

**PUSH AND PULL IN THE GLOBAL ARENA:
HOW BUSINESSES HAVE RESPONDED TO EXPANSION OF RIGHTS WITH
RESTRICTIVE CONTRACT PROVISIONS**

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I. INTRODUCTION

Global trade in the Internet era has subjected American companies to provisions of moral rights under foreign law that are far different from copyright law under United States federal law. Copyright law in the United States originates from the Statute of Anne in England, which “gave the author of works then existing, *or his assigns*, the sole right of printing for” a period.¹ Moral rights, however, recognize an interest that is separate and distinct from the copyright and is not transferred with the assignment of the copyright.²

Europe has a tradition of moral rights, rights that focus on the reputation and integrity of the work, rather than merely the economic aspect of the work.³

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¹ RICHARD ROGERS BOWKER, COPYRIGHT: ITS HISTORY AND ITS LAW 24 (1912) (emphasis added).

² Harry Hansmann & Marina Santilli, *Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis*, 26 J. LEGAL STUD. 95, 95 (1997).

³ See Susan P. Liemer, *On the Origins of Le Droit Moral: How Non-Economic Rights Came To Be Protected in French IP Law*, 19 J. OF INTELL. PROP. L. 65 (2011).

For example, France recognizes a right of publication, attribution, integrity, disclosure, and withdrawal.⁴

Individual states have considered or adopted individual moral rights that exist beside federal copyright law. Alternately, companies have attempted to expand their rights through restrictive license terms that attempt to use contract law to trump copyright or moral rights laws.

II. CONFLICT BETWEEN FOREIGN OR STATE LAWS AND UNITED STATES COMPANIES

The right to be forgotten is an evolution of the right of withdrawal that is taking root in Europe. The right of withdrawal allows an author to determine when a work should be removed from the public sphere, the converse of a right to publish being the right not to publish.⁵ A right to be forgotten extends the right of withdrawal, enabling a party to remove information that refers to the party, rather than information produced by the party.⁶ With California considering a version of the right to be forgotten, the idea could extend throughout the United States before long. American companies, however, are already dealing with the effects of European adoption of the right of withdrawal as applied to the global Internet.

⁴ *Id.* at 70.

⁵ *Id.* at 71.

⁶ *E.g., Google Fights Spanish Privacy Order in Court*, BBC NEWS, Jan. 20, 2011, <http://www.bbc.co.uk/news/technology-12239674>.

A. SPAIN'S RIGHT TO BE FORGOTTEN

Spain has passed a law that gives its citizens the “right to be forgotten.”⁷

Spain’s data protection agency, the AEPD, requires companies, including American companies such as Google, to remove information about its citizens.⁸

“The general argument is what we call ‘derecho al olvido,’ the kind of right to be forgotten, and it’s based on the right of every single individual and citizen has to claim for his or her data to be used in a proper manner,” said Paloma Llaneza, a data protection lawyer representing some of the plaintiffs. “Just to explain it in a very simple way, when you are Googling someone and you are finding some information, what we ask is to delete, or to make not available that information through Google.”⁹

Spain demanded that Google respond to eighty-eight cases that involve search results from its index.¹⁰ For example, a plastic surgeon in Spain demanded that Google remove a link to a newspaper story reporting his arrest and charge of criminal negligence because the article did not include information about the surgeon’s acquittal.¹¹ Rather than order the websites that contain reports of the

⁷ *Id.*

⁸ *Id.*

⁹ Lauren Frayer, *Privacy Challenge—Google, Spain, and Right to Forget About It*, OUTLOOKSERIES.COM, Feb. 2, 2011, http://www.outlookseries.com/A0998/Services/3947_Privacy_Challenge_Google_Spain_Right_Forget_About_It.htm.

¹⁰ *Google Fights Spanish Privacy Order in Court*, *supra* note 6.

¹¹ Ciaran Giles, *Internet ‘Right to be Forgotten’ Debate Hits Spain*, BOSTON.COM, Apr. 20, 2011, http://www.boston.com/news/world/europe/articles/2011/04/20/internet_right_to_be_forgotten_debate_hits_spain/?page=full.

