny language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it ..." Therefore, the implied license is the consequence of a combination of the patent's owner conduct and the infringer's reasonable reliance on that conduct. The implied license defense, in contrast to the patent exhaustion doctrine, shifts
the focus "from the product itself toward the circumstances of the transaction between the parties." Ultimately, the implied license defense is an equitable one. Accordingly, the implied license does not always bar damages, but instead may move the suit from the realm of tort to that of contract and subsequent royalty payments. Nevertheless, it is important to stress the complex character of the implied license defense as being more than a simple contractual concept. Although it is used to supplement the express terms of the contract, eventually its function overrides the usual contractual framework since it is used as a means to introduce judicial policy into intellectual property law. Part IV further develops this idea.

B. The Importation of the Implied License Doctrine into Copyright Contexts

The implied license doctrine was subsequently imported into copyright law, primarily with respect to two aspects of copyright law that are reminiscent of certain aspects of patent law where the implied license doctrine had already been introduced. The first such area was the "exhaustion of right" doctrine, also known as the "first sale" doctrine. The second area was the development of a supplemental framework for determining the rights of copyright owners and transferees beyond their explicit contractual relations. These areas of the implied license doctrine, well established in copyright law and described in greater detail below, ultimately failed to continue developing in response to the dynamic environment of the copyright world. Nonetheless, as discussed in Part V below, the first signs of a breakthrough in this area are beginning to emerge.

1. The First Sale Doctrine

Under the copyright version of the exhaustion of right doctrine, known as the "first sale" doctrine, once lawful copies of a work have been distributed by sale or other transfer of ownership, the copyright owner's exclusive right ceases with respect to those copies, and the

17. See Swope, supra note 12, at 294 (relating that a critical element of estoppel is that the reliance must be reasonable).
18. See Hughey, supra note 13, at 57; Swope, supra note 12, at 286.
19. See De Forest Radio, 273 U.S. at 241 ("Whether this constitutes a gratuitous license, or one for a reasonable compensation, must of course depend upon the circumstances; but the relation between the parties thereafter, in respect of any suit brought, must be held to be contractual and not based on unlawful invasion of the rights of the owner."). See also Swope, supra note 12, at 286.
The purchaser is free to resell or transfer title of the copies.\textsuperscript{20} The doctrine was codified in the 1976 Copyright Act as a limitation to the vast distribution right, since the legal owner of a lawful copy of a work is free to "sell or otherwise dispose of the possession of that copy."\textsuperscript{21} There are some exceptions to the first sale rule which allow the owners of copyright to certain works, such as phonorecords and software, to retain control of certain categories of disposition, such as rentals.\textsuperscript{22} However, the first sale doctrine is quite limited in scope, since it refers only to dispositions of authorized copies of a work. The first sale doctrine does not allow other manipulations of copies of works, such as their modification, because the doctrine is aimed only at allowing the resale or transfer of title of a copy of copyrighted work \textit{as is}.\textsuperscript{23} Nevertheless, in tandem with the first sale doctrine (and sometimes simply as part of it) is the implied license doctrine, which in this context bears strong similarities to the first sale doctrine.\textsuperscript{24} Under the implied license doctrine, the purchaser of a tangible asset reflecting intellectual property rights has a right to use the asset in a \textit{normal and natural manner} that may be deduced from the nature of the asset.\textsuperscript{25} This conclusion is achieved by reference to an

\begin{itemize}
\item[21.] See id.; 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.12[B][1] (2008).
\item[23.] See 2 NIMMER, supra note 21, § 8.12[B][1][a]; see also Orit Fischman Afori, Copyright Infringement without Copying—Reflections on the Theberge Case, 39 OTTAWA L. REV. 23, 42 (2008).
\item[25.] British Leyland Motor Corp. v. Armstrong Patents Co. Ltd. A.C. 577, 625 (1986) (holding that while the defendant indirectly copied the drawings of car’s exhaust system, there was no copyright infringement since the purchaser of a car has a right to repair it which includes the car’s exhaust system, and that this right “to repair” is fulfilled via an implied permission to prepare the spare parts needed in order to repair the car.). The Court’s reasoning was that there is no legal basis for “derogation from the grant” given to the purchaser of the car to repair it. This reasoning is very similar to the implied consent doctrine since it is based on an implied “permission” given by the copyright owner to use the tangible asset in which the intellectual property right subsists. Accordingly, this decision is cited as the source of the copyright exemption known as “implied license to repair.” See 1 HUGH LADDIE ET AL., THE MODERN LAW OF COPYRIGHT AND DESIGNS 912-13 (3d ed. 2000). The holding in British Leyland Motor Corp. was criticized in Canon Kabushiki Kaisha v. Green Cartridge Co., [1997] F.S.R. 817, in which the court stated that the unusual facts of British Leyland created a “spare parts” exception
\end{itemize}
accompanying intent—the implied license—which permits the taking of certain actions with respect to an acquired asset.\textsuperscript{26}

The root of the implied license doctrine, as part of the first sale doctrine, is in the patent exhaustion of right doctrine. According to the initial patent exhaustion doctrine, a person who purchases a product in which patented technology is incorporated is free to use the product, to sell it, use it or repair it when necessary; and such actions are not regarded as patent infringement.\textsuperscript{27} This is because selling a product that incorporates patented technology implies consent to the purchaser taking all the actions needed for natural and reasonable use of the product.\textsuperscript{28} The same reasoning is also applicable in copyright law. There is a need to delineate reasonable boundaries to the exclusive rights as compared to other concurring interests, such as those of consumers purchasing tangible assets incorporating intangible copyright for normal use designated by the sale of the asset. This reasoning indeed led to the first acceptance of the first sale doctrine by the United States Supreme Court in 1908,\textsuperscript{29} which was subsequently codified. Thus, there is a tendency in American discourse to confound the implied license doctrine with the first sale

with a narrow purpose of avoiding misuse of monopoly power, however it’s legal basis was weak (stating that “the economic and jurisprudential basis for [the spare parts exception became] extremely fragile.” Canon Kabushiki Kaisha v. Green Cartridge Co., [1997] F.S.R. 817, 823-26. For more on the implied license to repair in English copyright law, see JAMES LAHORE & WARWICK A. ROTHNIE, 1A COPYRIGHT AND DESIGNS §§ 26025-45 (2004); JOHN S. McKEOWN, FOX CANADIAN LAW OF COPYRIGHT AND INDUSTRIAL DESIGN, 418-20 (3d ed. 2000). Similarly, in American case law prior to the 1976 Copyright Act, there were several cases concerning books being rebound. See, e.g., Harrison v. Maynard, Merrill & Co., 61 F. 689 (2d Cir. 1894). In these book rebinding cases, the court approved the book restorations, holding that there was no copyright infringement since there was an act of “first sale” and that repairing the asset was part of the alienation prerogative of the owner. See id. at 691. For more on these cases, see Michael Erickson, Emphasizing the Copy in Copyright: Why Noncopying Alterations Do Not Prepare Infringing Derivative Works, BYU. L. REV. 1261, 1272-74 (2005).

26. See Stern, supra note 24, at 122. For the evolution of the implied consent doctrine in English copyright law, see Afori, supra note 23, at 43.

27. See supra notes 10-12 and accompanying text.


29. See Bobbs-Merrill Co. v. R.H. Macy & Co., 210 U.S. 339 (1908). In Bobbs, the Court held that a copyright owner’s attempt to restrict subsequent sales of his book through a notice inside the work that stated no dealer was allowed to resell the copy at a price lower than 1 dollar had no legal effect. The Court interpreted the “vending right” as prohibiting such further restrictions, in the absence of a direct binding contract between the copyright owner and a dealer. Id. at 350-51.
doctrine, since both aim to further logical limits to the copyright owner control over copies released in the market.\textsuperscript{30} Despite the confusion of the two linked doctrines, it is important to differentiate them in order to understand the essence of each. The implied license doctrine is much broader and more flexible than the first sale doctrine, since it is used to approve different acts done with respect to a copy of a work by its purchaser (such as its repair or modification), and not only to approve its further distribution by resale or transfer of title.\textsuperscript{31} The implied license doctrine is based on the permission which is deemed given by the copyright owner, and therefore might end with the approval of a wide range of actions that affect the work in question.\textsuperscript{32} When construing the implied license doctrine, courts consider the question of whether approving the act at issue is vital in order to give business meaning to the agreement to purchase the copy.\textsuperscript{33} Courts also take into account various policy considerations that are aimed at giving effect to the intent of "reasonable parties."\textsuperscript{34} In other words, the implied license is not merely an instrument for tracking the subjective intent of the contracting parties, but rather a mechanism enabling the introduction of an \textit{objective} standard of reasonability into the parties' relationship.\textsuperscript{35}


\textsuperscript{31} American law clarifies that the first sale doctrine is an exception to the distribution right. See 17 U.S.C. § 109(a) (2000). However, this section does not provide an exemption from the reproduction right or the adaptation right, and therefore the only prerogative is to resell (or transfer the title of) the copy, as is. See 2 NIMMER, supra note 21, § 8.12[C] (explaining the difference between cases where the alleged infringer re-bound the copy, and thus should have benefited from the exception to the distribution right, and cases where the infringer created a new copy or a derivative work and therefore could not benefit under the first sale doctrine, as it does not provide an exception to reproduction or adaptation rights); 2 NIMMER, supra note 21, § 8.12[D] ("It should be made clear that one who is entitled to claim the benefit of Section 109(a) is not thereby exempted from the thrust of any rights of the copyright owner other than the distribution right.")

\textsuperscript{32} See supra notes 25-26 and accompanying text.

\textsuperscript{33} See Lahore, supra note 25, §§ 26000, 26035.

\textsuperscript{34} See Stern, supra note 24, at 126; see also Harrison v. Maynard, Merrill & Co., 61 F. 689, 690-91 (2d Cir. 1894).

\textsuperscript{35} See Stern, supra note 24, at 126. For English law, see Lahore, supra note 25, § 26000; For Australian law, see Acohs Pty Ltd. v. R.A. Bashford Pty Ltd., 37 I.P.R. 542, 562 (1997).
2. Supplementing Existing Contractual Relations

Another common aspect of copyright law in which the implied license doctrine plays a significant role is in supplementing existing contractual relations. The involved parties are usually the copyright owner and a transferee. In such a relationship there is always a contract between the parties, which, if it concerns full transfer of ownership or the granting of an exclusive license, must be reduced to writing. Nevertheless, various questions may arise as to the scope of the transfer, and the implied license doctrine is often used to resolve such questions by introducing additional terms into the contract, thereby granting the transferee collateral rights. A court might hold that in order to permit the full enjoyment of a right expressly granted in the contract, certain supplemental rights must by implication also have been granted. For example, it has been held that a license to record a musical work implies a further license to distribute and sell such records, and a license to make copies of a work has been taken to imply, in the absence of an express reservation to the contrary, that ownership of such copies vests in the licensee. In some cases the implied license was used simply to allow the use of a commissioned work as intended.
Another common issue that arises as a result of technological developments concerns the medium to which the license applies. The question is whether a license should be interpreted as implicitly granting a new potential use. As Nimmer observed:

The real problem in the search for the parties' "intent" as to the scope of a grant is not in resolving ambiguities so as to lay bare the true intention of the parties.

Most often in fact there is no such single intent.... The very fact that we are most often dealing with a later developed technological process (even if it were known in some form at the time of execution) suggests that the parties' ambiguous phraseology masks an absence of intent rather than a hidden intent that the court simply must "find." Such judicial choice might be expressed as an "interpretation" of the contract or could be explained simply as granting of an implied license.

requests the creation of a work, the creator (the licensor) makes that particular work and delivers it to the licensee, and the licensor intends that the licensee copy and distribute his work).

