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**SEMIANNUAL LETTER – NO. 1**

**– SIX MONTHS OF ECJ CASE LAW –  
COPYRIGHT & RELATED RIGHTS**

**JANUARY-JUNE 2012**

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## INTRODUCTION

### **Why a semiannual newsletter on ECJ case law on copyright and related rights?**

We think that by now, for an understanding and anticipation of evolution of copyright and related rights, one needs to identify and analyse the positions adopted by the European Court of Justice (ECJ).

An in-depth knowledge of ECJ case law has become essential for two reasons: a quantitative one, since the number of rulings has increased exponentially, but above all, a qualitative one, since the Court now issues the principles of interpretation and the definitions of the essential notions on the subject, such as originality, communication to the public, etc.

The acknowledgement and comprehension of these decisions constitute a complex exercise for a lawyer involved in a hectic daily routine: unlike the rulings of the Court of Cassation, the decisions of the Court of Justice are often not very concise. Moreover, most frequently, this latter court makes its arguments by reference to previous decisions, without always explaining the scope of its references and progressively shifts its own interpretations.

In order to capture this phenomenon, on 27 March 2012, our practice organised a morning session notably dedicated to the methods of reasoning of the Court.

By way of an extension of this event, it seemed useful to us to offer a newsletter to our clients, friends and network, which was exclusively dedicated to the decisions issued by the Court of Justice in our fields. This newsletter aims not to replace the reading of the rulings, but to propose the guidelines necessary for understanding them.

We have made the following choices:

- Half-yearly frequency, in order to be constantly up-to-date while providing sufficient material;
- Two forms of presentation: a summary by themes on an identical plan for each newsletter, accompanied by keywords, in order to promote understanding and then a chronological presentation, in order to facilitate memorisation;
- For each ruling, a summary and an assessment of the scope of the decision.

Considering the particular expertise of the practice in copyright and related rights, we have chosen *a priori* not to present the rulings made specifically in other related areas, albeit which may have an impact on our activities, such as brands, patents and privacy. These are nevertheless often of interest, since they may be applicable to copyright and related rights. Having established this rule, we thus reserve the right to make exceptions.

We would be grateful for any comments or criticisms which will enable us to improve our letter. We would also be delighted to discuss these fascinating subjects with you!

We hope you enjoy reading this newsletter and will be back in February 2013.

**THEMATIC PRESENTATION OF RULINGS**

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ECJ, 15 March 2012, Società Consortile Fonografici (SCF) / Marco Del Corso, Case C-135/10  
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**4. Contracts – collective rights management**

(Reserved)

**5. Enforcement - sanctions**

ECJ, 16 February 2012, SABAM / Netlog, Case C-360/10  
Hosting provider - Filtering - Freedom to conduct business - Protection of personal data and freedom of information

ECJ, 19 April 2012, Bonnier Audio, Earbooks et al. / Perfect Communication Sweden, Case C-461/10  
Protection of intellectual property - Personal data

**CHRONOLOGICAL PRESENTATION AND SUMMARIES OF RULINGS**

**1. ECJ, 9 FEBRUARY 2012, MARTIN LUKSAN / PETRUS VAN DER LET, CASE C-277/10**

Reference for a preliminary ruling from the Austrian court: Handelsgericht Wien [Commercial court of Vienna]

*Topic: director as original author, presumption of assignment of rights from the director to the producer, fair compensation payable under the private copying exception*

**European Union law acknowledges in general to the director the primary ownership of all of the author's rights to the film (and not only the special prerogatives cited in the directives). Member states may provide for systems of legal assignment of rights to the producer, provided that they are rebuttable. The right to fair compensation payable under the private copying exception vesting in the principal director of that work may not be assigned contractually to the benefit of the producer.**

Mr. Luksan, the director, had assigned his author's rights for a documentary film entitled "Fotos von der Front" to a producer, Mr. Van der Let. A dispute arose regarding the domain of the assigned rights and the beneficiary of the right to fair compensation payable under the private copying exception. On this occasion, several preliminary questions were referred to the Court regarding the extent and enforceability of the assignment against the director.