In Google searches, the first link that pops up is his clinic, complete with pictures of a bare-breasted woman [sic] and a muscular man as evidence of what plastic surgery can do for clients. But the second link takes readers to a 1991 story in Spain’s leading El Pais

man's arrest to update their pages with updated information, the AEPD ordered Google to remove these pages from their search index.¹² However, to maintain the integrity of the index, Google does not manipulate results.¹³ When Google refused to comply with the AEPD's request, the agency filed for an injunction in Spanish court to enforce the law.¹⁴

The European Union is considering enacting a right to be forgotten that would apply to all member nations.¹⁵ Supporters have tied the right to be forgotten to concerns about user privacy and data portability.¹⁶ In the United States, however, there is an important distinction between the rights of users to content that they control and rights to content posted by others.¹⁷ While the first is governed under United States law by privacy statutes and copyrights, the

newspaper about a woman who sued him for the equivalent of euro5 [sic] million for a breast job that she said went bad.

Id.

¹² *Google Fights Spanish Privacy Order in Court*, *supra* note 6.

¹³ Google even rejected a request to remove search results made by its own CEO, Eric Schmidt, who did not understand why information regarding his political donations appeared in searches for his name. STEVEN LEVY, *IN THE PLEX: HOW GOOGLE THINKS, WORKS, AND SHAPES OUR LIVES* 175 (2011) (anecdote discussed in *This Week in Google 92: You're a Tip, I'm a Tool*, TWiT, Apr. 27, 2011, <http://twit.tv/twig92> at 27:55-29:41).

¹⁴ *Google Fights Spanish Privacy Order in Court*, *supra* note 6.

¹⁵ Joe Mullin, *Europe Is Debating a 'Right To Forget' Law—So What Does That Mean?*, PAIDCONTENT, Mar. 18, 2011, <http://paidcontent.org/article/419-europe-is-debating-a-right-to-forget-law-so-what-does-that-mean/>.

¹⁶ Viviane Reding, Vice-President of the European Commission responsible for Justice, Fundamental Rights, and Citizenship, Building Trust in Europe's Online Single Market Speech at the American Chamber of Commerce to the EU (June 22, 2010), *available at* <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/327>.

In the recent public consultation on the review of the data protection rules, we were told that there should be “*a right to be forgotten*.” We need to look more closely at this idea. *More control also means being able to move your data from one place to another, and to have it properly removed from the first location in the process.* If I have my precious photos stored somewhere in the cloud, what happens if I want to change to another provider?

Id. (emphasis in original).

¹⁷ See Mullin, *supra* note 15.

second is protected by the First Amendment from interference by third parties, even if the information relates to those third parties.¹⁸

In order to respect the sovereignty of Spain, Google may be forced to remove the information from Google's Spanish site.¹⁹ Although Spanish citizens would be able to access results by visiting another version, such as the main google.com site, this solution should satisfy Spanish regulators.²⁰ This would be consistent with Yahoo!'s restriction of "Nazi related propaganda and Third Reich

¹⁸ *Google Fights Spanish Privacy Order in Court*, *supra* note 6.

Google lawyer Luis Javier Aparicio Falon told the court . . . [that] "[s]earch engines are a fundamental part of the information society, and it would be attacking freedom of expression."

. . . . Peter Barron, Google's director of external relations, . . . [stated that] "[r]equiring intermediaries like search engines to censor material published by others would have a profound chilling effect on free expression without protecting people's privacy."

Id.

Despite these protections, the right to retain data lawfully collected in the United States is also being challenged based on the *Video Privacy Protection Act*. Joe Mullin, *Is Netflix's Practice of Retaining Information About Ex-Customers Legit?*, PAIDCONTENT, Mar. 17, 2011, <http://paidcontent.org/article/419-is-netflixs-practice-of-retaining-information-about-ex-customers-legit/> (citing *Comstock v. Netflix Inc.*, No. 11-cv-01218-HRL (N.D. Cal. filed Mar. 11, 2011), which will interpret the practice of retaining user's video queue after a Netflix account has been terminated in light of the *Video Privacy Protection Act*, which requires "[a] person subject to this section shall destroy personally identifiable information as soon as practicable, but no later than one year from the date the information is no longer necessary for the purpose for which it was collected" 18 U.S.C. § 2710(e).