43. 3 NIMMER, supra note 21, § 10.10[B]. In Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co., 145 F.3d 481, 485 (2d Cir. 1998), the issue was whether a license granted in 1939 to use Igor Stravinsky's work in the Disney film Fantasia authorized distribution of the film in video format, which did not exist in 1939, Boosey, 145 F.3d at 485-86. The court interpreted the license as including new uses, explaining that:

We acknowledge that a result which deprives the author-licensor of participation in the profits of new unforeseen channels of distribution is not an altogether happy solution. Nonetheless, we think it more fair and sensible than a result that would deprive a contracting party of the rights reasonably found in the terms of the contract it negotiates. . . .

In our view, new-use analysis should rely on neutral principles of contract interpretation rather than solicitude for either party.


44. See 3 NIMMER, supra note 21, § 10.10[B].

45. See 3 NIMMER, supra note 21, § 10.10[B]. The court in Boosey & Hawkes noted that if the contract is more reasonably read to convey one meaning, the party benefited by that reading should be able to rely on it; the party seeking exception or deviation from the meaning reasonably conveyed by the words of the contract should bear the burden of negotiating for language that would express the limitation or deviation. This principle favors neither licensors nor licensees. It follows simply from the words of the contract.

Boosey, 145 F.3d at 487.

46. This conclusion stems from the fact that extensive interpretation is given to an ambiguous term which both parties agreed to include. See 3 NIMMER, supra note 21, § 10.10[B].
These examples of the use of the implied license doctrine in copyright law in cases of existing contractual relations exemplify the limited use of the doctrine as a mere contractual concept. In those cases, the doctrine is not extended to affect non-contracting parties' relations or impose terms, even if contradicting explicit intent. Nevertheless, an understanding of the implied license doctrine's traditional functions is important in order for the doctrine to evolve. The most important insight from the review of the implied license doctrine's traditional functions is that the doctrine is used as a means to infuse reasonableness into legal situations. In this context, reasonableness is an objective standard which is inherent to the contractual framework, and has no necessary ties to any apparent subjective intent of the relevant parties. This insight will be further elaborated below.

III. THE SIGNIFICANCE OF OPEN STANDARDS IN COPYRIGHT LAW

Much has been written on the issue of "rules versus standards" specifically discussing what form legal norms should take. Rules state a determinate legal result that follows from one or more

47. For example, the judicial test for concluding that an implied license exists is that (1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) creates the particular work and delivers it to the licensee, and (3) the licensor intends that the licensee copy and distribute his work. See Atkins v. Fischer, 331 F.3d 988, 991-92 (D.C. Cir. 2003); Effects Assoc., Inc. v. Cohen, 908 F.2d 555, 558 (9th Cir. 1990); see also 2 William F. Patry, Patry on Copyright § 5:131 (2008).

48. To some extent, the final understanding of the term "implied license" proposed here could be viewed as an outcome of deconstructive analysis according to Derrida's legacy in which an established term is "opened" to gain new meanings and interpretations via recontextualization. See Clare Dalton, An Essay in the Deconstruction of Contract Doctrine, 94 Yale L. J. 997, 1009-10 (1985); Iddo Landau, Early and Later Deconstruction in the Writings of Jacques Derrida, 14 Cardozo L. Rev. 1895, 1900-01 (1993); Michel Rosenfeld, Deconstruction and Legal Interpretation: Conflict, Indeterminacy and the Temptations of the New Legal Formalism (1990), reprinted in Deconstruction and the Possibility of Justice 152, 152-53 (Drucilla Cornell et al. eds., 1992).


triggering facts. Standards, by contrast, require legal decision makers to apply a background principle (or set of principles) to a particular set of facts in order to reach a legal conclusion. Scholarly discourse focuses on attempts to determine which legal form is more desirable in a given context, usually by applying economic analysis. The main advantage of open standards is that they enable the law to be more flexible to the particular circumstances of the case. This may also be the most serious drawback of open standards, as open standards necessarily require a degree of prospective uncertainty. In reality, however, rules and standards are best understood as the endpoints of a spectrum in which there are more than simply two possibilities. Moreover, especially in the copyright realm, this uncertainty should not be viewed as a defect, but as a crucial feature.

Copyright law contains numerous open standards, some of which govern the most basic terms and doctrines of the field, such as what constitutes a "work," what the originality threshold is for copyright protection, and the inherent tension in copyright law between protected expression and unprotected ideas. Moreover, the exact content of the exclusive rights included in the bundle of rights is

51. For example, a law that provides that "if a driver travels faster than 65 mph, he has violated the law." See Russell Korobkin, Behavioral Law and Psychology: Behavioral Analysis and Legal Form: Rules vs. Standards Revisited, 79 Or. L. Rev. 23, 23 (2000); Sullivan, supra note 50, at 58.
52. For instance, a law requiring drivers to travel "no faster than is reasonable." See Korobkin, supra note 51, at 23; Sullivan, supra note 50, at 58-59.
53. See Korobkin, supra note 51, at 23-24; see, e.g., Kaplow, supra note 50, at 621.
54. See Sullivan, supra note 50, at 83.
55. As Lawrence Lessig put it with respect to the fair use doctrine, fair use has been reduced to "nothing more than the right to hire a lawyer." See LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY 187 (2004).
56. See Korobkin, supra note 51, at 26.
58. The term "copyrighted work of authorship" is not defined in the law. See 17 U.S.C. § 101 (2000) (containing no definition for "work of authorship"); 1 NIMMER, supra note 21, at § 2.0103[A].
vague. The terms "reproduction" and "substantial part," which are both key elements of the reproduction right, are subject to vast judicial interpretation. In addition, the boundaries of the public performance right are far from clear, and the parameters of the adaptation right are a virtually uncharted area of the law. And, above all, there is the fair use doctrine, which confers vast discretion on courts to fine tune copyright law on a case-by-case basis.

What is the explanation for the large number of open standards that exist in copyright law? One possible explanation is provided by the Rawlsian perspective on the formation of fair and just norms. According to Rawls, the way for achieving just and fair allocation of resources is by establishing a mechanism for procedural justice for the distribution of resources. For example: if a number of persons are to divide a cake, assuming that fair division is an equal one, then the procedure that will result in the fairest outcome is that the person who divides the cake receives the last piece. As far as copyright law is concerned, it is well known that the same parties often find that they have switched roles: an author who wishes to have control over his or her work finds that in a different context he or she wishes to use another person's work, whether as part of his or her creative process or simply as a consumer. Consequently, rational actors in the field of copyright would elect a flexible standard that will ensure a just result in a particular case rather than a strict rule which, while enhancing legal certainty, might result in an unjust outcome for each one of the actors. This insight is particularly important for narrowing the "rules versus standards" debate in the copyright context.

Examining copyright law from an economic perspective involves a

62. See 2 NIMMER, supra note 21, § 8.14[C].
65. Naturally, there could be other explanations as well, such as public choice theory, etc.
67. Id. at 85.
68. For example, once a film producer may seek to use other works within his new production, and in another instance may seek to prevent the use of his production in a creative way. For such complex reality in the film industry, see Peter Jaszi, When Works Collide: Derivative Motion Pictures, Underlying Rights, and The Public Interest, 28 UCLA L. REV. 715, 724-28 (1981).
rational preference for flexibility and a fair outcome, since all the actors know that their interests are constantly changing. In Rawlsian terminology, it could be concluded that standards function as procedural justice in copyright law. On the basis of this understanding—that standards are a matter of necessity in copyright law—this article proposes a conceptualization of the implied license doctrine as a new open standard for copyright law.

IV. A NEW FRAMEWORK FOR THE IMPLIED LICENSE DOCTRINE

Implied licenses, in their originating contract discipline, are usually divided into two categories based on their terms: (1) terms that parties probably had in mind but did not put in writing—in other words, terms that reflect the parties' subjective intentions—and (2) terms that the parties would probably have expressed if the issues had been brought to their attention. However, there is a third category of implied terms, namely, those introduced by the court on fairness, reasonableness, and policy grounds. The significant potential for developing the implied license doctrine as a new standard in copyright law lies in this third group of implied terms, which is anchored in the possibility of divorcing the implied license doctrine from the traditional contractual context. Once the doctrine is fully acknowledged as a pure judicial standard for infusing reasonableness into intellectual property law without the need to track the subjective or even the objective intent of the copyright owner, it will pave the way for the emergence of an implied license doctrine as a key principle of intellectual property law. To date, however, the few scholars who have focused on the potential of the implied license doctrine as a means to resolve many of the current problems in copyright law, especially in the context of the Internet, have stuck to the doctrine's traditional contractual framework. This article proposes, in contrast, to free the doctrine from its taxonomical origins, as explained next.

69. LEWISON, supra note 5, at 152.
70. Id.
71. See Seshadri, supra note 8, at 30 (arguing that the implied licensing regime could provide a legal mechanism capable of shrinking the current copyright conflicts, but that the scope of such a license should be interpreted narrowly by reference to applicable technology, and should remain limited to the objective intent of the copyright owner); Sieman, supra note 8, at 921-23 (proposing to use the implied license in lieu of fair use as a reconciling mechanism whose viability stems from the parties' intent).
A. Implied License Doctrine as a Non-contractual Means to Infuse Policy Considerations into Copyright Law

As long as the implied license doctrine remains no more than an offshoot of contract law, it can easily be circumvented. For example, in the context of the traditional doctrine of patent exhaustion, patent owners can control the scope of the implied license by providing clear notice to the purchaser at the time of the product's sale.\textsuperscript{72} Such attempts to circumvent the implied license permitting normal use of a product would probably fail (e.g., in the case of medication sold in conjunction with written notice that purchasing the medication requires a second license for use). Similarly, it is questionable whether a copyright owner would be able to retain control over different uses of his or her work once sold simply by attaching a clear notice stating that such restrictions were in effect.\textsuperscript{73} Viewed as a mechanism for infusing reasonableness into intellectual property law, the implied license doctrine should override any such notice by imposing implied permission to make normal use of a patented product once sold. Regarding contract interpretation, the same result may sometimes be reached by arguing that the copyright owner "must have intended otherwise." But what if the patent owner did in fact mean what he or she said? If the implied license is viewed in its traditional role as a contract law doctrine, then the traditional rule of contract interpretation preventing the imposition of an implied term contrary to an explicit term of the contract cannot apply.\textsuperscript{74} For this reason, the implied license should not be viewed as merely an aid to contract interpretation, but as an active doctrine that interferes with the freedom of contract in order to promote policy considerations such as the free circulation of goods in the market, consumer protection, monopoly restraint, etc. Like any other similar policy measure, the implied license doctrine would also come into play in cases of market failure in order to prevent unwarranted results. In other words, the implied license would not track the intent of the copyright owner (whether subjective or objective), but rather would impose overriding policy considerations.\textsuperscript{75}

\textsuperscript{72} For an argument in support of this practice, see Swope, \textit{supra} note 12, at 305.

\textsuperscript{73} See, e.g., Bobbs-Merrill Co. v. R.H. Macy & Co., 210 U.S. 339, 350 (1908) (refusing to allow such further control over sold copies in the absence of an explicit contract between the relevant parties).

\textsuperscript{74} See \textit{LEWISON}, \textit{supra} note 5, at 170.

\textsuperscript{75} Another court reached a similar conclusion when applying the first sale doctrine under the 1909 Act, holding that
It is important to stress that the proposed mechanism is not intended to be a general solution for all copyright failures in the digital age, nor a means to reconcile the basic tensions underlying copyright law. The proposed mechanism is a refined "doctrinal hook" whose purpose is to further policy considerations (such as the ones mentioned above), although the mechanism itself is essentially content neutral. It is one among several available open standards and doctrines in copyright law which may be used and applied in conjunction with each other in order to promote a more balanced, pragmatic outcome.