The Court initially indicates that on account of the provisions of European Union, the director of a cinematographic audiovisual work benefits in any case from the status of author of such a work (unlike other co-authors which member states are free to designate). As author, he is the original owner of all of the rights to exploit the work, including reproduction right, satellite broadcasting right and any other right of communication to the public through the making available to the public, which were those at issue in the main proceedings. The Court adds that a member state may not adopt legislation which would allocate those exploitation rights by operation of law exclusively to the producer of the work in question, even though Article 14 bis of the Berne Convention permits this, as this provision is contrary to European Union law. The Court indeed considers that allocating those rights to the producer would deprive the director of his of his lawfully acquired property right, acknowledged by Article 17, paragraph 1 of the Charter of Fundamental Rights of the European Union, with this article also protecting intellectual property in its paragraph 2. According to Article 51 of the said Charter, member states are obliged to observe it when they implement European Union law. Consequently, the director of a cinematographic audiovisual work must be considered as the direct and original owner of all of the exploitation rights and may not be deprived of his resulting prerogatives to the benefit of his producer by the legislation of a member state.

French law is in line with this statement. If Article L. 132-24 of the Intellectual Property Code provides for an presumption of automatic transfer of rights from the director to the producer, this presumption operates by virtue of the audiovisual production contract and is subject to any clause to the contrary, preventing him from infringing the provision contained in Article L. 111-1 of the intellectual property code, according to which "*the author of an intellectual work enjoys an exclusive intangible right of ownership enforceable against any party, by the mere fact of its creation*".

This, moreover, is the object of the second question submitted to the Court, which concerns the possibility of providing for such a mechanism presumption of transfer of rights, beyond the of the rental right, for which European Community law had established such a mechanism through Directive 92/100. The Court affirms that the presumption of transfer in favour of the producer is a concept of author's rights which, in the absence of an indication, the European legislator is not supposed to have rejected for the other exploitation rights provided by other directives. It may thus be generalised to all of the exploitation rights of the director.

The Court then indicates, with regard to the right to fair compensation payable under the private copying exception, that the director must be considered as the beneficiary of such remuneration, directly and originally, which he may not waive. It adds that member states may not make provisions which establish a presumption of transfer in favour of the producer of this right to fair compensation, whether or not it is rebuttable.

We recall that French law, for its part, provides that “*remuneration for private copying of videograms shall belong in equal parts to the authors defined pursuant to this code, the performers and the producers*” (Article L. 311-7 of the Intellectual Property Code), apparently in line with this ruling of the Court of Justice.

Against this, the Court says nothing about the compliance of the allocation of part of these amounts (25%) by French law for the promotion of cultural initiatives. The issue is currently pending before the ECJ with regard to a similar system in Austria (*Amazon.com* case).

## **2. ECJ, 16 FEBRUARY 2012, SABAM / NETLOG, CASE C-360/10**

Reference for a preliminary ruling from the Belgian courts, Rechtbank van eerste aanleg te Brussel

*Topic: hosting provider, filtering, freedom to conduct business, protection of personal data and freedom of information*

**European Union law precludes a national legislation which permits the injunction of an undefined and preventive general filtering system at the expense of the hosting service in order to combat the infringement of protected works. The system must consider the various interests of the protection of intellectual property, freedom to conduct business, the protection of personal data and freedom of information. Confirmation of the case law for *Scarlet* (ECJ, 24 November 2011, *Scarlet Extend / SABAM*, case C-70/10) regarding hosting providers.**

A writ was served on the operator of an online social networking platform (Netlog) by a collective rights management society (SABAM) in order to force it to cease unlawfully making available musical or audio-visual works from SABAM's repertoire, via the users of the platform. The referring court questions the Court of Justice on the scope for issuing an injunction to a technical intermediary, resulting not only in the removal of the illegal content but also in the prevention of the reappearance of such content on the platform “*install a system for filtering information which is stored on its servers by its service users, which applies indiscriminately to all of those users, as a preventative measure, exclusively at its expense, and for an unlimited period*”.

The Court of Justice notes initially that the activity carried out by the operator consists of a hosting service. The Court then recalls its case law for *Scarlet* (ECJ, 24 November 2011, *Scarlet Extend / SABAM*, Case C-70/10), according to which it should be struck a fair balance between the protection of the intellectual-property right enjoyed by copyright holders and those of the hosting service providers, with it not possible to impose a general monitoring obligation of the network on these latter parties.