¹⁹ Google España, <http://www.google.es> (last visited Jan. 2, 2013). The "es" top level domain is designated for Spain. Network Solutions, Register Country Code and International Domain Names for Your Global Brand, <http://www.networksolutions.com/domain-name-registration/country-specific-domain.jsp> (last visited Jan. 2, 2013).

²⁰ Frayer, *supra* note 9.

[Paloma Llana, attorney to some of the Spanish plaintiffs, stated:] "But the truth is, we very much care about privacy and about data protection . . . [—]nd especially because Google is addressing its services to the Spanish country. They are using a dot-E-S domain name, they are translating everything into Spanish[,] and they are tailoring their services for our country. So[,] they have to be prepared to comply with Spanish law—that's all."

Id.

memorabilia” on Yahoo!’s French auction site.²¹ While the French court ordered Yahoo! to “eliminate French citizens’ access to web pages on Yahoo.com displaying [offending material],”²² the United States court refused to “enforce a foreign order that violates the protections of the United States Constitution by chilling protected speech that occurs simultaneously within our borders.”²³ Thus, France exercised authority over yahoo.fr but was unable to censor yahoo.com.

B. GERMANY’S RIGHT TO A BLURRY WORLD

Google ran afoul of another European Union member, this time through Google Street View. The company launched Google Maps in February of 2005.²⁴ In May 2007, Google added a feature called Street View that provides pictures taken from the street near the spot designated on the map.²⁵ Germany’s privacy law, called Verpixelungsrecht by commentators, which loosely translates to “right to be pixelated,” requires that Google provide users with the option to opt out of

²¹ Yahoo!, Inc. v. La Ligue Contre le Racisme et l’Antisémitisme, 169 F. Supp. 2d 1181, 1185 (N.D. Cal. 2001).

²² *Id.* at 1184.

²³ *Id.* at 1192.

²⁴ Bret Taylor, *Mapping Your Way*, OFFICIAL GOOGLE BLOG, Feb. 8, 2005, <http://googleblog.blogspot.com/2005/02/mapping-your-way.html>. Google Maps grew out of the acquisition of Where 2 Technologies in October 2004. Jemima Kiss, *Secrets of a Nimble Giant*, THE GUARDIAN, June 17, 2009, <http://www.guardian.co.uk/technology/2009/jun/17/google-sergey-brin>. The mapping application includes satellite imagery through integration with Google Earth, which was created from the acquisition of Earthviewer from Keyhole Inc. in 2004 and released as Google Earth in June 2005. Wikipedia, *Google Earth*, http://en.wikipedia.org/wiki/Google_Earth (last visited Jan. 2, 2013); see Peter Birch, *Earth View Comes to Google Maps*, GOOGLE LAT LONG BLOG, Apr. 26, 2010, <http://google-latlong.blogspot.com/2010/04/earth-view-comes-to-google-maps.html>.

²⁵ Cars, Trikes, and More: Google Maps–Street View, <http://maps.google.com/help/maps/streetview/technology/cars-trikes.html> (last visited Jan. 2, 2013); Wikipedia, *Timeline of Google Street View*, http://en.wikipedia.org/wiki/Timeline_of_Google_Street_View (last visited Jan. 2, 2013); see Video: Google Maps Street View Launch Video (May 29, 2007), available at <http://www.youtube.com/watch?v=91wuBqlny50>.

the Google Street View.²⁶ Germany objected to the inclusion of photographic data because of concerns for citizens' privacy.²⁷ Google states on its Street View privacy page that "Street View contains imagery from public roads that is no different from what you might see driving or walking down the street."²⁸ Google attempted to placate German officials by offering an opt out option to the service.²⁹ Houses of those that elected to opt out were pixelated, similar to the process Google previously undertook on faces and license plates.³⁰ Of course, some Germans want the power of Google Street View, even going so far as to vandalize houses that requested blurring.³¹

After Germany complained, other countries began to question whether Google Street View deserved greater scrutiny.³² Many countries responded to the revelation that Google Street View cars, in addition to taking pictures, also accidentally collected "personal data from unsecured wi-fi networks, including whole e-mails, addresses[,] and phone numbers."³³ Canada, Czech Republic, and

²⁶ Jeff Jarvis, *Germany, What Have You Done?*, BUZZ MACHINE, Nov. 2, 2010, <http://buzzmachine.com/2010/11/02/germany-what-have-you-done/2>.

