

Software That You Own . . . But Can't Sell?

By Jason Whitney

Every business inevitably acquires an assortment of software, which is typically upgraded or replaced over time. So when a company purchases updated software or migrates to new software, can the old software be sold to recoup part of the costs? The answer is, surprisingly: not always.

Consider the case of *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010). There, Cardwell/Thomas & Associates (“CTA”) upgraded to a new version of AutoCAD and sold several used AutoCAD CDs to Vernor at an office sale. Vernor made a business of selling items on eBay and attempted to auction the AutoCAD software. Autodesk (the software vendor) stopped Vernor’s sales, and Vernor eventually sought a court order declaring his right to sell the AutoCAD CDs. On appeal, the Ninth Circuit concluded that Vernor could not lawfully sell the AutoCAD software because CTA could not lawfully sell the AutoCAD software. The court held that CTA was a licensee, not an owner, since the software agreement reserved “title to the software” in Autodesk, “imposed significant transfer restrictions,” “imposed use restrictions,” and “provided for termination of the license upon the licensee’s unauthorized copying.” So neither CTA nor Vernor was entitled to sell the old software. (If, at this point, you are wondering whether CTA was sued, rest assured that it was: “Autodesk brought suit in federal district court against CTA for these sales. The parties stipulated to entry of a permanent injunction against CTA from directly or contributorily infringing Autodesk’s copyrights.”).

The reason that businesses (and individuals) cannot always sell their software is that virtually every piece of software contains some chunk of copyrighted code. And, unlike many other types of property, federal law governs copyrights and imposes special and sometimes counterintuitive rules on copyright transactions. Under federal law, whether or not copyrighted software is salable turns on whether the software agreement grants a substantive passing of ownership or a mere license. And how do you know if you actually own the software or are merely a licensee? The only way is an examination of the specific terms of each software agreement (and even then, the answer may not be clear).

So remember—just because you purchase and “own” software does not mean that you are entitled to sell it.