In the case in question, it considers that “*as not respecting the requirement that a fair balance be struck between, on the one hand, the protection of the intellectual-property right enjoyed by copyright holders, and, on the other hand, that of the freedom to conduct business enjoyed by operators such as hosting service providers*”.

The Court adds that this system would infringe not only to the rights of the hosting service providers but also those of the users and in particular, their right to protection of personal data and their freedom to receive or impart information, respectively protected by Articles 8 and 11 of the Charter of Fundamental Rights of the European Union. This decision confirms the position of the Court of Justice, which has already been issued with regard to access providers, rejecting general filtering solutions, but does not prejudice any responses in the case of targeted content filtering injunction.

**3. ECJ, 1 MARCH 2012, FOOTBALL DATACO ET AL. / YAHOO ET AL., CASE C-604/10**

Reference for a preliminary ruling from the United Kingdom, Court of Appeal (England & Wales) (Civil Division)

*Topic: originality of a database*

**A database is only protected by the copyright if it corresponds to the criterion of originality, namely if it constitutes an original expression of the creative freedom of its author, which differs from the significant labour and skill dedicated of creating the data.**

The dispute concerns the protection of the fixture lists of the English and Scottish football leagues, for which elaboration “*is not purely mechanistic or deterministic; on the contrary, it requires very significant labour and skill in order to satisfy the multitude of competing requirements while respecting the applicable rules as far as possible*”. Yahoo provided its users with these calendars without paying any financial compensation to the sporting organisations which drew them up, with these latter parties claiming the protection of these objects, both by virtue of copyright and by the *sui generis* right of a producer of databases.

Contrary to the precedent of 2004 (ECJ, 9 November 2004, *Fixtures Marketing Ltd / OPAP*, Case C-444/02) which, with regard to match grids, aimed more specifically at the protection of the *sui generis* right, the referral of the Court of Justice concerns the protection by the copyright of this database. We shall recall that directive No. 96/9 on the protection of databases provides for the benefit of the copyright for databases if, by reason of the selection or arrangement of their contents, constitute the author’s own intellectual creation.

The Court clarifies that context, the concepts of “selection” and of “arrangement” refer respectively to the selection and the arrangement of data, through which the author of the database gives the database its structure and that, by contrast, those concepts do not extend to the creation of the data contained in that database.

The Court then indicates that to assess the eligibility of a database for the copyright protection, the judges must examine whether the selection or arrangement of the data “*constitutes an original expression of the creative freedom of its author*”, without being able to consider “*the intellectual efforts and skill of creating that data*”, the existence of a significant addition to the data or the significant labour and skill from which no originality would originate in the selection or arrangement of the data which that database contains.

The Court also underlines the obligatory character of the provisions of the directive with regard to the criterion permitting access to protection by the copyright. The Court refines here the work of defining originality initiated in the *Infopaq* (ECJ, 16 July 2009, Infopaq International / Danske Dagblades Forening, Case C-5/08) ruling and continued in the rulings on *Premier League* (ECJ, 4 October 2011, Football Association Premier League Ltd et al./ QC Leisure et al., Case C-403/08 and Karen Murphy / Media Protection Services Ltd, Case C-429/08) and *Eva-Maria Painer* (ECJ, 1 December 2011, Eva-Maria Painer / Standard VerlagsGmbH et al., Case C-145/10).

French law protects databases “*which, through the selection or arrangement of the material, constitute intellectual creations*” (Article L. 112-3, paragraph 1 of the Intellectual Property Code). We nevertheless note that French case law sometimes diverges from this single requirement (*cf.* for example: CE, 10 July 1996, Société Direct Mail Promotion: *RIDA*, October 1996, p. 216, which, in addition to the fact that the SIREN forms an organised and structured set of data, considers the fact that INSEE makes additions to the gross data).

**4. ECJ, 15 MARCH 2012, SOCIETÀ CONSORTILE FONOGRAFICI (SCF) / MARCO DEL CORSO, CASE C-135/10**

Reference for a preliminary ruling from the Italian court, Corte d’appello di Torino [Appeal Court of Turin]

***Topic: concept of communication to the public, right to equitable remuneration, non-profit-making nature of the broadcast***

**The right to equitable remuneration received for broadcasting of phonograms cannot be demanded for communication to the public of the phonograms to the patients of a dentist, because such a communication does not fulfil the criteria of definition of the communication to the public and notably the intention of communicating the work by the broadcaster, the intention of receipt by the receptive and the lucrative character of the broadcast.**

A dentist in his private dental practice broadcasts phonograms protected by property rights and more specifically, related rights. As a collective management agency, SCF is responsible for collecting and distributes royalties on behalf of its associated phonogram producers and seeks to collect the remuneration for the broadcasting of this background music.