²⁷ *Navigating Controversy: Google Launches Street View Germany*, SPIEGEL ONLINE, Nov. 18, 2010, <http://www.spiegel.de/international/business/navigating-controversy-google-launches-street-view-germany-a-729793.html>.

²⁸ Google Maps, Street View Privacy, <http://maps.google.com/help/maps/streetview/privacy.html> (last visited Jan. 2, 2013).

²⁹ *German Street View Goes Live with Enhanced Privacy*, BBC NEWS, Nov. 2, 2010, <http://www.bbc.co.uk/news/technology-11673117>.

³⁰ *Id.*; Google Maps, Street View Privacy, *supra* note 28.

³¹ Lizzie Schiffman, *German Vandals Throw Eggs at Houses that Opt Out of Google Street View*, POPULAR SCIENCE, Nov. 24, 2010, <http://www.popsoci.com/technology/article/2010-11/german-vandals-googles-cool-privacy-ist-nicht>.

³² *Thousands of Germans Opt Out of Google Street View*, BBC NEWS, Oct. 21, 2010, <http://www.bbc.co.uk/news/technology-11595495>.

³³ *Id.* Italy requested that Google notify the government before rolling out the service. *Id.*

South Korea have all put limitations on Google.³⁴ Spain was particularly concerned about the collection of personal data from wi-fi networks.³⁵ Following an investigation of the privacy implications, Google ceased collecting Street View data in Australia.³⁶ Despite judicial approval for street view photographs in Germany, Google has decided not to obtain new photographs to update their German version of Street View.³⁷

C. CALIFORNIA'S BLURRING BILL

In 2009, California considered a law that would have limited mapping services' ability to show satellite or street view images of "a building or facility in this state that is identified on the Internet Web site by the operator as a school or place of worship, or a government or medical building or facility, unless those photographs or images have been blurred."³⁸ Assemblyman Anderson, who

³⁴ *Id.*

In mid-October Canada's privacy commissioner said Google's accidental gathering of personal data while snapping images amounted to a "serious violation" of its privacy laws.

In September, the Czech government banned Google from taking any new photos for the service.

In August, authorities in South Korea raided Google's offices prior to the switch-on of a version for the nation.

Id.

³⁵ *Spain Investigates Google Street View Wi-fi Snooping*, BBC NEWS, Aug. 17, 2010, <http://www.bbc.co.uk/news/technology-11000854>.

³⁶ Chloe Herrick, *Google: Street View Cars No Longer in Operation in Australia*, COMPUTERWORLD, Oct. 29, 2010, http://www.computerworld.com.au/article/366213/google_street_view_cars_no_longer_operation_australia/.

³⁷ Erica Ho, *Alas, There Will Be No More Google Street View in Germany*, TIME, Apr. 11, 2011, <http://techland.time.com/2011/04/11/alas-there-will-be-no-more-google-street-view-in-germany/>; Matt McGee, *Google Has Stopped Street View Photography in Germany*, SEARCH ENGINE LAND, Apr. 10, 2011, <http://searchengineland.com/google-has-stopped-street-view-photography-germany-72368>.

³⁸ Charles Cooper, *California Lawmaker Wants to Blur Google Earth*, CNN, Mar. 11, 2009, http://articles.cnn.com/2009-03-11/tech/google.earth.censor.california_1_google-earth-online-mapping-site-or-online-service.

proposed the bill, generated support by using fear of terrorists exploiting the data.³⁹ Anderson “cited examples of websites such as Google Maps helping terrorists in attacks in Mumbai . . . [and] . . . Hamas us[ing] Internet mapping sites to locate children’s centers” in Israel.⁴⁰ Anderson believed that the rest of the United States would follow suit after California provided the example.⁴¹ Though the bill never passed, it demonstrates a willingness of some legislators to consider blocking public information—a baby step on the road to the right to be forgotten.

III. EROSION OF FIRST SALE PROTECTIONS

While governments consider adopting certain moral rights through statute, American businesses push to expand ownership rights by leveraging contract law rather than copyright law. If companies are successful in redefining the ownership relationship through contract terms, the purchasers may be unable to rely on copyright protections, like the first sale doctrine, to check the power of the seller.