Viewing the implied license as a non-contractual concept and as a doctrine not concerned with the parties' intent liberates it from other contractual rules, such as the parol evidence rule. Under the parol evidence rule, a written contract embodies the complete agreement between the parties involved, and therefore the rule generally forbids using the introduction of extrinsic communications between the parties not contained in the language of the contract itself as a basis for changing contract terms. There are exceptions to the parol evidence rule allowing later modification of a written contract, inter alia, through non-written additions. The rules of contract interpretation are aimed at putting into effect the subjective or

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[e]ven if the copyright holder places restrictions on the purchaser in a first sale (such as specifying the permissible uses of the article), the buyer's disregard of the restrictions on resale does not make the buyer or the person who buys in the secondary market liable for infringement. The first sale thus extinguishes the copyright holder's ability to control the course of copies placed in the stream of commerce.

Am. Int'l Pictures, Inc. v. Foreman, 576 F.2d 661, 664 (5th Cir. 1978) (citation omitted); see also 2 Nimmer, supra note 21, § 8.12[b][1][b]. Note that this conclusion was based on an interpretation of the first sale doctrine as prohibiting further restrictions attached to copies circulated in the market, and the court provided no reasoning for this conclusion. For further discussion on restrictions attached to copies, see infra Part V. The understanding of the implied license as a means to impose policy considerations overcoming the explicit intent of contracting parties has been described as the "public" sphere of every contract, in contrast to the ordinary "private" one. See Dalton, supra note 48, at 1014-15 (1985) ("The implied-in-law contract is portrayed as essentially non-contractual and public, in contrast to the implied-in-fact contract in which the private is dominant.").

76. See Restatement (Second) of Contracts § 209 (1981) ("(1) An integrated agreement is a writing or writings constituting a final expression of one or more terms of an agreement. (2) Whether there is an integrated agreement is to be determined by the court as a question preliminary to determination of a question of interpretation or to application of the parol evidence rule. (3) Where the parties reduce an agreement to a writing which in view of its completeness and specificity reasonably appears to be a complete agreement, it is taken to be an integrated agreement unless it is established by other evidence that the writing did not constitute a final expression."). See also Cal. Civ. Proc. Code § 1856 (West 2007); U.C.C. § 2-202 (1961).

77. See Restatement (Second) of Contracts, §§ 209, 210 (1981).
objective intent of the contracting parties, as explained by the Restatement: "Interpretation of contracts deals with the meaning given to language and other conduct by the parties rather than with meanings established by law." Thus, contract interpretation is composed of a "conic" set of rules, starting with the written word and the clarification of its meaning, and ending with external evidence affecting the content of the agreement. Even if contract interpretation is concluded through external objective evidence regarding the parties' understandings, "the operative meaning is found in the transaction and its context rather than in the law or in the usages of people other than the parties." In other words, contract interpretation, even if done creatively, is still situated in the contract realm, and it must be contextualized with the parties' concrete intentions and contract circumstances. The proposed understanding of implied consent, by contrast, is totally divorced from the parties' intent and does not have to be contextualized with the parties' circumstances at all.

The proposed function of the implied license doctrine as a concept that is intended to further policy goals is not totally new. Another doctrine of contract interpretation concerns favoring the public interest. According to this doctrine, a meaning that serves the public interest is generally preferred when choosing among the reasonable meanings of an agreement. This doctrine rests more on "considerations of public policy than on the probable intention of the parties." Not surprisingly, the illustration given by the Restatement for the function of this interpretive rule relates to an agreement between employer and his inventor-employee. The public interest in encouraging invention supports an interpretation of the agreement that enables the inventor to make future independent inventions. Furthermore, there is increasing support for introducing implied "meta" terms into contracts such as, *inter alia*, good faith. In other

78. *Id.* § 212 cmt. a.
79. *See id.* § 212 ("(1) The interpretation of an integrated agreement is directed to the meaning of the terms of the writing or writings in the light of the circumstances, in accordance with the rules stated in this Chapter. (2) A question of interpretation of an integrated agreement is to be determined by the trier of fact if it depends on the credibility of extrinsic evidence or on a choice among reasonable inferences to be drawn from extrinsic evidence. Otherwise a question of interpretation of an integrated agreement is to be determined as a question of law.")
80. *Id.* § 212 cmt. a.
81. *Id.* § 207.
83. *See id.* § 207 cmt. a, illus. 1.
84. *Id.*
words, the law recognizes some fundamental obligations which must be imposed on all contracts as implicit terms, and contradicting intent will be overlooked. This is not to say that contractual means are sufficient. There is a need for developing a non-contractual new standard in copyright law, rather than the proposed development of the implied license doctrine would not be a total deviation from legal fundamentals.

A first sign of this new understanding of the implied license concept within the copyright context was introduced by Judge Kozinski’s concurring opinion in the case of Foad Consulting Group, Inc. v. Musil Govan Azzalino. The facts in this case involved commissioned blueprints for a shopping center which were later copied and adapted by another professional who was hired by the party that commissioned the original blueprints. The originator of the plans filed suit against his replacement, alleging copyright infringement. In its decision, the court focused on the question of whether implied license should be governed by federal copyright law or state contract law, an issue that will be discussed below. As to the essence of the implied license doctrine, Judge Kozinski’s stated:

As best I can tell, the majority assumes that anything that is called a contract—including an implied contract—must be governed by state law. But not every implied contract is, in fact, a contract. Certainly, some implied contracts are governed by state law. Those contracts really are contracts; they are actual agreements between parties, albeit imperfectly articulated. The cases on which the majority relies all involve this type of contract.

But there is another type of implied contract, one that is “created otherwise than by assent and without any words or conduct that are interpreted as promissory.” Such an implied contract is not a contract at all; it is a legal obligation the law imposes between certain parties where there is no actual agreement between them. . . . It is an incident of the copyright and is therefore governed by federal law.

In other words, Judge Kozinski presented a novel insight concerning the conceptualization of the implied license doctrine as a

86. Foad Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821 (9th Cir. 2001).
87. Id. at 824-25.
88. See infra Part IV.C.
89. Azzalino, 270 F.3d at 832 (Kozinski, J., concurring) (citations omitted).
completely non-contractual doctrine. According to this new understanding, the implied license doctrine has evolved into an open standard, to be used at the discretion of the court based on copyright policy considerations. It has nothing to do with contract, but only with resolving copyright conflicts.

B. Why Retain a Contractual Term for Non-Contractual Doctrine

This article seeks to understand the implied license doctrine as a new copyright open standard, divorced from contract law. Why, then, use the term “implied license,” which clearly indicates a contractual concept? One way of answering this question is to regard the introduction of the implied license doctrine into copyright law as a metaphor. Another answer is that preservation of the original term, despite its new function, is important since it reflects its evolutionary process. Keeping traces of the term’s evolution serves instrumental functions, such as the continuity and internal coherence of copyright law, as would be the case with any doctrine which evolves through a common law process.

1. Implied License as a Legal Metaphor

Legal metaphors are a valuable means of increasing insight into a particular legal subject matter, since they facilitate the development of “procedures and tools to guide interpretation and the creation of meaning.” Furthermore, “[w]ithin the law, metaphors have molded the framework of discourse, determining the scope of appropriate questions and providing answers to various social and legal problems.” Courts employ metaphors “to generate hypotheses about the application of law to novel, unexplored domains.” Although legal metaphors are derived mainly from non-legal fields,


92. Blavin & Cohen, supra note 91, at 266.

93. Id.

94. See, e.g., Baron, supra note 90, at 1234-35 (proposing a Möebius Strip metaphor to assist understanding of the fair use doctrine); Blavin & Cohen, supra note 91, at 268 (discussing
added value is gained when these metaphors originate from a legal field and are used within another legal field outside of their original meaning.\textsuperscript{95} The proposed use of the implied license doctrine can serve as an example of such latter metaphors, as being a term drawn from the contract legal discipline and introduced into intellectual property law in order to develop a novel standard in this arena with a different meaning from the one in its originating discipline.

Thomas Ross has explained the function of metaphors in law through their paradoxical nature.\textsuperscript{96} A paradox involves the experience of encountering some form of contradiction. According to Ross, "[t]he special feature of a paradox is that the contradiction is either suppressed or embraced but is never really solved."\textsuperscript{97} Therefore, "to encounter a metaphor is to experience a form of paradox,"\textsuperscript{98} and the "tension" encapsulated in the metaphor does not "obscure or confuse the meaning: the tension is its meaning."\textsuperscript{99} Such understanding of the role of legal metaphors also explains the reason for using the contractual term "implied license" as a new standard imposing terms, even in the face of contrary explicit intent. The use of the implied license doctrine in its new function in copyright law in order to impose policy consideration is metaphorical since its essence is with its contractual paradox. An example of the application of the implied license doctrine as a legal metaphor is in the reasoning given by the Supreme Court in the seminal case of Harper & Row, Publishers, Inc. v. Nation Enterprises.\textsuperscript{100} In Harper & Row, the Court stated that "[p]erhaps because the fair use doctrine was predicated on the author’s implied consent to ‘reasonable and customary’ use when he released his work for public consumption, fair use traditionally was not recognized as a defense to charges of copying from an author’s as yet unpublished works."\textsuperscript{101} In other words, to some extent, the fair use doctrine in itself is based upon the implied license doctrine as a legal metaphor, since had there been any (real) contractual implied consent to the alleged infringing use, there would have been no need to turn to

\textsuperscript{95} For a thorough analysis of the function of metaphors in general, see George Lakoff and Mark Johnson, Metaphors We Live By (1980); see especially id. at 5, 195-96 (arguing that metaphors are “concepts of argument” that are “essential to the human understanding”).

\textsuperscript{96} See Ross, supra note 91, at 1077.

\textsuperscript{97} Id.

\textsuperscript{98} Id.

\textsuperscript{99} Id.


\textsuperscript{101} Id. at 550-51.
the statutory fair use defense which is aimed at allowing unauthorized uses. The paradoxical use of the implied license term within the fair use context emphasizes its metaphorical aspect. The implied license is not based on an intent that is imputed to the parties, but is rather a tool used by the court at its discretion despite the lack of the intent. And, finally, as Lakoff and Johnson noted in their comprehensive analysis of metaphors, metaphors are ultimately "imaginative rationality," introducing a third alternative by which its presence negates the perception that objectivity and subjectivity are the only choices available. Placing this observation in the context of the implied license doctrine, a metaphoric understanding can be used in order to overcome the traditional barriers of subjective and objective interpretation of contracts in order to infuse rationality into this area of copyright law.

2. Implied License Metaphor and Copyright Evolution

Allegory

Copyright law needs to keep pace with technological developments. Despite statements predicting the end of copyright law, it is still very much alive, thanks to the fact that copyright law is subject to a "common law" process of development, evolving, by and large, on a case-by-case basis. This "common law" process is based on the evolution of standards from their ancestor standards, in order to cope with the surrounding technological challenges. This description of the evolution of copyright law serves as another answer to the question raised above: why stick to the "implied license" terminology, despite removing it from its original contractual context? As explained, traditional use of the implied license doctrine was to infuse reasonableness into intellectual property law when the contractual framework enabled it. Thus, an almost natural evolution of this doctrine would be to keep its aim, tradition and terminology, despite moving it out of the contractual framework. Accepting the

102. See Sieman, supra note 8, at 918-19 ("One cannot simultaneously do something with and without the consent of another. Accordingly, this historic view of fair use as 'predicated on the implied or tacit consent of the author ... [i]s manifestly a fiction ...'" (quoting 4 Nimmer, supra note 21, § 13.05)).

103. In contrast, Sieman proposes to use the implied license as a reconciling mechanism with viability stemming from the parties' intent. See Sieman, supra note 8, at 921 (2007) ("The ability to respect the wishes of the copyright owner is only one reason that implied license is a better solution than fair use.").

104. See Lakoff & Johnson, supra note 95, at 192-93.

proposed contextualization of the "implied license" doctrine as a legal metaphor, imposing objective interpretation aimed at furthering policy considerations without referring to the actual intent of the parties, fits the evolutionary process of copyright law, and will provide a new open standard that will enable further gradual development in copyright law.