A question was referred to the Court of Justice on the definition of the scope for the right of communication to the public of a protected work, provided by Directive No. 2001/29 of 22 May 2001 on copyright and related rights in the information society.

The Court did not respond on the scope of the 2001/29 Directive but requalified the question in view of the factual circumstances and replied in terms of the “related rights directive” on the basis of the right to equitable remuneration.

The definition which it proposes of the act of communication to the public is thus rendered within this specific context. It interprets this concept in the light of notions which it considers as equivalent and included in the Rome Convention of 26 October 1961 on related rights (to which the European Union is not a party), the TRIPS agreement signed within the context of the WTO of 15 April 1994 (to which the European Union is a party) and the WIPO treaties of 20 December 1996 on copyright and related rights (approved by the European Community).

In order to assess whether a user is making a communication to the public, the Court of Justice stipulates “*several complementary criteria, which are not autonomous and are interdependent*”, namely:

- The user is making a communication to the public “*when it intervenes, in full knowledge of the consequences of its action, to give access to a broadcast containing a protected work to its customers*”;
- The public refers to “*an indeterminate number of potential listeners*” and entails “*a fairly large number of people*” who will have access to the same work at the same time or in succession;
- It must also be considered if the broadcasting constitutes a service which seeks added value for the broadcaster (lucrative character of the broadcast).

The Court highlights that if the dentist deliberately broadcasts music, the highly restricted circle of individuals benefits by chance and without any active choice from the broadcast and the dentist “*cannot reasonably either expect a rise in the number of patients because of that broadcast alone or increase the price of the treatment he provides*”.

Consequently, the Court considers that the concept of communication to the public within the scope of the right to equitable remuneration “*does not cover the broadcasting, free of charge, of phonograms within private dental practices engaged in professional economic activity, such as the one at issue in the main proceedings, for the benefit of patients of those practices and enjoyed by them without any active choice on their part*”. It follows that the agency which collects and distributes the remuneration cannot claim the payment of any remuneration on behalf of its associated producers for this broadcast.

It is difficult to pronounce on the scope of this ruling, the impact of which is considerable. The Court insists on several occasions on the fact that it rules with regard solely to the right to equitable remuneration cited in the Directive 92/100/CEE of the Council, of 19 November 1992, on rental right and lending right and on certain rights related to copyright in the field of intellectual property and not to the right of communication to the public in general, pursuant to Article 3 of the Directive of 22 May 2001. It nevertheless sprinkles its decision with some considerations likely to generalise the solution to other aspects of the notion of communication to the public.

5. **ECJ, 15 MARCH 2012, PHONOGRAPHIC PERFORMANCE (IRELAND) LIMITED / IRELAND, CASE C-162/10**

Reference for a preliminary ruling from the Irish courts, High Court (Commercial Division)

*Topic: notion of communication to the public, equitable remuneration, hotel bedrooms, new public*

**The right to equitable remuneration must be paid by a hotel operator which provides the means of operatus for listening to phonograms to its guests in its bedrooms, new public, whether in the form of the distribution of a broadcast signal or the provision of apparatus and phonograms which may be played on or heard from such apparatus, notably by virtue of the lucrative character of the communication made. Confirmation of the SGAE case law (ECJ, 7 December 2006, SGAE / Rafael Hoteles SA, Case C-306/05) and the Del Corso case law (ECJ, 15 March 2012, Società Consortile Fonografici (SCF) / Marco Del Corso, Case C-135/10 – cf. above point 4).**

The Court deals here with a question (i.e. also on the right to equitable remuneration) identical to that of the previous ruling, with regard not to dental practice, but to operators of hotels and guesthouses. It considers that in the case in question “*the guests of a hotel constitute an indeterminate number of potential listeners, insofar as the access of those guests to the services of that establishment is the result of their own choice and is limited only by the capacity of the establishment in question*”. The remark could just as well have applied to the patients of a dentist. What nevertheless appears decisive is the fact that the access to works constitutes the provision of a supplementary service, which has an influence on the standing of the establishment, which is indeed unlike the case for the dental practice.