A. COPYRIGHT LAW AND THE FIRST SALE DOCTRINE

The Constitutional grant of power to promote creativity and supply material for the public domain empowered Congress to pass copyright laws. Copyright laws create a limited exclusive right for creators while retaining the

³⁹ Sasha Lekach, *California Bill Proposes Blurring Online Satellite Pictures*, THE CALIFORNIA AGGIE, Mar. 11, 2009, <http://theaggie.org/article/2009/03/11/california-bill-proposes-blurring-online-satellite-pictures>.

⁴⁰ *Id.*

⁴¹ *Id.*

rights after the copyright term for the public benefit. Furthermore, the law includes various exceptions that secure reasonable use during the copyright period for scholarly work, parody, or fair comment. Another provision, referred to as the first sale doctrine, provides for the resale of a work without permission of the copyright holder. The first sale doctrine is based on the balance of incentives required to encourage production of the original artwork.⁴² In contrast, the moral rights view is that regardless of the incentive, the moral right is an extension of the artist's personality.⁴³

B. LICENSE VERSUS SALE

The first sale doctrine under copyright law may have far less significance in the future. The *Vernor v. Autodesk* case moves copyright infringement action away from property law under first sale doctrine and toward contract doctrine with licenses. This gives copyright holders the power in determining what resale rights are available to consumers. This, however, also has the impact of bringing United States law closer to European law, which has never embraced the idea of a first sale doctrine.

Timothy Vernor purchased copies of Autodesk's AutoCAD software and resold these copies through eBay.⁴⁴ Autodesk places a great deal of restrictions

⁴² Vincent Chiappetta, *The Desirability of Agreeing to Disagree: The WTO, TRIPs, International IPR Exhaustion and a Few Other Things*, 21 MICH. J. INT'L L. 333, 380 (2000).

⁴³ Adolf Dietz, *The Moral Right of the Author: Moral Rights and the Civil Law Countries*, 19 COLUM.-VLA J.L. & ARTS 199, 213 (1995).

⁴⁴ *Vernor v. Autodesk Inc.*, 621 F.3d 1102 (9th Cir. 2010).

on the software through the Software License Agreement (SLA) that is included with every copy of their software.⁴⁵ AutoDesk wrote the SLA in a way that confers a license rather than ownership of the software in order to support the greatest level of restriction on the software.⁴⁶ For this reason, AutoDesk believed that they could control the resale of their software through the terms of the End User License Agreement (EULA).

The district court had found in favor of Vernor because AutoDesk did not have the right to control subsequent sales of its software under the first sale doctrine.⁴⁷ The Ninth Circuit, however, ruled that the first sale doctrine did not apply to secondary sales of AutoDesk's software because the software had been licensed rather than sold.⁴⁸ The court's analysis focused on the extent of restrictions in the SLA.⁴⁹ "[B]ecause Autodesk reserved title to Release 14 copies and imposed significant transfer and use restrictions, [the Ninth Circuit] conclude[d] that its customers are licensees of their copies of Release 14 rather than owners."⁵⁰ Thus, AutoDesk could control the resale of its software.

C. MICROSOFT'S ATTEMPT TO CONTROL SOFTWARE RESALE

AutoDesk is not the first company to attempt to control resale through the license agreement. Microsoft includes license terms for its products inside the

⁴⁵ *Id.* at 1104.

⁴⁶ *Id.*

⁴⁷ *Id.* at 1111.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.* at 1112.

box containing the software.⁵¹ The company also has very restrictive software return policies designed to prevent abuse and piracy.⁵² When Microsoft discovered that David Zamos was reselling his student copy of Microsoft Windows on eBay after being unable to return the software in its closed box, the industry giant filed a notice under the *Digital Millennium Copyright Act (DMCA)* to interrupt the sale.⁵³ To comply with the *DMCA* takedown notice, eBay suspended Zamos's auction.⁵⁴ Zamos used the counterclaim provision of the *DMCA* to have his auction reinstated and posted the terms of Microsoft's resale policy in order to clarify that his sale was not violating copyright law.⁵⁵ Zamos, however, did not understand that Microsoft included special conditions on educational software that restricted resale further.⁵⁶ Furthermore, Zamos could not qualify as a "qualified end user," the type of user that has the right to sell under Microsoft's resale policy without signing the licensing agreement contained inside the software box.⁵⁷

⁵¹ Denise Grollmus, *Kill Bill: Microsoft's Army of Lawyers Was No Match for a Kid from Kent State*, CLEVE SCENE, Mar. 30, 2005, <http://www.clevescene.com/cleveland/kill-bill/Content?oid=1490131>.