The use of the term "evolution" to describe the process by which copyright law develops suggests a Darwinian approach to law, in which legal terms change their meaning over time, eventually resulting in new legal terms. This process, however, might be more accurately described as an "autopoietic legal process," a term introduced in Niklas Luhmann's sociologic approach to law. "Autopoiesis" means "self-production," and it is used by biologists and system theorists to describe a self-referential system. It is a system "that constitutes the elements of which it consists through the elements of which it consists." Luhmann was the first to propose applying the biological term "autopoiesis" to the analysis of legal systems. In his view, law is a self-generating system. There are, of course, external influences which are "digested" by the system, resulting in new elements of the system generated as a reaction to the surroundings; however, the system ultimately develops largely from itself. The common law tradition, generally speaking, could be described as an "autopoietic" legal system. This description of an autopoietic phenomenon describes quite well the evolution of copyright law. This is not a metaphor but rather an allegory, whose lesson is that copyright law contains within itself mechanisms for the production of new mechanisms that are designed to cope with technological challenges.

Each one of the open standards in copyright law is a suitable candidate for such allegoric analysis. For example, the most basic term in copyright law, "reproduction," was, when copyright law was...
in its infancy, limited to indicate duplication of complete texts, and only later evolved into a much broader concept that refers to the production or reproduction of any substantial part of a work in any form.\textsuperscript{111} Similarly, the term "original" initially referred to a non-copied work, later evolving into a concept that includes the idea of "creativity" (which itself is a term that is not yet defined).\textsuperscript{112} And there are many more such examples. In each case, the term in question evolved by internalizing new realities while making use of existing copyright terminology, considerations, underpinnings, and common law. The advantage of this kind of legal evolution is that it may assure some degree of coherency and, consequently, certainty.

The proposed new meaning of the implied license doctrine fits the existing pattern of evolution in copyright terminology described above, since it builds on an already existing copyright term which is still not fully or clearly defined. The development of this concept may enable further adaptation of copyright law to the changing reality, without abandoning the internal considerations and underpinnings of traditional copyright law. The result would be a new open standard, which would be a natural extension of the existing implied license doctrine that is already used to infuse reasonableness into copyright law, and which will ensure coherent and predictable developments.

\textbf{C. The Preemption Rule Obstacle}

The potential use of the implied license doctrine as a way to introduce policy considerations into copyright law raises the question of whether such use may be barred by the preemption rule as codified in § 301 of the 1976 Copyright Act.\textsuperscript{113} This question is beyond the scope of this article, but will be addressed briefly. According to the preemption rule, any rights under common or state law that are equivalent to federal copyright are preempted. Contract claims in general are not preempted by § 301 because they are not equivalent to

\begin{itemize}
  \item \textsuperscript{111} The most famous example of an early, narrow interpretation of the reproduction right is \textit{Stowe v. Thomas}, 23 F. Cas. 201, 207-08 (C.C.E.D. Pa. 1853) (No. 13,514), in which it was held that an unauthorized translation of \textit{Uncle Tom's Cabin: Or Life Among the Lowly} into German did not infringe the author's rights, since the reproduction right gave only limited control over the duplication of a literary work. See also Afori, supra note 23, at 37-38.
  \item \textsuperscript{112} See ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 377 (4th ed. 2006). For early development of the originality requirement, see 1 NIMMER, supra note 21, § 2.01[A]; For a good summary of later development of the originality requirement, see Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 351-61 (1991).
  \item \textsuperscript{113} Foad Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821, 834 (9th Cir. 2001) (Kozinski, J., concurring).
\end{itemize}
most copyright claims. However, conflicts may arise when state law stands as an obstacle to the accomplishments and execution of the full purposes and objectives of federal copyright law. As one court has explained, courts will "rely on state law to provide the canons of contractual construction, but only to the extent such rules do not interfere with federal copyright law or policy." According to this logic, reliance on state doctrines of contract law as gap fillers in copyright law is legitimate when federal policy either does not exist, is not clear, or when it interacts with federal policy. However, in many areas affected by new technology there is no clear federal policy. The policy may be inferred from general policy consideration underlying copyright law as stated by courts. The result is somewhat self-referential, since courts first construe federal policy and then apply the implied license doctrine in order to effectuate the very same policy. This problem is typical of interpretive legal mechanisms. Nevertheless, once the implied license is recognized as a standard in copyright law, it should not be viewed as contradicting the preemption rule, since it does not raise the issue of reconciling contractual doctrines with copyright law, but rather, it reflects an intrinsic development of copyright law. Thus, the preemption question becomes irrelevant.

V. THE NEW CHALLENGE—IMPLIED LICENSE IN DIGITAL CONTEXTS

Copyright law constantly faces new challenges. This is particularly true in the digital era and on the Internet. Some of these challenges can be solved, at least to some extent, within the traditional implied license framework, if the relation between the

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114. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).
actual parties is contractual and thus can also be supplemented so as to allow certain practices. However, such a solution is partial and limited, since it focuses on the traditional discussion of what the “normal” exploitation of a work is for purposes of exhaustion of right, or, in the alternative, of the objective intent of the owner in diffusing his work. Therefore, a better analysis is to apply the proposed non-contractual understanding of the implied license doctrine as a standard by which courts may inject reasonableness and policy consideration into copyright law. Sections below shall illustrate the potential function of the “improved” implied license doctrine with respect to some of the fundamental dilemmas in copyright law: methods of “linking and framing” on the Internet; Internet search engines; and the sale of software and other digital works through either shrinkwrap licenses or digital transmission. Some of the dilemmas emerged at the end of the 1990’s (such as the “linking and framing” and shrinkwrap licenses), and some are more recent (such as search engines and digital transmissions), but all raise issues that have yet to be resolved. In these cases, as in many others, the proposed new standard may assist in preventing legal failures, namely, the prevention of welcome practices in the digital era due to the lack of requisite legal tools that would allow it.

A. Linking and Framing

The first example illustrating the potential function of the proposed implied license mechanism involves one of the most common functions on the Internet–linking and framing. Linking and framing are core techniques that websites utilize to connect to other sites; they reflect the essence of the Internet. Under linking and framing, when a reader clicks on the link (which may be either highlighted text, an icon, or a picture), the user’s web browser reads the software code, finds the location on the Internet that matches the address, and requests a copy of the web page. The computer hosting the linked web page sends the copy back to the user’s browser. The browser on the user’s computer reads the code of the copied web page and constructs the page according to the transmitted code, so that the page appears on the user’s computer screen. Access to the content of

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120. One possible exemplary use of the traditional implied license doctrine is illustrated with respect to the legality of podcasting by Astle. See Matthew J. Astle, Will Congress Kill The Podcasting Star?, 19 HARV. J.L. & TECH. 161, 162 (2005).

the linked-to website is confirmed by the display of its Universal Resource Locator ("URL"), which replaces the URL of the previous website on the top portion of the user's browser.\textsuperscript{122} Deep linking refers to linking to an internal page of a website located at a lower level (or possibly several levels down) from the home page, thereby circumventing the home page and any other intervening pages.\textsuperscript{123} Framing differs from linking in that it allows a user to view the content of the linked site without leaving the site he or she is currently visiting, by calling up the content of the new webpage within the borders of the page being viewed. The technique enabling framing is similar to that of linking.\textsuperscript{124}

From the first days of the Internet in the 1990s, it was immediately understood that linking (including deep linking techniques) might be regarded as copyright infringement, since it was achieved by copying the linked webpage (at least as a temporary copy).\textsuperscript{125} The analysis of framing, by contrast, is more complex, since no copying necessarily takes place. However, it may involve an infringement of the display right or of the derivative right.\textsuperscript{126} Since, on the one hand, linking and framing are essential aspects of Internet usage, but, on the other, their effect is to loosen copyright owners' control over the dissemination of their works, there was pressure early on to acknowledge a special tailored right specifically for linking and framing, which would avoid having to undertake the complicated legal analysis of whether such acts constitute reproduction, display, or preparation of derivative works under traditional copyright law.\textsuperscript{127} This pressure resulted in the creation of a new right in the copyright bundle, which was codified as the "right of making available" in Article 8 of the World Intellectual Property Organization (WIPO)


\textsuperscript{123} See Tsilas, \textit{supra} note 122, at 86; Strowel & Ide, \textit{supra} note 121, at 407.

\textsuperscript{124} See Tsilas, \textit{supra} note 122, at 86; Strowel & Ide, \textit{supra} note 121, at 407-08.


Copyright Treaty 1996.\textsuperscript{128} Under the Article's provisions, "authors of literary and artistic works shall enjoy the exclusive right . . . of making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them."\textsuperscript{129} Although this right has been recognized under the international WIPO Copyright Treaty, it was not adopted in the United States as part of the Digital Millennium Copyright Act 1998 whose purpose, among others, was the implementation of the Treaty.\textsuperscript{130}

American copyright law has thus not resolved the question of whether linking and framing are indeed copyright infringement when they are not explicitly authorized. In fact, there is little settled law on the issue in the U.S. The scant case law highlights a differentiation between the two types of linking; linking to home pages is regarded as permissible, while deep linking has been viewed as illegal.\textsuperscript{131} While some courts simply refused to accept that linking \textit{per se} constitutes a copyright infringement since there is no actual reproduction,\textsuperscript{132} others were willing to consider contributory liability, since the link provides hypertext markup language (HTML) instructions that direct the user's browser to a website containing the protected content.\textsuperscript{133} Finally, another group of courts undertook a more complicated legal analysis, balancing the interests of content

\begin{itemize}
\item \textsuperscript{128} World Intellectual Property Organization Copyright Treaty art. 8, Dec. 20, 1996, 36 I.L.M. 65, 70 (1997) [hereinafter WIPO Copyright Treaty]; see also Jane C. Ginsburg, \textit{The (New?) Right of Making Available to the Public, in INTELLECTUAL PROPERTY IN THE NEW MILLENNIUM, ESSAYS IN HONOUR OF WILLIAM R. CORNISH} 234, 234 (David Vaver & Lionel Bently eds., 2004).
\item \textsuperscript{129} WIPO Copyright Treaty, \textit{supra} note 128, art. 8; see also FICSOR, \textit{supra} note 127, at 496; JORG REINBOTHE & SILKE VON LEWINSKY, \textit{THE WIPO TREATIES} 109 (2002).
\item \textsuperscript{130} The first title of the Digital Millennium Copyright Act (DMCA) 1998, concerns the implementation of the WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998, and did not include a "right of making available." \textit{See} DMCA, Pub. L. No. 105-304, §§ 101-05, 112 Stat. 2860, 2861-77 (1998) (containing no provisions for the right of "making available"). The DMCA, however, does establish a safe harbor for a website operator referring or linking users to a website containing infringing materials. \textit{See} id. § 202, 112 Stat. at 2881 (codified as amended at 17 U.S.C. § 512(d) (2000)).
\item \textsuperscript{131} \textit{See} 3 NIMMER, \textit{supra} note 21, § 12B.01[A][2]; Tsilas, \textit{supra} note 122, at 87-92.
\item \textsuperscript{132} \textit{See}, e.g., Ticketmaster Corp. v. Tickets.com, Inc., 54 U.S.P.Q.2d (BNA) 1344, 1346 (C.D. Cal. 2000) ("[H]yperlinking does not itself involve a violation of the Copyright Act (whatever it may do for other claims) since no copying is involved. The customer is automatically transferred to the particular genuine web page of the original author. There is no deception in what is happening. This is analogous to using a library's card index to get reference to particular items, albeit faster and more efficiently.")
\item \textsuperscript{133} \textit{See}, e.g., Perfect 10 v. Google, Inc., 487 F.3d 701, 726-29 (9th Cir. 2007).
\end{itemize}
owners and the "freedom of linking" on the Internet. The common explanation for such differentiation is that while linking to a home page does not affect the interests of the website owner, this is not the case with respect to deep linking, which bypasses any advertisements that may be posted on the homepage, thus harming his or her commercial interests. The question is on what legal basis can such differentiation be based? A possible answer might be through the fair use doctrine. This solution was indeed introduced in the case of Kelly v. Arriba Soft Corp. The fair use doctrine can be used for allowing reasonable acts consisting of apparent infringement; however, as will be explained in further detail below, the problem is that the doctrine could be both too narrow, since it rejects acts which might have a negative economic affect on the plaintiff's work, and insufficiently predictable.