The question also arose of assessing whether the provision of radios and/or televisions in the bedrooms would entail the obligation for the hotel operator to pay remuneration other than that already paid by the broadcaster. The Court recalls its case law here, according to which communication to the public is characterized when there is communication of the protected work to a new public, which is distinct from and additional to the one targeted by the original act of communication, which according to the Court would be the case here (with the consequence of entailing the payment of remuneration by the hotel operator to the rightholders). The same would be true if the hotel operator just provide its guests with a device other than a radio or television such as a CD or DVD player.

Furthermore, the Court excludes the benefit of the acknowledgement of private use to the hotel operator, since it is in the capacity of hotel operator and not of the person who accesses the work that according to the Court, the private character of the said authorisation should be assessed.

This solution could be compared to that adopted by the first civil chamber of the Court of Cassation in the *CNN* ruling of 6 April 1994 (Appeal No. 92-11186, *Bull. civ. I*, No. 144).

6. ECJ, 19 APRIL 2012, BONNIER AUDIO, EARBOOKS ET AL. / PERFECT COMMUNICATION SWEDEN, CASE C-461/10

Reference for a preliminary ruling from Högsta domstolen

*Topic: protection of intellectual property versus personal data*

**The protection of personal data does not preclude the implementation of a judicial injunction procedure aiming to obtain the IP address of an Internet user suspected of infringement, when the procedure in question observes the principle of proportionality and arrives at a weighting of the conflicting interests involved. Confirmation of the *Promusicae* ruling (ECJ, 29 January 2008, *Promusicae / Telefónica de España SAU*, Case C-275/06).**

The dispute which led to the referral of the case to the Court of Justice opposed companies which edited audio books (Bonnier) and an Internet service provider (Perfect Communication), with the former seeking to secure the notification of connection data, in this case, the IP address of the user of a FTP (file transfer protocol) server who was suspected of having infringed the exclusive rights of the former party to the books which it published.

Within this context, the Swedish courts asked the Court of Justice whether Directive No. 2006/24/CE of the European Parliament and of the Council of 15 March 2006 on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks, a directive issued in consideration of the protection of personal data of Internet users, could preclude any issuance of an injunction ordering the access supplier to provide the data, permitted by a national legislation transposing another directive, Directive No. 2004/48/CE of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights. We point out that the first of these directives had not been implemented in Sweden, despite the expiry of the deadline for doing so.

The Court begins by highlighting that Directive No. 2006/24, cited by the Swedish court, does not apply to the case in question since it is a *lex specialis* (points 41 to 44). Indeed, this directive only concerns criminal issues, while in this case, the issue was a civil matter.

The Court nevertheless examines the question with regard to Directive No. 2002/58/CE of the European Parliament and the Council of 12 July 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (“Directive on privacy and electronic communications”), proceeding to a form of recategorisation.

After having weighed each of the conflicting interests involved in the balance, namely the protection of personal data on the one hand and protection of intellectual property on the other, the Court decided that the said directives does not preclude the application of a national legislation which enables “*the national court seised of an application for an order for disclosure of personal data, made by a person who is entitled to act, to weigh the conflicting interests involved, on the basis of the facts of each case and taking due account of the requirements of the principle of proportionality*”. Swedish legislation indeed requires that, for an order for disclosure of the data in question to be made, the party requesting the injunction demonstrate that there is clear evidence of an infringement of an intellectual property right, that the information can be regarded as facilitating the investigation into an infringement of copyright or impairment of such a right and lastly, the legislation requires that the Judge verifies that the reasons for the measure outweigh the nuisance or other harm which the measure may entail for the person affected by it or for some other conflicting interest.

This ruling is along the lines of the *Promusicae* ruling (ECJ, 29 January 2008, *Promusicae / Telefónica de España SAU*, Case C-275/06), which also set a directive on intellectual property against another on the protection of personal data and in which the Court had indicated that “*Community law requires that, when transposing those directives, the member states take care to rely on an interpretation of them which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further, when implementing the measures transposing those directives, the authorities and courts of the member states must not only interpret their national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with the other general principles of Community law, such as the principle of proportionality*”.