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.* "The software had never been opened, and Microsoft had made a return impossible. [Zamos had] researched the company's resale policy and understood himself to be a 'qualified end user.' But he could [not] be fully aware of the licensing agreement, since it only appears when the software is loaded." *Id.* Furthermore, loading the software would have constituted acceptance of the license agreement. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996).

Microsoft responded to Zamos's reinstated sale by suing.⁵⁸ Zamos began researching the allegations in the complaint, finding that Microsoft had simply modified a boilerplate complaint from prior suits.⁵⁹ Zamos could not understand why he was being accused of causing "irreparable injury to its business reputation and goodwill . . . [by having] . . . pirated or stolen . . . software, falsely represented Microsoft, reproduced its trademark, . . . repackaged its goods, [or engaged in] unfair competition"⁶⁰

Zamos spent his Christmas vacation assembling a [twenty-one] page counterclaim . . . citing more than [twenty] other cases, including a New Kids on the Block lawsuit, where the boy band . . . lost, since the publishing company was simply using their titles to describe the songs, just as Zamos was using the Microsoft name when he described the software he was selling.⁶¹

When Microsoft explained that Zamos could not qualify as a "qualified end user" without having signed the agreement contained in the box, Zamos changed tactics to allege unfair business practices, perjury, emotional distress, defamation, unconscionable consumer practices, abuse of process, and fraud.⁶² When Zamos included a request for jury trial, Microsoft decided to push for

⁵⁸ Microsoft Corp. v. Zamos, No. 04-cv-02504 (N.D. Ohio dismissed without prejudice Mar. 11, 2005); Grollmus, *supra* note 51.

⁵⁹ Grollmus, *supra* note 51.

⁶⁰ *Id.* "Microsoft purposely established and maintained a sales and distribution system whereby rightful rejection and return of merchandise that is substantially non-conforming is either impossible or practically impossible due to the ineptness of its employees, unconscionable policies[,] malicious intent[,] and deceptive practices" Ashlee Vance, *Chem Student Tames Microsoft's Legal Eagles*, THE REGISTER, Mar. 11, 2005, http://www.theregister.co.uk/2005/03/11/ms_zamos_ebay/.

⁶¹ Grollmus, *supra* note 51.

⁶² *Id.*

settlement.⁶³ Zamos utilized the power of the press to gain leverage in the negotiation even though the terms are confidential under the settlement.⁶⁴ As part of the settlement, both sides dropped their claims, including Zamos's claims of unfair business and unconscionable consumer practices.⁶⁵

D. CALIFORNIA'S RE SALE ROYALTY ACT BRINGS

DROIT DE SUITE TO THE UNITED STATES

California's *Resale Royalty Act* imports a moral rights doctrine from Europe to limit the ability of an owner to resell their property. France recognizes the *droit de suite* right, which gives a royalty to artists when their artwork is resold.⁶⁶ The state of California has adopted the *droit de suite* under *The California Resale Royalty Act*.⁶⁷ The *Act* requires that sellers in California "shall pay to the artist of such work of fine art or to such artist's agent [five] percent of the amount of such sale."⁶⁸ Although the artist may assign his interest, his right "may be waived only by a contract in writing providing for an amount in excess of [five] percent of the amount of such sale."⁶⁹

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ Code de la Propriété Intellectuelle art. L122-8 (Fr.). Liemer, *supra* note 3.

⁶⁷ CAL. CIV. CODE § 986 (West 2007).

⁶⁸ *Id.* The statute only applies to subsequent sales of the piece with a "gross sales price" more than \$1,000 during the artist's life that make the seller a profit. § 986(b).