Although courts that allow linking do not characterize their reasoning as being based on the implied license doctrine, their decisions are clearly motivated by it. The logical reason for permitting linking is that "the mere presence of a site on the web implicitly grants others permission to link to the home page of that website. Stated another way, linking to home pages has become an intended consequence of--and fundamental to--the nature and operation of the web." This is a legal rephrasing of the fact that linking is essential to the Internet, and as long as it does not interfere unreasonably with the interests of the website owners, it should be allowed. The legal grounds are that posting content on the Internet usually implies a legal presumption of consent to having it linked to. The advantage of the proposed implied license doctrine is that a legal presumption of consent does not represent the intent of the


137. See Kelly, 77 F. Supp. 2d at 1116.

138. See infra notes 163-166 and accompanying text.

139. Tsilas, supra note 122, at 87; see also Strowel & Ide, supra note 121, at 412 ("In our view, it should be considered that the mere fact of posting content on a web site and of participating, therefore, in the immense forum that we call the Internet implies acceptance that others will refer to that content.").

140. See Strowel & Ide, supra note 121, at 412.
copyright owner, and therefore cannot be rebutted by a clear adverse notice forbidding linking or request that only the site's homepage be linked. The rule overrides the actual intent of the site owner, thus infusing reasonableness into Internet activity. Moreover, linking and framing techniques encompass a vast spectrum of situations with respect to the various commercial and non-commercial interests of online content owners, such as the existence or absence of online advertising, the terms and conditions of the services offered by the site, introductory explanations, and so on. Therefore, the question of whether deep linking or framing constitutes an infringement of rights is one of degree, and the statutory presumption of an implied license could be rebutted based on the specific circumstances. As an open standard, the implied license doctrine has the needed flexibility to generate dynamic decisions, on a case-by-case basis.

B. Search Engines

The second example for the potential function of the proposed implied license doctrine involves one of the most fundamental Internet tools—search engines. If linking was the issue of the 1990s, then search engines are the issue of the 2000s. As a certain degree of freedom of operation for search engines is crucial to the Internet, the legal issue is how to overcome the problem of possible copyright infringement. The fair use doctrine goes a certain way toward solving this problem, but other mechanisms are also needed. One of these is an opt-out mechanism. Another is the proposed form of the implied license doctrine, both of which will be discussed below.

1. Search Engines and Copyright

Search engines have become one of the most important online functions. Though it is hard to define search engines, their essence could be described as combining their own knowledge of available online content and user-derived queries to locate content and

141. Id. (stating that "this tacit license may be subject to certain restrictions: some of them result from the nature of the links; others find their source in a notice displayed by the webmaster stating that others may not create links to the site").

142. See Strowel & Ide, supra note 121, at 412-14.

143. In contrast, Strowel and Ide think that framing should always be forbidden, since the implicit consent could not be reasonably assumed with respect to such practice. See id. at 413. It is the view of this author that there is little difference between linking and framing, and both should be allowed, if reasonably not interfering with the legitimate interests of content owners.

144. For a description of how search engines work and their growing importance for the functionality of the Internet, along with the resulting legal difficulties, see James Grimmelmann, The Structure of Search Engine Law, 93 IOWA L. REV. 1, 3 (2007).
providing recommendations to users regarding where to find appropriate content.\textsuperscript{145} Search engines are immensely important. Today, a large portion of Internet traffic flows through search engines. As online content expands, search engines become necessary.\textsuperscript{146} Search engines have been described as the librarians of digital information,\textsuperscript{147} since without their intermediary action, the end-user cannot sort or locate the desired information. The foregoing are sound policy considerations for allowing and enabling the function of search engines and their further development.\textsuperscript{148} However, one of the legal problems that search engines encounter is copyright law.\textsuperscript{149} The problem arises because search engines operate by reproducing web pages, which are then sorted and cataloged. For example, Google’s search engine uses an automated program to locate and analyze available web pages, and stores these pages in a temporary repository called a cache.\textsuperscript{150} Google then automatically provides cached links for pages that are included in its search results, unless instructed otherwise by the website owner.\textsuperscript{151} Other search engines function in a similar fashion. There is thus no doubt that search engines reproduce web pages and all their content, including not only words, but pictures as well, which are typical copyright protected content.\textsuperscript{152} Moreover, transmission of such pictures into the user’s screen probably constitutes a display of those images.\textsuperscript{153} The legal question becomes whether such practice is by definition copyright infringement, or whether it can be regarded as legally permissible, for example, by treating it as falling under the fair use exception of section 107 of the Copyright Act.\textsuperscript{154}

In \textit{Kelly v. Arriba Soft Corp.}, the Ninth Circuit held that defendant’s search engine’s copying of plaintiff’s images, plus the generation of smaller, lower resolution thumbnails from the images

\begin{itemize}
  \item \textsuperscript{145} Id. at 4.
  \item \textsuperscript{146} See id. at 3.
  \item \textsuperscript{147} Id.
  \item \textsuperscript{149} For a comprehensive mapping of the different legal problems posed by search engines, see generally Grimmelmann, \textit{supra} note 144.
  \item \textsuperscript{150} Field v. Google Inc., 412 F. Supp. 2d 1106, 1110 (D. Nev. 2006).
  \item \textsuperscript{151} Id. at 1110-11, 1113.
  \item \textsuperscript{153} Amazon, 487 F.3d at 716-17.
  \item \textsuperscript{154} 17 U.S.C. § 107 (2000).
\end{itemize}
and their display, constituted fair use.\textsuperscript{155} The court concluded that the reproduction was a fair use, since the lower resolution thumbnail images served an entirely different function from the original images; thus, they were sufficiently transformative to meet the standard of the fair use defense.\textsuperscript{156} Furthermore, the court concluded that the use of the thumbnail images was not a substitute for the original images, and thus did not harm the originals' market or their value.\textsuperscript{157} This reasoning is problematic since it connects the fairness of the use to the low quality of images presented by the search engine, suggesting that a search engine's reproduction of full-size, high quality images might constitute infringement.\textsuperscript{158}

On very similar facts, a District Court in California held, in \textit{Perfect 10 v. Google, Inc.}, that Google directly infringed the plaintiff's copyright by creating and displaying on its search engine thumbnail copies of Perfect 10's photographs.\textsuperscript{159} The District Court found that Google's reproductive display competed with the original images and harmed the market for Perfect 10's photographs. Consequently, the fair use defense was not available.\textsuperscript{160} The District Court reasoned that Google's use of thumbnail images was less transformative than Arriba's use of thumbnails in \textit{Kelly}, because Google's use of thumbnails injured Perfect 10's ability to sell its reduced size images for cell phone use.\textsuperscript{161} This specific point was reversed on appeal. The Court of Appeal concluded that "the transformative nature of Google's use is more significant than any incidental superseding use or the minor commercial aspects of

\begin{itemize}
\item \textsuperscript{155} \textit{Kelly}, 336 F.3d at 822.
\item \textsuperscript{156} \textit{Id.} at 818. For the requirement of transformative use as part of the fair use analysis, see \textit{Campbell v. Acuff-Rose Music, Inc.}, 510 U.S. 569, 579 (1994) (holding that the question to be asked is whether the new work "adds something new, with a further purpose or different character, altering the first with new expression, meaning or message"); Leval, supra note 4, at 1111.
\item \textsuperscript{157} \textit{Kelly}, 336 F.3d at 821-22.
\item \textsuperscript{158} Indeed, \textit{Kelly} provides some basis for supporting this conclusion, as the Ninth Circuit reversed in part the district court's decision with respect to fair use of full-size images. Nevertheless, the grounds for this reversal were procedural. See \textit{id.} at 816-17.
\item \textsuperscript{159} \textit{Perfect 10 v. Google, Inc.}, 416 F. Supp. 2d 828, 844 (C.D. Cal. 2006), \textit{aff'd in part, rev'd in part sub nom.} \textit{Perfect 10 v. Amazon.com, Inc.}, 487 F.3d 701 (9th Cir. 2007).
\item \textsuperscript{160} The court found that the thumbnails might harm the potential market for mobile phone downloads of Perfect 10's thumbnail photos. See \textit{id.} at 851 ("On the other hand, Google's use of thumbnails likely \textit{does} harm the potential market for the downloading of P10's reduced-size images onto cell phones.").
\item \textsuperscript{161} \textit{Id.} at 849.
\end{itemize}
Google’s search engine and website. Therefore, the district court erred in determining this factor weighed in favor of Perfect 10.\textsuperscript{162}

These holdings are not surprising. Much has been written on both the unpredictability of the fair use doctrine and on the complex economic analysis required to determine the impact of use of copyrighted work on the work’s actual and potential markets.\textsuperscript{163} The reasoning in \textit{Kelly}, based on economic analysis of the alleged harm to the work’s market, has resulted in contradictory holdings with respect to search engines, focusing on the nuanced circumstances of the business reality of the relevant market (in the case under discussion, images for cell phones). Although the Court of Appeal did emphasize that in reversing the lower court’s decision, it was motivated by its desire to further copyright goals and to acknowledge the importance of search engines,\textsuperscript{164} its final reasoning was nevertheless based on a “micro” fair use calculus and not on “macro” policy grounds.\textsuperscript{165} The clear conclusion is that the fair use defense is not a satisfactory mechanism for permitting search engines to operate, since search engines are based on the use of works in their original form. Such use may be seen as potentially harmful to the market value of the used work, even if it is transformative to some extent (i.e., the work is reduced to another configuration). The final reasoning given by the Court of Appeal in \textit{Perfect 10 v. Google, Inc.}, though eventually concluding in favor of Google’s fair use defense, was, as always, based on the specific facts and circumstances of the relevant market

\textsuperscript{162} \textit{Amazon}, 487 F.3d at 723.

\textsuperscript{163} See supra note 4; James Gibson, \textit{Risk Aversion and Rights Accretion in Intellectual Property Law}, 116 \textit{Yale L.J.} 882, 885-86 (2007) (describing a “doctrinal feedback” loop in which the uncertainty surrounding fair use leads to increased demands for licensing which leads to more standard licensing agreements which leads to diminishment of the fair use doctrine).

\textsuperscript{164} Stating that

[i]n conducting our case-specific analysis of fair use in light of the purposes of copyright, we must weigh Google’s superseding and commercial uses of thumbnail images against Google’s significant transformative use, as well as the extent to which Google’s search engine promotes the purposes of copyright and serves the interests of the public.

\textit{Amazon}, 487 F.3d at 722 (citation omitted).

\textsuperscript{165} The \textit{Amazon} court concluded that

[i]n this case, Google has put Perfect 10’s thumbnail images (along with millions of other thumbnail images) to a use fundamentally different than the use intended by Perfect 10. In doing so, Google has provided a significant benefit to the public. Weighing this significant transformative use against the unproven use of Google’s thumbnails for cell phone downloads, and considering the other fair use factors, all in light of the purpose of copyright, we conclude that Google’s use of Perfect 10’s thumbnails is a fair use.

\textit{Id.} at 725.
in question. 166 This decision, based on fair use, does not provide the certainty needed for the operation of search engines.