This decision is important with regard to the protection of intellectual property rights on the Internet since if the Court had judged that a rightholder could not obtain the IP addresses corresponding to acts of infringement on authorisation by the judge, one of the essential means of combating infringements on the Internet would then disappear.

7. **ECJ, 26 APRIL 2012, DR, TV2 DANMARK / NCB NORDISK COPYRIGHT BUREAU, CASE C-510/10**

Reference for a preliminary ruling from the Danish courts, Østre Landsret

***Topic: broadcasting, exception of the ephemeral recording, commissioned third party***

**The exception of ephemeral recording includes the recording by third parties when they act on behalf of or under the responsibility of the broadcaster.**

In this case, two Danish television and radio broadcasting organisations were opposed to a collective management society (Nordisk Copyright Bureau). The former parties produce broadcasts themselves but also draw on third parties. In this latter case, the question arose as to the applicability of the exception of ephemeral recording, since the programmes produced by third parties were first broadcasted on the channels of the two organisations.

The exception to the right of reproduction provided by the directive is worded as follows: member states may provide for such an exception for “*ephemeral recordings of works made by broadcasting organisations by means of their own facilities and for their own broadcasts*”.

The Court of Justice begins by indicating that the terms “*by means of their own facilities*” must be given an independent and uniform interpretation. In the case in question, after having examined the different linguistic versions of the text, “*by reference to the purpose and general scheme of the rules*”, it considers that the European legislator understood it as including cases in which a person acts either on behalf of the broadcaster (with this presupposing “*a direct and immediate link between the two parties, on the basis of which the third party in question does not, as a general rule, have any degree of independence*”), or under its responsibility (which then implies, according to the Court, “*a more complex, mediate link between the two parties, which allows the third party a degree of freedom in the use of its facilities*”).

More generally, this decision allows the consideration that the beneficiary of exceptions may continue to benefit from it, even if the actions subject to the exception were carried out by one of its external service providers.

8. ECJ, 2 MAY 2012, SAS INSTITUTE / WORLD PROGRAMMING, CASE C-406/10

Reference for a preliminary ruling from the United Kingdom, High Court of Justice (England & Wales) (Chancery Division)

*Topic: originality of a computer program and its user's manual, right of reverse engineering*

**Computer programs' protection only considers the original forms. The user's manual is only protected as such, if the author has been able to express his creativity in an original manner and achieve a result which is an intellectual creation. The contract may not prohibit the studying how th program functions and the acts of loading necessary for use, subject to an infringement of the rights of the holder.**

The company SAS is a developer of analytical software, entailing specific scripts, written in a language which is peculiar to the SAS System. For its part, the company World Programming created the "world programming system", a replacement programme capable of executing applications written in the SAS language, "*designed to emulate the SAS components as closely as possible in that, with a few minor exceptions, it attempted to ensure that the same inputs would produce the same outputs*".

The questions submitted to the Court of Justice dealt with the protection of the computer program and its user's manual by copyright, as well as the user's right of reverse engineering.

With regard to the protection of the computer by the copyright, the Court recalls that the object of the protection conferred by the directive is the expression in any form of a computer program, such as the source code and the object code, as well as the preparatory design work leading to the development of a computer program, provided that the nature of the preparatory work is such that a computer program can result from it at a later stage. It concludes from this that neither the functionality nor the programming language or the file format are subject to protection by way of a copyright, in that they do not constitute a form of expression of the program. With regard to the manual, the Court recalls its case law on *Infopaq* (ECJ, 16 July 2009, Case C-5/08), according to which "*the various parts of a work enjoy protection [...] provided that they contain some of the elements which are the expression of the intellectual creation of the author of the work*". It adds that "*in the present case, the keywords, syntax, commands and combinations of commands, options, defaults and iterations consist of words, figures or mathematical concepts which, considered in isolation, are not, as such, an intellectual creation of the author of the computer program*" and that "*it is only through the choice, sequence and combination of those words, figures or mathematical concepts that the author may express his creativity in an original manner and achieve a result, namely the user manual for the computer program, which is an intellectual creation*", the referring court being responsible for verifying this.

With regard to the right of the user to observe study or test the functioning of a program when the aim of these operations would exceed the framework of the granted licence, the Court considers that such a possibility cannot be prohibited contractually. In this way, the party awarding the licence cannot prohibit the licensee from studying the functioning of the program in order to determine the ideas and principles which underlie any element of a computer program. In the same way, the licensee cannot be contractually prohibited from carrying out the loading and running operations, necessary for the use of the programme. The Court nevertheless imposes a condition of the absence of infringement of the exclusive rights of the rightholder, in accordance with the logic of the triple test.

