

You Bought It, But Do You Own It?

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What happens when you buy a book?

You can...

- ✓ Read it
- ✓ Lend it
- ✓ Sell it
- ✓ Give it away
- ✓ Use as doorstop

What happens when you buy an e-book?

You can...

- ✓ Read it
- ~ Lend it
- ☒ Sell it
- ☒ Give it away
- ✓ Sync devices
- ☒ Use as doorstop

What happens when you buy a DRM-free e-book?

You can...

- ✓ Read it
- ✓ Lend it
- ✓ Sell it
- ✓ Give it away
- ✓ Sync devices
- ☒ Use as doorstop

You may...*

- ✓ Read it
- ~ Lend it
- ✗ Sell it
- ✗ Give it away
- ✓ Sync devices
- ✗ Use as doorstop

*In most cases.

Why?

Sale vs. license

Physical Products

- Sale
- Copyright rights
- Store is a seller
- User is a buyer
- Publisher and seller cannot restrict rights

Digital Downloads

- License (EULA)
- Store's Terms of Use
- Store is a licensor
- User is a licensee
- Publisher and seller can set whatever rights they want

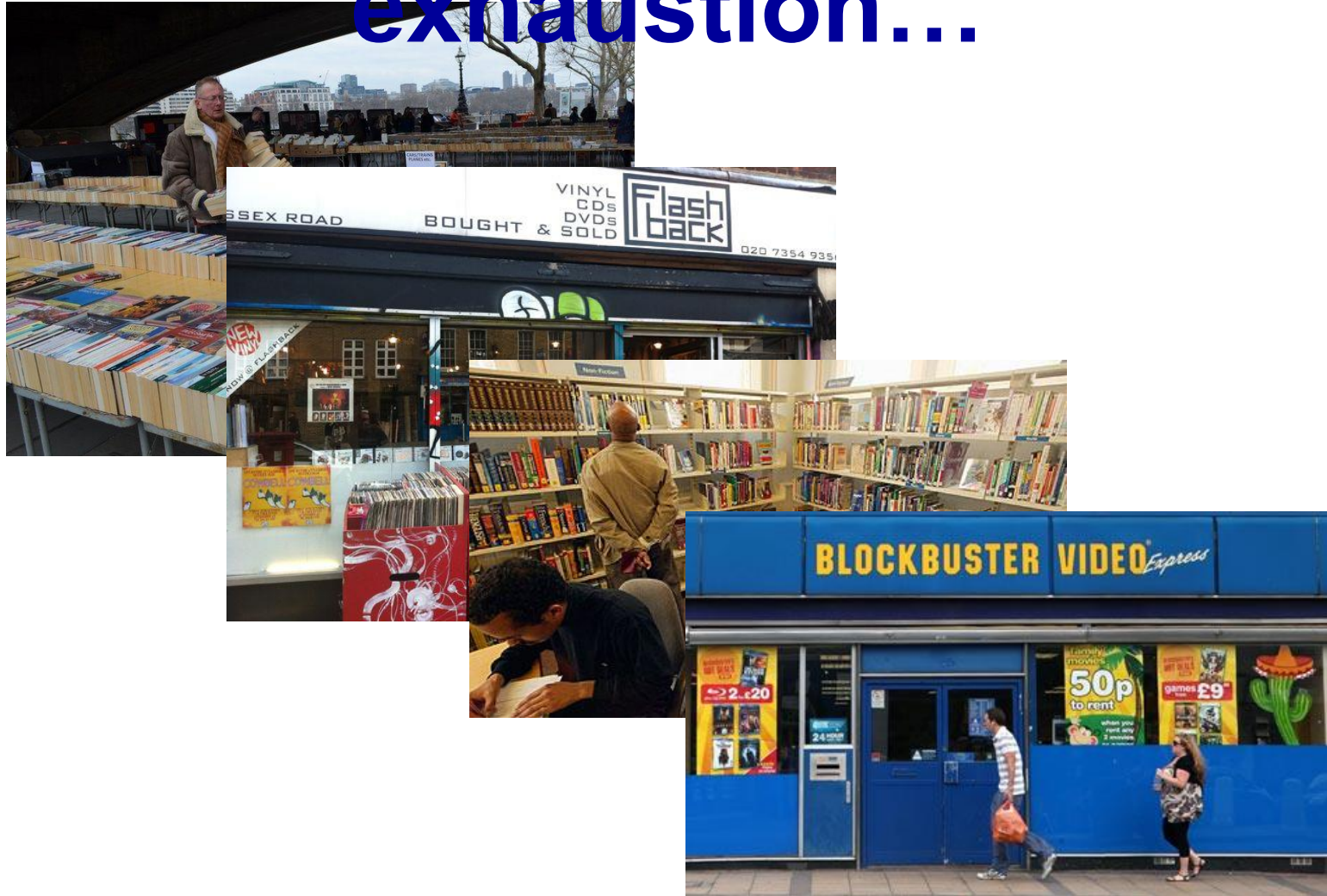
Amazon's Terms of Use Kindle e-books

- "... the Content Provider grants you a non-exclusive right to view, use, and display such Kindle Content an unlimited number of times, solely on the Kindle or a Reading Application ... solely for your personal, non-commercial use. **Kindle Content is licensed, not sold, to you by the Content Provider.**"

Copyright exhaustion

- Buyer of work can do what she wants with it
- Copyright holder has no further control
- Known in the US as the First Sale Doctrine
- Law applies to physical items e.g. books & DVDs
- Resale of software now deemed legal in EU
- Applicability to e-books untested

Thanks to copyright exhaustion...



