

COPYRIGHT EXHAUSTION IN THE DIGITAL CONTEXT

TRANSFERABILITY OF 'DIGITAL ASSETS'

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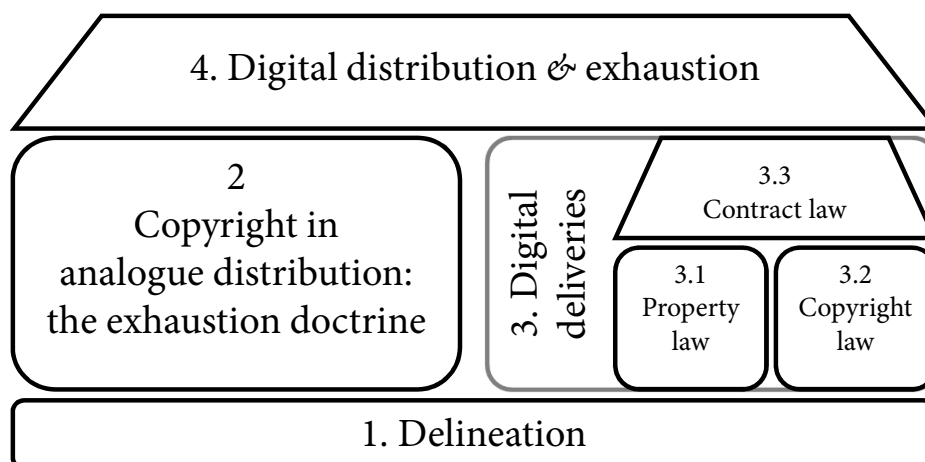
Research Question

- ◆ 'Can one [*or should one be able to*]...
 - ... resell her/his downloaded computer program or game?
 - ... pass off her/his downloaded e-books?
 - ... donate her/his iTunes accounts to a 3rd party?
 - ... sell her/his Netflix account?
- etcetera...*
- } Downloads
- } Online access rights

Research Question

‘In which circumstances and on what conditions can the *acquirer* of a digital (copy of a) copyright-protected work transfer her/his legal position in relation to that (copy or) work to a third party (and why)?’

Method



Delivery Business Models

- ◆ Main business models *grosso modo*
 1. Delivery of hardcopies | ‘Old-school’ analogue distribution
 - ◆ E.g. floppy, CD-ROM, CD, DVD, Blu-Ray
 2. Making available for download | Permanent copies on user device
 - ◆ E.g. Apple iTunes, Adobe Reader, Microsoft Office 2019
 3. Online access | No permanent copies on user device
 - ◆ E.g. X-as-a-Service, cloud services, streaming | Microsoft Office 365, Netflix, Adobe Lightroom

Contract Law

- ◆ Main business models and the applicable CC|BW provisions
 1. Delivery of hardcopies | ‘Oldschool’ analogue distribution
 - = Contract on transfer of (ownership of) goods: sales law
 2. Making available for download | Permanent copies on user device
 - = Contract on services: undertaking [*aanneming* | *entreprise*] law
 3. Online access | No permanent copies on user device
 - = Contract on services: undertaking [*aanneming* | *entreprise*] law

End-User Licence Agreements

- ◆ *Quid?* Rightholder's consent to perform acts otherwise exclusively reserved to her/him
- ◆ Usefulness
 - ◆ Acts not covered by exception(s) for *rightful use*
 - ◆ Fill in 'rightfulness' criterion in exception(s) for *rightful use*
- ◆ Agreement separate from delivery contract!
 - ◆ Independency principle (as interpreted by prof. S. DUSOLLIER)
 - ◆ Autonomous existence with different co-contracting party

Overview

1. Analogue ('traditional') distribution of 'hardcopies'
2. Downloads
3. Online access rights

1.