The specific character of the status of the computer programs' right, a special right of the copyright, is once again confirmed by the Court, notably on the public order character of the exceptions, with the texts on software expressly specifying the outcome of contrary contractual clauses, which is not the case for non-software works, leaving the debate open on the possibility of contractually prohibiting what is authorised by law.

**9. ECJ, 4<sup>TH</sup> CHAMBER, 21 JUNE 2012, T. A. J. D., CASE C-5/11**

Reference for a preliminary ruling from the German Federal High Court, Bundesgerichtshof

*Topic: right of distribution, criminal proceedings, offence of aiding and abetting the prohibited distribution of copyright-protected works*

**A member state may bring a prosecution for the offence of aiding and abetting the prohibited distribution of copyright-protected works where such works are distributed to the public on the territory of that member state in the context of a sale, aimed specifically at the public of that state, concluded in another member state where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties.**

This dispute concerns the possibility of marketing objects protected in one member state (in this case, Germany) from another member state (in this case, Italy) in which the said objects are not protected by copyright. The referring court thus wondered about the compatibility with the principle of the free movement of goods of criminal prosecutions brought within the territory where the works are protected, for the distribution of the said works.

The Court first indicates that distribution to the public must receive an independent interpretation in European Union law and that it is characterised by a series of acts going, at the very least, from the conclusion of a contract of sale to the performance thereof by delivery to a member of the public, which can be cross-border. Consequently, for the Court, *“a trader who directs his advertising at members of the public residing in a given member state and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same member state, makes, in the member state where the delivery takes place, a ‘distribution to the public’”*.

The Court then highlights that the principle of the free movement of goods may be restricted by reasons relating to the protection of industrial and commercial property, concluding that these articles *“do not preclude a member state from bringing a prosecution under national criminal law for the offence of aiding and abetting the prohibited distribution of copyright-protected works where such works are distributed to the public on the territory of that member state in the context of a sale, aimed specifically at the public of that state, concluded in another member state where those works are not protected by copyright or the protection conferred on them is not enforceable as against third parties”*.

This solution is in line with traditional case law on the exhaustion of rights, which requires the consent of the rightholder in order for this latter situation to be characterised, and not the simple legality of marketing in the state of origin.

10. ECJ (GRAND CHAMBER), 3 JULY 2012, USEDSoft / ORACLE, CASE C-128/11

Reference for a preliminary ruling from the German Federal High Court, Bundesgerichtshof

*Topic: right of distribution, exhaustion, computer program*

**The granting of a user license of a computer program for an unlimited period, accompanied by the action of downloading, constitutes a sale of a copy of the computer program which authorises the acquirer to resell it, by virtue of the principle of the exhaustion of rights. The transfer relates to the copy, including a digital one, as updated by the maintenance contract. Exhaustion only occurs if the initial acquirer destroys the original copy at the time of transfer to the sub-acquirer. In the case of a multiple licence, the licensee may not split the licence in order to dispose of one of the copies authorised by the licence.**

In this case, Oracle wished to oppose the resale of one of its second-hand software licenses by the German company UsedSoft. This distributor purchased software licenses from Oracle's clients, which had been acquired but had remained unused. The new acquirer downloaded the software from the Oracle website, after having acquired the licence from the first acquirer.

Several questions were referred to the Court, which it reformulated into two questions.

According to the terms of the first question, it was asked "*wether and under what conditions, the downloading from the Internet of a copy of a computer program, authorised by the copyright holder, can give rise to exhaustion of the right of distribution of that copy in the European Union*".

It replied in the affirmative, on the following grounds.

Firstly, it recalled that exhaustion supposed the existence of a sale and that it is thus necessary to characterise the existence of such a sale in order to infer from it the exhaustion of the right.

From this perspective, it considers that the notion of sale is an autonomous concept of European Union law, namely: "*according to a commonly accepted definition, a 'sale' is an agreement by which a person, in return for payment, transfers to another person his rights of ownership in an item of tangible or intangible property belonging to him. It follows that the commercial transaction giving rise, in accordance with Article 4(2) of Directive 2009/24, to exhaustion of the right of distribution of a copy of a computer program must involve a transfer of the right of ownership in that copy*" (point 42).