⁶⁹ *Id.*

Sellers have challenged the constitutionality of the *Act* because it conflicts with the right to resell under the first sale doctrine.⁷⁰ The *Act*, however, was originally upheld as not preempted by federal copyright law because it does not directly prevent sales of artwork despite making sales subject to a five percent royalty.⁷¹ The Ninth Circuit relied on the fact that the right did not attach a lien to the property nor did it create secondary liability for the buyer.⁷² The court was unwilling to recognize that diminishing the amount of profit that a subsequent seller can extract would limit his or her ability to sell the artwork.⁷³

Challengers have also claimed that the *Act* violates the Contracts Clause of the United States Constitution; however, the *Act* was upheld because it does not unreasonably restrict the ability to contract.⁷⁴ In order to violate the Contracts Clause, the law must create “an impairment that is severe, permanent, irrevocable and retroactive and which serves no broad, generalized economic or social purpose,” which the Ninth Circuit held this act does not.⁷⁵

Finally, the *Act* withstood a Due Process challenge because the *Act* was held to have a rational basis.⁷⁶ Unless an act implicates a fundamental right, states may implement laws so long as they have a legitimate purpose and are

⁷⁰ *Morseburg v. Balyon*, 621 F.2d 972 (9th Cir. 1980).

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.* at 978.

⁷⁴ *Id.* at 979.

⁷⁵ *Id.* The court concluded: “If impairment there be, which we are not prepared to concede, it is not of that magnitude. The obligation of the appellant created by the California Act serves a public purpose and is not severe. Under these circumstances[,] the California Act survives a Contracts Clause challenge.” *Id.*

⁷⁶ *Id.* at 978.

rationally related to that purpose, which is a fairly low standard to achieve.⁷⁷ The court relied on the tradition in France to establish that resale royalty rights serve a legitimate purpose.⁷⁸

The Ninth Circuit will likely revisit the issue soon because last year a district court held in favor of defendants who argued the law cannot extend to sales made outside of California.⁷⁹ The district court used the Ninth Circuit's own reasoning in *Morseburg* to determine that the *Act* has a substantial effect on interstate commerce, and, therefore, the Dormant Commerce Clause prevents California from regulating the sale.⁸⁰ In this case, the first sale doctrine overcame the moral right implementation.⁸¹ However, this result was based on federal power to regulate interstate commerce; nothing would prevent a federal *droit de suite* from implementing a resale royalty nationally and destroying the first sale doctrine from coast to coast.

IV. CONCLUSION

Moral rights continue to make headway in the United States. Despite our history of copyright doctrine, American companies will continue to face legal challenges in moral rights countries. Furthermore, Congress and the courts have

⁷⁷ *City of New Orleans v. Dukes*, 427 U.S. 297, 303 (1976).

⁷⁸ *Id.* The court believed they “would ignore a national characteristic were we to say that an act modeled upon French law lacked a rational basis. . . . Moreover, the California Act is neither arbitrary nor capricious. In its present form it does not affect fundamental rights.” *Id.*

⁷⁹ *Estate of Robert Graham v. Sotheby's, Inc.*, 2012 WL 176544 (C.D.Cal. May 17, 2012).

⁸⁰ Jonathan Pink, *The Art of Ending an Act: An End to the California Resale Royalties Act*, June 14, 2012, <http://www.jonathanpinkesq.com/the-art-of-ending-an-act-an-end-to-the-california-resale-royalties-act>.

⁸¹ *Id.*

left some room for individual states to adopt moral rights doctrines without being preempted by federal copyright law unless they attempt to cross state borders.

The troublesome portent, however, comes from rights holders rather than legislators. Utilizing contract doctrine, companies are increasing control over products, including restricting resale, despite the existence of the first sale doctrine as law. By creative licensing, companies will make the limitations on copyrights less important. This may lead to general acceptance of the ideas behind moral rights. That, in turn, could lead to adoption of moral rights either de jure or de facto.

Either way, the encroachment on the rights of users will be extended as far as possible, unless users fight back. The trend towards restrictive licensing terms will likely accelerate as goods and services transition to digital—after all, Zamos had a box containing the software to resell. The issue becomes more complicated if users purchase a digital download or a registration key. If users revolt from these aggressive practices, then the industry will respond with better terms to create competitive advantage. If users ignore the value in their own control, however, then companies will compete effectively by reducing user control. That could, over time, spell the slow death of the first sale doctrine.