Distribution of Hardcopies



Distribution & exhaustion

- ◆ Basic principles in case of analogue distribution
 - ◆ Principle: Free tradability of goods
 - ◆ Exception: Distribution right
 - ◆ Back to principle: Exhaustion of distribution right

- ◆ Applies to distributed hardcopies of works in digital form



Exhaustion: Basics

- ◆ A limitation to a(n IP) right
 - ◆ Occuring when that right is exercised
 - ↔ exceptions, revocation
 - ◆ Causing effects (in principle) only for concrete copies [*exemplaren* | *exemplaires*]
 - ↔ exceptions

Exhaustion: Rationales

- ◆ Ownership Theory
 - ◆ ‘No exhaustion = erosion of ownership’
- ◆ Trade Theory
 - ◆ ‘No exhaustion = copies become untradable goods’
- ◆ Reward Theory
 - ◆ No more need for protection after ‘appropriate remuneration’
- ◆ EU: Free Movement in the Internal Market

Exhaustion: Rationales

- ◆ Ownership Theory
 - ◆ = Trade Theory, but from perspective of the owner (*ius abutendi*)
- ◆ Trade Theory
 - ◆ Explains rationales of exhaustion rule itself, not its modalities
- ◆ Reward Theory
 - ◆ Explains conditions of consent & 1st marketing
- ◆ EU: Free Movement in the Internal Market
 - ◆ Explains only geographical scope of exhaustion



Exhaustion: Sources

- ◆ Almost no international law
 - ◆ Except for arts. 6.2 WCT & 8.2 & 12.2 WPPT
 - ◆ Used to be fully based on CJEU case law
 - ◆ Currently codified but scattered:
 - Art. XI.32 WER|CDE
 - Art. XI.34, §2 WER|CDE
 - Art. XI.165, §1, 6th WER|CDE
 - Art. XI.205, §1, 4th WER|CDE
 - Art. XI.209, §1, 3rd WER|CDE
 - Art. XI.215, §1, 2^d WER|CDE
 - Art. XI.298, c) WER|CDE
 - Art. XI.307, 3rd WER|CDE
 - Art. 2.23.3 BVIE|CBPI
 - Art. 3.19.4 BVIE|CBPI
 - Art. 21 Models Reg^{6/2002}
 - Art. 15.1 EU TM Reg^{2017/1001}
 - Art. 5, c) Database Dir^{96/9}
 - Art. 7.2, b) Database Dir^{96/9}
 - Art. 10 Biotech Dir^{98/44}
 - Art. 15 Models Dir^{98/71}
 - Art. 4.2 InfoSoc Dir^{2001/29}
 - Art. 9.2 Rental Dir^{2006/115}
 - Art. 4.2 Software Dir^{2009/24}
 - Art. 15 TM Dir^{2015/2436}
- ... *et al.*



Exhaustion: CJEU Case Law

◆ Before 2000

- 1966:41 *Consten & Grundig*
 - 1968:11 *Parke, Davis and Co*
 - 1971:18 *Sirena/Eda*
 - 1971:59 *Deutsche Grammophon*
 - 1974:72 *Hag I*
 - 1974:114 & 115 *Centrafarm*
 - 1976:85 *EMI Records*
 - 1976:94 *Terrapin/Terranova*
 - 1978:108 *Hoffmann-La Roche*
 - 1978:174 *Centrafarm*
 - 1980:84 *Coditel I*
 - 1981:10 *Musik-Vertrieb*
 - 1981:17 *Dansk Supermarked*
 - 1981:180 *Merck I*
 - 1981:291 *Pfizer/Eurim-Pham*
 - 1982:43 *Polydor/Harlequin*
 - 1982:289 *Keurkoop*
 - 1982:334 *Coditel II*
 - 1985:304 *Pharmon/Hoechst*
 - 1988:242 *Warner Brothers*
 - 1989:30 *EMI Electrola*
 - 1990:359 *Hag II*
 - 1990:847 *Phil Collins*
 - 1994:261 *Ideal Standard*
 - 1996:282 *Bristol-Myers Squibb*
 - 1996:468 *Merck II*
 - 1997:170 *Phyteron*
 - 1997:517 *Dior/Evora*
 - 1997:530 *Loendersloot*
 - 1998:172 *Metronome Musik*
 - 1998:422 *Laserdisken I*
 - 1999:82 *BMW*
 - 1999:333 *Butterfly Music*
 - 1999:494 *Upjohn*
 - 2001:617 *Levi Strauss*
- ... et al.