2. The Opt-Out Mechanism and the Implied License

Since the fair use doctrine does not provide a comprehensive and definite outcome that would enable search engines to operate relatively free from restrictions, this situation requires a different mechanism. 167 One such possibility is the opt-out mechanism, aimed at allowing activities involving large numbers of copyrighted works which would require obtaining multiple individual permits in advance. 168 As this is a practical possibility, the opt-out mechanism shifts the burden to copyright owners, requiring them to inform the user that he or she cannot use the work. In the absence of such notification, copyright owners are deemed to have permitted such use. 169 For example, Google's search engine automatically scans all web pages, but at the same time it operates a "web-crawler exclusion," under which copyright holders who do not want their material to be scanned and indexed can place a special text file on their web server signaling automated search engines not to index some or all of a website's contents. 170 Today, this is a common method of preventing unwanted copying by search engines. 171

From a broader perspective, the opt-out mechanism is well established in other legal fields, such as contract, 172 privacy, 173 and procedural law. 174 The question is how to incorporate such a scheme into copyright law. One possibility is to include the opt-out

166. Id.
167. See Sieman, supra note 8, at 916-23 (arguing that implied license is a better mechanism for Internet regulation than fair use).
168. See Mattioli, supra note 148, at 4; Sieman, supra note 8, at 888-89.
169. See Mattioli, supra note 148, at 3; Sieman, supra note 8, at 888-89.
171. See Mattioli, supra note 148, at 6.
mechanism as part of the fair use analysis. In such an arrangement, the operation of an opt-out scheme by a user of a copyrighted work would influence the finding that the infringing act falls within the fair use defense.\textsuperscript{175} This acknowledges the existence of an infringement (since an unauthorized reproduction took place), but liability is avoided due to the user's action under the opt-out scheme. Another possibility is that the opt-out scheme succeeds in preventing a finding of an infringement to begin with. This second option is of interest here, since the ability of search engines to operate should not be dependant on the fair use doctrine, due to the uncertainties described above.\textsuperscript{176}

Though the opt-out mechanism is effective, it suffers from two major drawbacks: one pragmatic, and the other theoretical. The practical drawback is that the opt-out mechanism may be easily circumvented by an automatically posted notification stating that the copyright owner objects to any reproduction of the work, including reproduction performed for purposes of the operation of search engines. As to the theoretical drawback, the opt-out mechanism may be seen as contradicting basic principles of copyright law and fundamental aspects of copyright as a traditional property right.\textsuperscript{177} Copyright is the right to exclude unauthorized use of copyrighted work, with authorization being needed in order to escape liability.\textsuperscript{178} Indeed, authors had to affirmatively act in order to protect their copyrights, for example, by the requirement of a copyright notice or registration;\textsuperscript{179} however, such burden was a preliminary requisite for obtaining the right and not for its later possible function as a full proprietary right.\textsuperscript{180} If the right is indeed acknowledged as a property right in its traditional meaning, the doctrine places on the user the

\textsuperscript{175} See Mattioli, supra note 148, at 28.
\textsuperscript{176} See supra notes 155-166 and accompanying text.
\textsuperscript{177} This argument was also raised against Google's suggested opt-out mechanism in the context of its Google Book Search project, whose purpose was to scan the books of major libraries. See Mattioli, supra note 148, at 3.
\textsuperscript{179} See Mattioli, supra note 148, at 19-22 (arguing that since authors have always had to affirmatively act in order to protect their copyright, the introduction of an opt-out scheme does not conflict with the property aspect of copyright).
duty to obtain permission for use.\textsuperscript{181} Nevertheless, there is a growing legal movement proposing that intellectual property rights should be analyzed as a separate concept from tangible property rights.\textsuperscript{182} According to the traditional trespass doctrine, an unauthorized entry to someone’s land is a civil wrong per se.\textsuperscript{183} The “anti-property” movement calls for severing intellectual property law from trespass terminology. The reason for this call is found also in the conflicts in the digital reality, including the one under discussion here, which requires a shift to a general rule allowing use of works in certain cases.\textsuperscript{184} Without entering into an important debate over whether copyright should be understood as a property right in its Blackstonian meaning\textsuperscript{185} or as a more flexible concept, the immediately relevant question is whether there is a legal way to reconcile these conflicting views, and whether there is a pragmatic solution that will achieve the


\textsuperscript{182} See, e.g., Ciolino & Donelon, supra note 180, at 364 (“Although ‘intellectual property’ has long been compared to ‘property,’ and ‘infringement of copyright’ compared to ‘trespass to realty,’ these analogies are problematic because they reflect a fundamental misunderstanding of both the practical and theoretical underpinnings of modern copyright law.”); Mark A. Lemley, Romantic Authorship and the Rhetoric of Property, 75 TEX. L. REV. 873, 902 (1997); Jessica Litman, The Public Domain, 39 EMORY L.J. 965, 970-71 (1990); Peter S. Menell, The Property Rights Movement’s Embrace of Intellectual Property: True Love or Doomed Relationship?, 34 ECOLOGY L.Q. 713, 743 (2007) (“There is little doubt that intellectual property rights can be exclusive. But they need not be and often are not, at least not to the extent associated with real property.”); L. Ray Patterson, Free Speech, Copyright, and Fair Use, 40 VAND. L. REV. 1, 9 (1987).

\textsuperscript{183} RESTATEMENT (SECOND) OF TORTS § 158 (1965) (“One is subject to liability to another for trespass, irrespective of whether he thereby causes harm to any legally protected interest of the other if he intentionally (a) enters land in the possession of another . . . .”); see also Sony Corp. v. Universal City Studios, 464 U.S. 417, 433 (1984) (describing copyright infringer as one who “trespasses” onto the “exclusive domain” of the copyright owner).

\textsuperscript{184} See supra note 182; see also Adam Mossoff, Is Copyright Property?, 42 SAN DIEGO L. REV. 29, 30-31, 39, 42-43 (2005).

\textsuperscript{185} See generally WILLIAM BLACKSTONE, COMMENTARIES ON THE LAW OF ENGLAND (Univ. of Chicago Press 1979) (1766); Robert P. Burns, Blackstone’s Theory of the “Absolute” Rights of Property, 54 U. CHI. L. REV. 67, 67, 73 (1985) (“Blackstone . . . demonstrated that property was an absolute right vested in the individually the immutable law of nature, a law which coincided exactly with the will of God.”).
flexible result without conflicting with the framework of traditional property law.

The implied license mechanism proposed here may achieve such a pragmatic solution by refining the opt-out scheme and thus furthering a flexible proprietary copyright, while avoiding a conflict with the framework of traditional property law. The adoption of the implied license mechanism therefore may bridge the conflicting views, and function as a pragmatic means allowing the operation of search engines as a general rule. Since there is difficulty in incorporating the opt-out scheme as is if the more traditional proprietary nature of the copyright is maintained, the implied license doctrine can be used as a means to fine tune it. According to such a scheme, the copyright owner would be deemed to have licensed the use of his or her work, on policy grounds and regardless of any evidence of his or her explicit intent to the contrary (such as a notice appearing on a website), and the burden would be placed on the copyright owner to inform the specific user that he or she objects to such use despite the implied consent. Thus, there is a legal basis, aside from the opt-out scheme itself, to shift the burden of affirmative consent to the owner of the work. In this way, there is no conflict in operating the opt-out mechanism, which shifts the burden to the proprietary owner, with traditional perceptions of copyright as a property right. The understanding of the implied license as a non-contractual concept is vital in the proposed search engine context. If the implied license doctrine is understood in its common framework as a contractual concept, then the use of the traditional contractual implied license doctrine does not come into play in cases where there is an explicit refusal by the copyright owner to permit any use of the work. Indeed, it could be argued that despite the copyright owner’s notice objecting to any use of the work, his later conduct of merely posting the work online contains, in contract terms, an implied consent to its use. However, a better policy would be to prefer a non-contractual mechanism, as it more accurately reflects the legal reality. The legal assumption leading to the opt-out mechanism is not truly based upon an apparent consent of the copyright owner—there is no true ability to track any assertion by copyright owners on the Internet—but rather on a policy consideration favoring certain online activities, such as the operation of search engines.\(^\text{186}\)

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\(^{186}\) For the importance of search engines, see supra notes 144-149 and accompanying text.
Moreover, this use of the implied license doctrine as a non-contractual concept resolves the pragmatic obstacle, in addition to filling the theoretical gap between the rival camps with respect to the proprietary nature of copyright. Since the doctrine may override any explicit objection to the use of the copyrighted work, it therefore creates the needed legal certainty that is necessary for the operation of search engines. For example, a court may conclude that for the express notification to be legally effective, it has to be provided through the same technology operated by the user, as in Google’s text file mentioned above. Such an outcome could be reached, once again, only through understanding the implied license doctrine in non-contractual terms, without reference to the objective and subjective intent of the copyright owner.

3. Field v. Google

The recent district court opinion Field v. Google, Inc.\textsuperscript{187} is a harbinger of the adoption of the implied license doctrine as a means of infusing reasonableness into copyright law, and in particular as a means of establishing the opt-out mechanism as a workable concept within the framework of copyright law. The court held that Field had granted Google an implied license to copy and distribute Field’s copyrighted works by caching them.\textsuperscript{188} Field had created a website publishing his copyrighted works, and he did not include on his site any notice instructing Google not to cache his web pages.\textsuperscript{189} Field sued Google for copyright infringement, and when Google learned about Field’s complaint, it promptly removed the cached links to all the site’s pages.\textsuperscript{190} It is clear from the facts that Field’s complaint was intended to test the opt-out mechanism.

The court held that “with knowledge of how Google would use the copyrighted works [Field] placed on [his web] pages, and with knowledge that he could prevent such use, Field instead made a conscious decision to permit it.”\textsuperscript{191} Thus, Field’s “conduct [was] reasonably interpreted as the grant of a license to Google for [such] use.”\textsuperscript{192} This reasoning illustrates the need for a legal standard to

\textsuperscript{188.} Id. at 1116. The Court also concluded that the fair use defense was applicable in the circumstances of the case, and relied heavily on Kelly v. Arriba Soft Corp., 77 F. Supp. 2d 1116 (C.D. Cal. 1999). See id. at 1117-22.
\textsuperscript{189.} Id. at 1114.
\textsuperscript{190.} Id. at 1116.
\textsuperscript{191.} Id. at 1116.
\textsuperscript{192.} Field, 412 F. Supp. 2d at 1116.
make the opt-out mechanism workable because, in some cases, the conduct may not be reasonably interpreted as granting a license to search the work. Nevertheless, the court did not take the additional step of explaining that the implied license used in this context was actually a legal metaphor.

Rather, the court created a nuanced traditional implied license doctrine, with the help of a new two-fold test: knowledge of the opt-out scheme and encouragement of the user by conduct to rely on a deemed consent to the opt-out scheme. This test uses the traditional elements of the proprietor's conduct and the user's reasonable reliance on that conduct, similar to estoppel or acquiescence. Furthermore, the Field test, which shifts the burden to the copyright owner, seems to respond to the need to establish a minimal contractual nexus between the parties. However, the test is artificial and vague, and may lead to a chilling effect in search engine operations. In reality, there is no contractual connection between the relevant parties. Since the purpose of the implied license doctrine is ultimately to design rules of behavior in cyberspace, such rules should emerge from the judicial standard of reasonability and not from the deemed consent of the parties. Policy considerations require acceptance of the opt-out mechanism as the online standard, and the legal means to adopt such a rule into copyright law is the implied license legal metaphor.

C. Sales of Software and Other Digital Works

A third category of common practices in the digital age that raises a complicated legal question is sales of works in digital format. In this case, too, the various conflicting interests prevent the development of a clear and sound rule. And here, too, the proposed implied license doctrine may reconcile the tensions, by introducing a legal mechanism that encompasses a clear default rule and flexibility for fine tuning this rule on a case-by-case basis.

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193. Id.; Sieman, supra note 8, at 914-15.
194. For such traditional elements as part of the implied license doctrine, see supra notes 14-16 and accompanying text.
195. See Sieman, supra note 8, at 914.
196. In contrast, Sieman proposes to expand the Field test, so that the “knowledge” requirement would include constructive knowledge based on industry customs. See id. at 915-16.
1. Shrinkwrap Licenses

   a. Background

   In the first generation of sales of digital works, the transfer of the work was accomplished by means of physical copies, such as CD. In this situation, standard copyright law applied. A purchaser enjoyed full ownership over the physical asset he acquired, including the right to dispose of his property (under the first sale doctrine) and to use it in a reasonable and normal way (under the implied license doctrine). The software industry was particularly concerned about potential consequences stemming from both doctrines. With regard to the first sale doctrine, the fear was that after a copy of the software was sold and installed on the owner’s computer, the owner could transfer the copy, whether for free or for consideration. This situation was new as far as copyright law was concerned, since previously an owner of a copy of a work who gave or sold his copy was left with nothing. But now, further circulation of a copy meant its further reproduction, an act which the copyright owner wished to control. The first sale doctrine needed to be revised to include a “delete before transfer” policy, which, however, contradicted the principle that under the first sale doctrine no restrictions may be placed regarding the disposition of the copy.