Digital exhaustion a/k/a digital first sale

- ✓ Read it
- ✓ Lend it
- ✓ Sell it
- ✓ Give it away
- ② Sync devices
- ✗ Use as doorstop

Sounds great...

**...but do we* really want
this?**

*Authors, publishers, distributors, retailers

It's coming...

(12) **United States Patent**
Ringewald

(10) **Patent No.:** **US 8,364,595 B1**
(45) **Date of Patent:** **Jan. 29, 2013**

(54) **SECONDARY MARKET FOR DIGITAL OBJECTS**

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(73) Assignee: **Amazon Technologies, Inc.**, Reno, NV (US)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 531 days.

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G06F 17/30 (2006.01)
G06F 21/20 (2006.01)

(52) **U.S. Cl.** **705/51**; 705/1.1; 705/59; 726/4; 726/26; 707/600; 707/E17.005; 707/E17.055

(58) **Field of Classification Search** 705/1.1, 705/51, 59; 726/4, 26; 707/600, E17.005, 707/E17.055

See application file for complete search history.

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(57) **ABSTRACT**

An electronic marketplace for used digital objects is disclosed. Digital objects including e-books, audio, video, computer applications, etc., purchased from an original vendor by a user are stored in a user's personalized data store. Content in a personalized data store may be accessible to the user via transfer such as moving, streaming, or download. When the user no longer desires to retain the right to access the now-used digital content, the user may move the used digital content to another user's personalized data store when permissible and the used digital content is deleted from the originating user's personalized data store. When a digital object exceeds a threshold number of moves or downloads, the ability to move may be deemed impermissible and suspended or terminated. Additionally or alternatively, a collection of objects may be assembled from individual digital objects stored in the personalized data stores of different users, and moved to a user's personalized data store.

Two possibilities...

- **Digital first sale is legal**
Anyone can resell anything
without permission
- **Digital first sale is not legal**
Reseller can get permission
from copyright holder

If law recognizes digital first sale...



If law recognizes digital first sale...

- Marketplaces will appear
- Big e-retailers will add resale
- Don't forget eBay
- Price will be the only differentiator
- Digital resale will be a must-have

Disruptive implications

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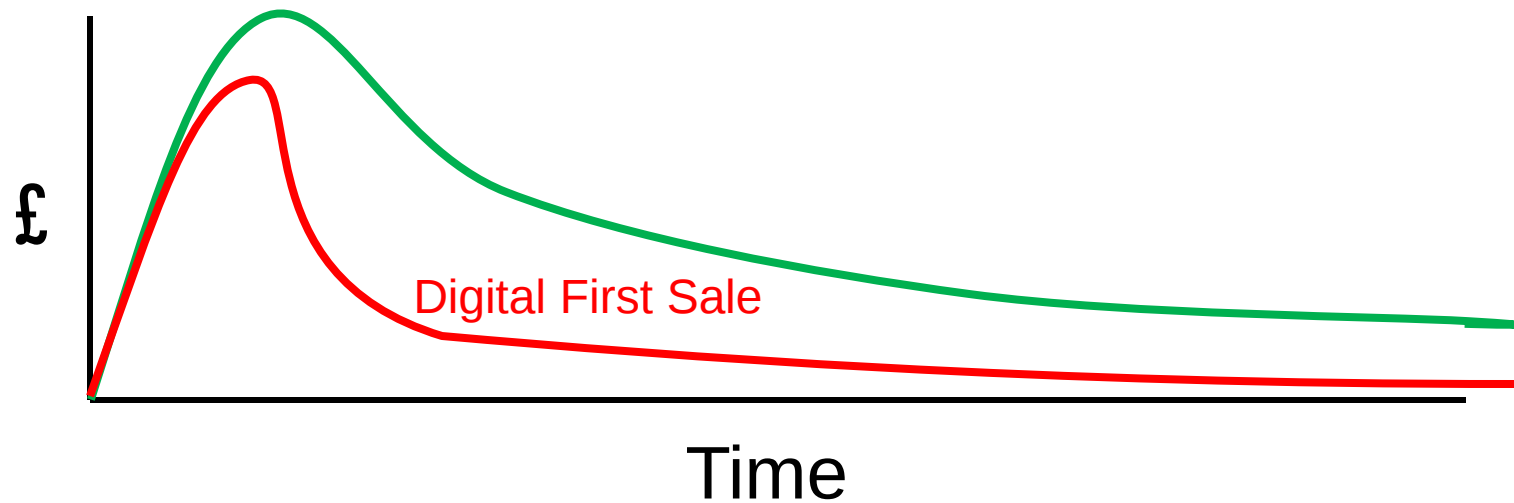
Publisher gets revenue

Publisher gets no revenue

AUTHORS: PUBLISH WITH US.

New: earn royalties from our Resellers' Network!

Frontlist revenue



But:

A US court says no

- ReDigi: “Used digital music” startup
- Resell your music bought on iTunes
- Capitol Records (UMG) sued
- Federal Judge found in favor of Capitol
- ReDigi will appeal



Who Wins and Who Loses?

A First Guess

Winners

- Consumers
- Authors
- Publishers
- Retailers that sell “used”
- Retailers that don’t sell “used”
- Libraries

Losers

Questions and Discussion?

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