Exhaustion: CJEU Case Law

◆ Since Codification

- 2001:617 *Davidoff & Levi Strauss*
 - 2002:245 *Merck, Sharp & Dohme*
 - 2003:204 *Van Doren + Q*
 - 2004:759 *Peak Holding*
 - 2006:549 *Laserdisken II*
 - 2008:232 *Peek & Cloppenburg*
 - 2009:260 *Copad*
 - 2009:633 *Makro*
 - 2010:313 *Coty Prestige Lancaster*
 - 2010:416 *Portakabin*
 - 2011:631 *FA Premier League*
 - 2011:677 *Greenstar-Kanzi Europe*
 - 2012:370 *Donner*
 - 2012:407 *UsedSoft*
 - 2014:55 *Blomqvist/Rolax*
 - 2015:27 *Art & Allposters*
 - 2015:315 *Dimensione Direct Sales*
 - 2016:762 *Ranks*
 - 2016:857 *Ferring*
 - 2017:990 *Schwepes*
 - 2018:322 *Junek Europ-Vertrieb*
 - 2018:594 *Mitsubishi*
 - 2018:634 *Renckhoff*
 - Pending case no. C-263/18 *Tom Kabinet*
- ... et al.

Conditions leading to exhaustion

1. Consent by rightholder
...or person economically/legally linked/dependent on him/her
2. First marketing of a copy
 - 1) Copy [*exemplaar* | *exemplaire*] (= *hardcopy*)
 - 2) Transfer of ownership (or sale)

↔ possession, services...
 - 3) First
3. Territory: European Economic Area = EU + NO + IS + LI

Consequences of exhaustion in copyright

- ◆ Exhausted rights
 - ◆ Distribution right
 - ◆ Transfer of ownership
 - ◆ Other acts governed by distribution right?
 - ◆ Reproduction right?

- ◆ Free circulation of the 'exhausted' copies
 - ◆ Limited to those concrete copies
 - ◆ Owner can transfer

What about the EULA?

- ◆ Validity

- ◆ Opposable viz-à-viz new owner?
 - ◆ Consent as a legal base to perform IP-protected acts
 - ◆ *Accessorium sequitur principale*

2.

Downloads

EU Case Law

- ◆ Computer Programs Directive | 2009/24 (codified) | Art 4(2)
 - ◆ C-128/11 | 3 Jul 2012 | Grand Chamber | UsedSoft v Oracle
 - ◆ C-166/15 | 12 Oct 2016 | Microsoft v Ranks et al.

- ◆ Information Society Directive | 2001/29 | Art 4(2)
 - ◆ C-263/18 | Pending | NUV & GAU v Tom Kabinet

EU Case Law on Computer Program Downloads

- ◆ Conditions for 'digital exhaustion'
 - ◆ Object: [tangible/intangible] copy of a computer program + accompanying user's licence
 - ◆ Act: every form of marketing characterised by
 - ◆ the grant of right to use a copy
 - ◆ for an unlimited period
 - ◆ in return for payment of a fee designed to enable the [right]holder to obtain a remuneration corresponding to the economic value of the copy

EU Case Law on Computer Program Downloads

- ◆ Results of ‘digital exhaustion’
 - ◆ Distribution right
 - ◆ Rightholder can no longer oppose transfer of ‘copy + (full) licence’
 - ◆ Reproduction right
 - ◆ Via: lawful use exception + *effet utile* doctrine [+ equal treatment]
 - ◆ Rightholder cannot oppose reproductions by subsequent acquirer, provided initial copies are deleted
 - ◆ *IF*: (a) initial copy was downloaded (*UsedSoft*), or
 - ◆ (b) initial copy is damaged, destroyed or lost hardcopy (*Ranks*)
 - ◆ Subsequent acquirer can download from website rightholder (*Ranks* § 54)

EU Case Law on Computer Program Downloads

- ◆ Criticism
 - ◆ Case-by-case approach
 - ◆ *Contra* WIPO Copyright Treaty 1996
 - ◆ ‘Intangible copy’: *contradiction in terms?*
 - ◆ What is the ‘economic value’ of a downloaded copy?
 - ◆ Why right to transfer after loss of hardcopy? (*Ranks*)

Legal Bases for Transferability of Downloads

- ◆ ~~Exhaustion in itself?~~
- ◆ ~~Ownership of downloaded 'digital content', or data?~~
- ◆ ~~EU internal market law?~~
- ◆ Equal treatment principle?