   The software industry’s solution was to establish the familiar practice of selling software licenses. The legal principle underlying the sale of software licenses is that what is acquired is not the physical good, but is actually the license to use the software contained within the physical good. The physical copy itself remains under the ownership of the copyright owner. Consequently, the first sale doctrine does not apply, and the copyright owner is free to restrict the use of the copy. This novel legal construction also went a long way to overcome the second fear of the software industry: the use of the traditional implied license doctrine, as part of the first sale doctrine, in

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197. For the first sale doctrine and its accompanying implied license in its traditional function, see supra Part II.B.1.
198. See 2 NIMMER, supra note 21, § 8.12[B][1][d][i].
200. Microsoft Corp. v. DAK Indus., 66 F.3d 1091, 1095-96 (9th Cir. 1995); 2 NIMMER, supra note 21, § 8.12[B][1][d][i]; Ryan J. Casamiquela, Electronic Commerce: Contractual Assent and Enforceability in Cyberspace, 17 BERKELEY TECH. L.J. 475, 493 (2002).
order to allow different manipulations with respect to the software. The software licensing solution provided an answer for this concern too, since the copyright owner can impose, by means of the license, terms and conditions for the use of the copy, defining what is a reasonable and a normal use, thus restricting unwelcome manipulations. The terms of the software licenses cover issues such as whether the purchaser is allowed to install the software more than once, whether he or she is entitled to “repair” the software, modify it to make it compatible with other software, and other similar issues, all of which lie at the heart of computer related copyright concerns. As § 117 grants the software copy’s owner the right to make both archival copies and copies (in RAM) necessary in order for the program to run, and that there is suggestion that § 117 gives such owners the right to reverse engineer and modify their copies to the extent necessary for the programs to run on their particular computer, the question whether the consumer purchased a contractual license or a copy—thus, being an “owner” is crucial.

The central argument raised by consumers is that in order to shift the legal relationship between a software purchaser and the copyright owner to a contractual licensing regime, there must be a valid contract. This argument gave birth to the familiar practice of requiring the purchaser of a software copy to perform one of a variety of different actions that constitute contractual “acceptance,” such as tearing the wrap off the copy (the “shrink wrap license”) or clicking acceptance in the installation process (the “click wrap license”). These licenses impose specific restrictions on use, reproduction, transfer, and modification of the software program by consumers, and are aimed to give the software owner a breach of contract claim if the restrictions are violated. In the case of ProCD, Inc., v. Zeidenberg, the Seventh Circuit Court of Appeals held that shrinkwrap licensing agreements included with off-the-shelf software products are valid contracts, and that the Copyright Act does not preempt the

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201. 17 U.S.C. § 117 (2000); 2 NIMMER, supra note 21, § 8.08[B][1][c].
202. 2 NIMMER, supra note 21, § 8.08[D].
203. MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 518 n.5 (9th Cir. 1993), (holding that because plaintiff licensed its software, the defendant’s customers did not qualify as “owners” of the software and were not eligible for protection under § 117); 2 NIMMER, supra note 21, § 8.08[B][1][c].
enforcement of such contracts. The court found that a contract had been validly formed by the purchaser's conduct, even though the specific terms of the bargain were not disclosed until after the sale. The holding generated considerable academic debate, in part with respect to the preemption issue, and in part with respect to the contractual implications and the potential effect on consumers. In regard to the contractual implications of the decision, critics argue that the terms of use reflect neither the end-result of a bargaining process nor the consent of the consumers, since the latter are normally unaware of the terms of the license, and that consequently it is a standardized contract and treated as such under law. But, regardless of the aspect of ProCD, Inc., v. Zeidenberg that critics emphasized, they ignored the relevance of the first sale doctrine. Perhaps this was because ProCD, Inc., v. Zeidenberg did not refer to the basic motivation of the software licensing practice, which is to circumvent the first sale doctrine, and in this manner, chose to impose contractual restrictions which might otherwise be in conflict with copyright law (for example, by restricting preparation of archival copies and copies that are necessary in order for the program to run, even when such uses are allowed by copyright law). Generally speaking, courts have tended to accept the licensing practice as a valid practice and to ignore the relevance of the first sale doctrine to this situation. As a

206. Id. at 1450-51.
207. The copyright holder may use the license to extend copyright-like protection such as attempts to restrict a user's ability to reverse engineer the program. However, courts have held that reverse engineering is fair use and thus permitted under section 107 of the Copyright Act. Litigants have thus claimed that copyright holder's attempts to extend copyright-like protection via contractual means contradicts § 107 and should be preempted. See, e.g., Brian Covotta & Pamela Sergeeff, ProCD, Inc. v. Zeidenberg, 13 BERKELEY TECH. L.J. 35, 48-51 (1998); Brandon L. Grusd, Contracting Beyond Copyright: ProCD, Inc. v. Zeidenberg, 10 HARV. J.L. & TECH. 353, 363-66 (1997); Mark A. Lemley, Beyond Preemption: The Law and Policy of Intellectual Property Licensing, 87 CAL. L. REV. 111, 139-43 (1999); David Nimmer et al., The Metamorphosis of Contract Into Expand, 87 CAL. L. REV. 17, 42-50 (1999).
209. See Elkin-Koren, supra note 208, at 1180-81.
211. Id.
212. See, e.g., Adobe Sys., Inc. v. One Stop Micro, Inc., 84 F. Supp. 2d 1086, 1091-92 (N.D. Cal. 2000) (holding that "[l]icenses allow the software industry to distribute products that
result, when they set out to interpret the license, their approach is based on the assumption that the license is valid.

b. Overcoming Shrinkwrap Licenses through the Implied License Mechanism

There are few exceptions to the unanimous acceptance of software licensing practices and the dismissal of the relevance of the first sale doctrine in this context. Nonetheless, it is still appropriate to mention three examples of proper analysis. The first is *Softman v. Adobe*, in which the court held that a commercial transaction between a software producer and a distributor was actually a disguised sale and not a purported "licensing" of goods. The court looked at the economic reality of the exchange, and noted that the distributor paid in full for the merchandise and accepted the risk of

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reflect market demands and the property interests of the information owner in a much more precise and helpful way than would sales of copies of the software."); 2 *Nimmer*, *supra* note 21, § 8.12[B][1][d][i].

213. For example, in *Lexmark Int'l Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004), "Lexmark [sold] discount toner cartridges for its printers that only Lexmark could refill and that contained a microchip designed to prevent Lexmark printers from functioning with toner cartridges that Lexmark had not refilled." *Id.* at 529. A "shrinkwrap" license on each cartridge box spelled out these restrictions. *Id.* at 530. The court explained the basis for the suit:

In an effort to support the market for competing toner cartridges, Static Control Components (SCC) mimicked Lexmark's computer chip and sold it to companies interested in selling remanufactured toner cartridges.

Lexmark brought this action to enjoin the sale of SCC's computer chips . . . [claiming] that SCC's chip copied Lexmark's Toner Loading Program in violation of federal copyright [law].

*Id.* at 529. The court held that there was no copyright infringement for various reasons not directly relevant to the present discussion (such as the non-copyrightability of Lexmark's software). *Id.* at 537-41. However, according to Judge Feikens,

consumers did not have an implied license to use the copyrightable TLP beyond the first re-fill of the Prebate cartridge. With the assumption that the shrinkwrap agreement was valid and enforceable (I believe Lexmark can demonstrate a likelihood of success on that question), I would conclude consumers' implied license to use the copyrighted TLP did not extend beyond the first re-fill of the Prebate cartridge.

*Id.* at 563 (Feikens, J., concurring in part, dissenting in part). In other words, the only Judge to refer to the implied license doctrine dismissed it in light of the overriding shrinkwrap agreement. Assuming that the shrinkwrap agreement was valid, the court allowed the agreement to restrict actions which probably would have been permitted had the shrinkwrap agreement been invalidated. This occurred because if the shrink-wrap agreement had been invalidated, the general first sale doctrine would have applied, and would have prevented any limitations on reasonable use of the copyrighted work, including refills.

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214. 2 *Nimmer*, *supra* note 21, § 8.12[B][1][d][i].


216. *Id.* at 1086-87; see Casamiquela, *supra* note 200, at 493-94.
any subsequent damage to the copies. On this evidence, the court found that a "first sale" had occurred, and that the producer transferred ownership to the buyer despite provisions to the contrary in the license.  

The second example is Novell, Inc. v. Network Trade Ctr., Inc. There, the software owner made the familiar argument that it retained ownership of the product in question since the shrinkwrap license included with each copy was binding, and it granted authorized purchasers only a license to use the software. The court rejected the argument, holding that:

Transactions making up the distribution chain from Novell through NTC to the end-user are "sales" governed by the U.C.C. Therefore, the first sale doctrine applies. It follows that the purchaser is an "owner" by way of sale and is entitled to the use and enjoyment of the software with the same rights as exist in the purchase of any other good. Said software transactions do not merely constitute the sale of a license to use the software. The shrinkwrap license included with the software is therefore invalid as against such a purchaser insofar as it purports to maintain title to the software in the copyright owner.

The third example is the recent decision in Vernor v. Autodesk, Inc. In this case, the plaintiff bought AutoCAD software from different vendors, and resold it on eBay. All original AutoCAD software is sold with an accompanying license which explicitly prohibits any transfer of all or part of the software to any other person without the prior written consent of the copyright owner. This license is accepted by the acquirer of the software either in the form of a shrinkwrap license or in traditional form (a written license that the purchaser signs). The issue was, therefore, whether the resale of the software infringed AutoCAD's copyright. The court held that in order to answer the question whether the first sale doctrine applied, it first needed to determine whether there had been a first sale of the software. The court began its analysis by stating that there was "[n]o bright-line rule distinguish[ing] mere licenses from sales," and eventually concluded that in cases where the purchaser retains

217. Softman, 171 F. Supp. 2d at 1083, 1085-86.
219. Id. at 1230.
220. Id.
222. Id. at 1165-66.
223. Id. at 1168.
224. Id. at 1169.
possessing the software in exchange for a single up-front payment, a "sale" has taken place, and the purchaser is regarded as the "owner" of the copy for purposes of invoking the first sale doctrine.\textsuperscript{225} The court also concluded that subsequent purchasers of software are not bound by the terms of the license between the copyright holder and the first licensee, since the license, under its own terms, is nontransferable.\textsuperscript{226}