In the case in question, the fact that Oracle had divided the operation of downloading, which was free, from the granting of the licence, which was for payment, does not constitute an obstacle to this categorisation. The Court considers that the downloading of the copy of a computer program and the conclusion of a licensing contract forms an indivisible whole, since the downloading of a computer program without a right of use would be useless. According to the Court, in this case, the sale is dominant with regard to the licence.

Moreover, a sale is considered to be characterised, despite the name assigned to the contract, by “*the grant of a right to use a copy of a computer program, for an unlimited period, in return for payment of a fee*”. What constitutes the determining motif of the categorisation as a sale is that the overall economic operation aims to render the copy usable by the customer “*permanently, in return for payment of a fee designed to enable the copyright holder to obtain a remuneration corresponding to the economic value of the copy of the work of which it is the proprietor*”. In this way, the operation consisting of downloading a computer program for which the user will benefit for an unlimited period is analysed as a sale. Moreover, the Court considers the sale operation to be independent of whether or not there is a forwarding of a material medium.

Once the sale has been characterised, the Court infers from it the exhaustion of the copyright holder on the copy which was the object of the sale. It follows from this that the rightholder cannot object to the circulation of copies of the computer program, whether tangible (CD-Rom, DVD-Rom) or “intangible” (sic) (downloading).

The rightholder may not contractually prohibit the assignment of the copy of a computer program after the exhaustion of the rights. The Court nevertheless places limits on the benefits of the theory of exhaustion for the acquirer of a computer program: the destruction of the copy which is resold.

Indeed, if the seller made another copy without destroying his own, there would be more copies in circulation than downloaded copies and this would not correspond to the logic of exhaustion but to a multiplication of copies outside the perimeter of the initial licence.

Moreover, it follows from this that the initial licence may not divide the multiple access rights which it holds from the same sale contract if the computer program is not deleted. Since it cannot sell these access rights without duplicating the original copy, it cannot satisfy the obligation to destroy the original copy, which is a condition for exhaustion.

With regard to the capacity for division, the Court even goes beyond the conclusion linked to the obligation to delete the sold copy, since it considers that it is not possible to assign the rights of use included in the licence in differentiated fashion, even if the access is not conditioned by a reproduction of the original copy by the sub-acquirer but may be made directly from the initial seller (in this case, Oracle). In such an event, “*the acquisition of additional user rights does not relate to the copy for which the distribution right was exhausted at the time of that transaction. On the contrary, it is intended solely to make it possible to extend the number of users of the copy which the acquirer of additional rights has himself already installed on his server*” (point 71).

The Court reasons in this way in accounting terms (for which the difficulties of implementation may be resolved, according to the Court, by the generalisation of technical protection measures) and not in technical terms.

On the second question, namely, the notion of the lawful acquirer of a computer program which may be downloaded, the Court starts from the principle that the exhaustion of the right of distribution authorises a sub-acquirer to make a copy of the medium of the program by downloading it to his computer. By virtue of this exhaustion, he is a lawful acquirer. According to the Court, it is not necessary for this acquirer to have contracted a licensed directly with the initial seller.

Consequently, exhaustion not only validates the resale of the copy to a sub-acquirer but also authorises this latter party to carry out the actions of reproduction necessary for permitting it to use the computer program in a manner compliant with its purpose, pursuant to Article 5, paragraph 1 of the Directive 2009/24.

Lastly, the Court infers the consequences of this double categorisation by considering that “*notwithstanding the existence of contractual terms prohibiting a further transfer, the rightholder in question can no longer oppose the resale of that copy*”. Consequently, the contractual stipulations which would limit the sub-assignment of the tangible or intangible copy of a legally acquired computer program are not enforceable against a sub-acquirer. In this way, the rightholder of a computer program may not object to the resale of a “second hand copy”, including via downloading from the Internet.

Although this solution has been explicitly issued with regard to the protection of computer programs, categorised as a *lex specialis*, the general nature of certain considerations of the Court leads us to wonder about its possible scope outside the field of computer programs.

If such a solution were extended, it would lead to the validation of the emergence of a second-hand digital market, which would undoubtedly in turn have significant consequences for the procedures for marketing works in digital format within the context of licences.