Equal treatment of buyers & downloaders

- ◆ *'Comparable situations must not be treated differently...'*
 - ◆ Impact buyer hardcopy ≈ impact downloader
 - ◆ IF similar remuneration is paid
 - ◆ '... a fee intended to enable him to obtain a remuneration corresponding to the economic value of the copy of the work' (*UsedSoft* §88)
 - ◆ 'functional equivalents' (*UsedSoft* §61)
- ◆ *'... unless such treatment is objectively justified'*
 - ◆ 'Digital products do not degrade over time'?
 - ◆ 'Digital exhaustion favours more illegitimate copies'?
 - ◆ 'Lower prices'?

What about the EULA?

- ◆ Validity

- ◆ Opposable viz-à-viz subsequent acquirer?
 - ◆ CJEU: ?
 - ◆ My view based on equality principle
 - ◆ Consent as a legal base to perform IP-protected acts
 - ◆ Identical rights as new owner, hence: also *accessorium*

3.

Online Access Rights

EU Case Law on Computer Program Downloads

- ◆ Conditions for ‘digital exhaustion’
 - ◆ Object: [tangible/intangible] copy of a computer program + accompanying user’s licence
 - ◆ Act: every form of marketing characterised by
 - ◆ the grant of right to use a copy
 - ◆ for an unlimited period
 - ◆ in return for payment of a fee designed to enable the [right]holder to obtain a remuneration corresponding to the economic value of the copy

Transferability of Online Access Rights

- ◆ ~~Court of Justice case law?~~
- ◆ ~~Equal treatment principle?~~
- ◆ Contract law?

Transferability pursuant to Contract Law

- ◆ Principle: Freedom to transfer (cede) contractual right
[*cessie van schuldvordering* | *cession d'une créance*]

In practice...

Google Play | Terms of Service

'Restrictions: You may not: (...) sell, rent, lease, redistribute, broadcast, transmit, communicate, modify, sublicense, transfer, assign any Content to any third party including with regard to any downloads of Content that you may obtain through Google Play except as specifically permitted and only in the exact manner provided...'

Microsoft | Terms of Use

'Without limiting the foregoing, copying or reproduction of the software to any other server or location for further reproduction or redistribution is expressly prohibited, unless such reproduction or redistribution is expressly permitted by the license agreement accompanying such software.'

Transferability pursuant to Contract Law

- ◆ Principle: Freedom to transfer (cede) contractual right
[*cessie van schuldordering* | *cession d'une créance*]
- ◆ Validity of contractual limitations to freedom to transfer
 - ◆ With regard to ownership of (corporeal) goods: only if:
 1. Limited duration
 2. Lawful interest
 - ◆ With regard to contractual rights?

Unfair Terms Doctrine in the EU

- ◆ \subset national contract and/or market practices law
- ◆ Unfair Terms Directive | 1993/13 | Partial harmonisation
 - ◆ Field of Application
 - ◆ Consumer \rightleftharpoons Professional
 - ◆ 'Contractual term which has not been individually negotiated'
 - ◆ Unfairness entailing sanctions
 - A. Open norm: 'unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer'
 - B. National lists of clauses – Directive Annex contains examples

Transferability of Online Access Rights

- ◆ ~~Court of Justice case law?~~
- ◆ ~~Equal treatment principle?~~
- ◆ ~~Contract law?~~
- ◆ Unfair terms?
 - ◆ Current state of the law: cannot guarantee transferability
 - ◆ Future policy option?

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