These three holdings emphasize the fact that courts are using contract law in order to fix an unwelcome copyright practice, since all three opinions stress contractual arguments in order to conclude that the transfer of copies constituted a "full" sale. These decisions bring us back to the proposed implied license mechanism. Bearing in mind the relevance of the first sale doctrine to the practice of using shrinkwrap licenses, the proposed implied license doctrine can be used in these contexts, with no need to invoke concepts drawn from contract or consumer laws. The implied license doctrine, in its metaphoric sense, prevents circumvention of the first sale doctrine. Under the implied license doctrine, the transfer of possession of the copy necessitates the conclusion that ownership of the copy was transferred, regardless of any claim by the owner that there has been no disposition of ownership of the tangible copy and that no restrictions on its use have been imposed and accepted. The strong policy considerations supporting this outcome are discussed by the critics of \textit{ProCD, Inc. v. Zeidenberg}.\textsuperscript{227} Consequently, as the purchaser of the software copy is regarded as its "owner," there are certain actions he or she may take with respect to it. Some of them are codified in § 117 of the Copyright Act,\textsuperscript{228} while others may be

\begin{itemize}
\item \textsuperscript{225} \textit{id.} at 1172 (rejecting the holding in \textit{Mai Sys. Corp. v. Peak Computer, Inc.}, 991 F.2d 511 (9th Cir. 1993) and following the decision in \textit{United States v. Wise}, 550 F.2d 1180, 1187 (9th Cir. 1977)).
\item \textsuperscript{226} \textit{id.} at 1176.
\item \textsuperscript{227} \textit{See supra} notes 207-208.
\item \textsuperscript{228} Nimmer also criticizes the pitfalls of software licensing. He proposes to ignore the licensing disguise and to view the software vending as transfer of ownership of the goods, which thus falls within the § 117 exceptions. \textit{See 2 NIMMER, supra} note 21, § 8.08[B][1][c] ("For these purposes, whether the software vendor calls its subject contract a "license" or a "bill of sale" is immaterial. What matters instead is whether the erstwhile "licensee" owns a copy of the computer program. If so, then Section 117 comes into play.") However, Nimmer does not provide a clear explanation for the legal basis on which he proposes to ignore the contractual framework imposed by the owner. One possible contractual explanation is that based on the exchange of money for the physical object, one can ascertain objective evidence of the seller's intent to transfer ownership of the copy. \textit{id.} at n.71. The basis for this reasoning may be found in \textit{Sofiman Prods. Co., LLC v. Adobe Sys., Inc.}, 171 F. Supp. 2d 1075, 1086-87 (C.D. Cal. 2001). Another explanation is based on constitutional grounds. \textit{See generally} Nimmer, Brown &
permitted as reasonable actions accompanying ownership of goods (such as repair of the copy). The function of the implied license metaphor in this context illustrates its force, using the intrinsic copyright set of considerations and balances with no need to import external concepts from contract law or even consumer law.\textsuperscript{229} It is not a matter of limiting the contract on the grounds that there is no meeting of minds, or that the license is not binding downstream purchasers since it is nontransferable by its own terms, or even that there is a standard form that should be limited according to consumer law. Rather, the elimination of unwarranted restrictions could be achieved by means of the implied license, which originates from copyright law itself. The evolution of the first sale doctrine, through the proposed analysis, is thus coherent, and it enables further induction to similar developments in software sales practices, as illustrated in the following section.

2. Transmission of Digital Copies

Things become more complicated when considering the second generation of software sales, including other digital works. Nowadays, software is sold as a digital file, usually through transmissions on the Internet; there is no transfer of physical asset incorporating the digital work to which a hypothetical contract could be attached. In electronic transmissions there is no digital copy that is “moved” from one computer to another. Instead, the original remains on the hard disk of the transmitting computer and a new copy is generated on the receiving computer. This form of commerce thus raises the question of whether such sales fall within the ambit of the first sale doctrine.\textsuperscript{230} This problem is not unique to software sales—it exists with respect to all digital works, such as music and films, and therefore the need for a clear legal standard is acute.\textsuperscript{231} The first sale doctrine merely limits a copyright owner’s selling and distribution rights. It has never granted the owner of a copy the right to reproduce that copy and subsequently to distribute the second generation copies. This distinction is fundamental to understanding the debate

\textsuperscript{229} For the fear that copyright law would become a branch of consumer law, see Lemley, \textit{supra} note 207, at 112.


\textsuperscript{231} See 2 \textsc{Nimmer}, \textit{supra} note 21, § 8.12[E]; Mencher, \textit{supra} note 230, at 47-48.
underlying application of the first sale doctrine to digital transmissions over the Internet.\textsuperscript{232} If the first sale doctrine applies, then after the first transmission the copyright owner can no longer control further distribution of the digital file, even though it would be done through reproduction. In contrast, if the first sale doctrine does not apply, since reproductions are involved in the course of distribution, then the question is whether the copyright owner can enforce a condition of "forward and delete," in order to prevent the creation of copies of the software.\textsuperscript{233} It should also be noted that currently there is no available technology to ensure simultaneous deletion with the transfer.\textsuperscript{234}

In 2001, the United States Copyright Office issued its § 104 Report as mandated by the Digital Millennium Copyright Act (DMCA) on whether the first sale doctrine applies to digital transmissions.\textsuperscript{235} The Copyright Office recommended that the doctrine \textit{not} be extended to digital transmissions for several reasons stemming from the difference between physical and digital copies.\textsuperscript{236} For example, a digital transfer creates a perfect replica of the original copy, whereas the quality of physical transfers degrades over time.\textsuperscript{237} Furthermore, since the user's ability to create additional copies is not limited, there is the potential for the user to compete in the market with the copyright owner, which would undermine basic copyright goals.\textsuperscript{238} The report, however, is not binding on courts or on Congress, and the question is whether the first sale doctrine has

\begin{itemize}
\item \textsuperscript{232} See Mencher, \textit{supra} note 230, at 52.
\item \textsuperscript{233} See 2 NIMMER, \textit{supra} note 21, § 8.12[E]; Mencher, \textit{supra} note 230, at 57-58.
\item \textsuperscript{234} See Mencher, \textit{supra} note 230, at 64.
\item \textsuperscript{235} DMCA 104 REPORT, \textit{supra} note 199.
\item \textsuperscript{236} \textit{Id} at 87-88, 91.
\item \textsuperscript{237} \textit{Id} at 82.
\item \textsuperscript{238} The 104 report states that because the underlying purpose of the first sale doctrine is to ensure the free circulation of tangible copies, it simply cannot be said that a transformation of section 109 to cover digital transmissions furthers that purpose. The concerns that animate the first sale doctrine do not apply to the transmission of works in digital form.
\end{itemize}

\textit{Id} at 87-88 (citation omitted). The report concludes:

\begin{itemize}
\item \textsuperscript{[i]}t appears likely that expanding section 109 would encourage infringement of the reproduction right, either in the mistaken belief that the provision allows a user to retain a copy of a work after it has been transmitted one or more times, or in the belief that the defense can be asserted in bad faith to defeat, or at least complicate, an infringement lawsuit. And unlike Napster, the activity would not rely on a central server, so both the infringing activity and the evidence of infringement would be decentralized and therefore difficult to detect and remedy.
\end{itemize}

\textit{Id} at 99.
already been extended to cover digital formats, and on what
grounds. Digital transmissions pit the user’s interest in freedom to
transmit a purchased digital work against the interests of the owner in
being protected from the potentially disastrous economic
consequences of such freedom, and the possibility of undermining the
incentive to invest in the creation of new works. Since the interests of
both users and owners are worth protecting, an all or nothing rule that
extends (or not) the first sale doctrine to digital transmissions is not
welcome. But there are situations where the digital transmission is
reasonable, is part of the normal use of the digital work, and has no
serious economic consequences affecting the market for the work. In
such cases transmission should be allowed. The question is on what
legal basis such permission could be based.

One possibility is to extend the legal framework that governed
first-generation software sales to cover new digital sales, adapting the
shrinkwrap license to the current situation and acknowledging the
validity of the license that is attached to the transmitted digital
copy, although it might be restricted by contract or consumer laws.
However, the obstacles in operating such legal solutions are the same
as those posed by the shrinkwrap license in first generation software
sales: one might ask whether a restriction preventing further transfer
of the software should not be treated by reference to the laws
governing standard forms. Another possibility to overcome
contractual restrictions would be to apply the proposed implied
license mechanism. As explained above, such mechanism is intended
not only to broaden the first sale doctrine, but it is a legal metaphor
permitting the introduction of reasonableness into copyright law.
Thus, it could be reasoned that the transmission of digital copies is
only a new variation on the sale of physical copies, such as CDs.
Since there is no longer a meaning to the ownership of the “original”
tangible copy of a digital work, and all digital copies are of equal
quality, then the vendor simply transmits a digital copy to the
purchaser, and the transaction is treated as if the purchaser purchased
a tangible copy. This is the implied understanding accompanying

239. 2NIMMER, supra note 21, § 8.12[E].
240. With respect to digital copies of musical works, the typical example is of a purchaser
who wishes to transfer a copy to another device in order to be able to listen to the work while on
the road. With respect to software, the transfer might occur in order to permit repair or
adaptation of the software to the systems used by the purchaser, or, as in the case of musical
works, in order to transfer a copy of the software to a laptop.
241. For such a proposal, see, e.g., Casamiquela, supra note 200, at 476.
242. For legal metaphors, see supra notes 90-104 and accompanying text.
every digital transmission. It is a logical outcome, since otherwise the purchaser who acquired the software through digital transmission would enjoy rights that are lesser than those of the purchaser who acquired a tangible copy. To conclude, using Judge Easterbrook's reasoning in ProCD, Inc., v. Zeidenberg, this legal rule is justified by an economic analysis of law, since it furthers efficiency by encouraging electronic commerce and eliminating obstacles by accommodating legal reality to the technological one. It is also reasonable to assume that vendors would not be interested in creating a distinction based on the technicalities of its delivery to the customer. The software product is the same, and it should be covered by the same legal standard, regardless of whether it was purchased in a bricks and mortar store or online. However, since the purpose of the implied license is to provide a reasonableness standard in copyright law, in appropriate cases a court may reject the default rule for policy considerations, and conclude that a certain action taken by a specific user with respect to a particular transmitted digital work does not fall within the implied license standard.

VI. CONCLUSION

Copyright law must be adapted to the digital environment. Common practices on the Internet, such as linking, using search engines, and sales of digital copies, are not yet settled under law. The adaptation of copyright law to digital contexts is made, and should continue to be made, through developments of open standards norms that transfer the final determination of the legal standard to the courts on a case-by-case basis. This evolution is inevitable, since the web of interests and consideration requires a flexible mechanism that will enable the evolution of a rule subject to exceptions. The fair use doctrine, although it is the most obvious candidate for balancing the conflicting interests and for preventing rigid enforcement of copyright, is not always available due to its limits and its complex case law. This article discusses a proposed new open standard norm which has the potential for reconciling contemporary conflicts in copyright law. The proposed mechanism is the implied license doctrine in the form of a new concept emerging from the traditional use of the doctrine in intellectual property law.

Intellectual property law acknowledges the use of the implied license mechanism as a means to introduce reasonableness and logic into law. But the use of this mechanism is limited to the traditional framework of contractual, or at least quasi-contractual, relations. The implied license doctrine functions as a gap filler, introducing a new
term which the parties intended (subjectively or objectively) to include. Supplementing contracts with subjective intent tracks the true intention of the parties, while objective intent ascribes intention to the parties according to the reasonableness measurement under the specific circumstances. Thus, the implied license mechanism is not relevant in the absence of any contractual relation whatsoever, and it could be easily avoided by posting a clear notice of the parties’ intent. This is the advantage of the proposed new mechanism: the implied license should be understood and used as a non-contractual doctrine, as a means of imposing terms based on copyright law policy considerations. In this way the doctrine is no longer connected to contractual contexts, and it may override any contrary assertion of the parties. Therefore, the proposed use of the term “implied license” is more of a legal metaphor, since it has little to do with traditional contract law, and it is completely within copyright law. This evolution of the implied license doctrine fits well with the development of copyright law, in which new open standards stem from more limited traditional concepts as a reaction to technological and societal challenges.

According to the proposed mechanism of the implied license doctrine, the doctrine could function as a general rule permitting beneficial new online activities and practices. Nevertheless, since permission would be granted on a case-by-case basis, the general rule favoring those practices could be limited in appropriate circumstances. The basic philosophy underlying the proposed implied license doctrine is that a copyright owner that includes his works online is deemed to have accepted online rules of conduct, despite any contrary assertion, and such rules are based on policy considerations acknowledging the essence of online dissemination of information. Such policy considerations are also intended to increase reasonability in reconciling copyright conflicts in digital contexts. Thus the implied license doctrine could function alongside the fair use doctrine, arming courts with a mechanism for further adapting copyright law to reality.