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Press and Information

Advocate General's Opinion in Case C-128/11
Axel W. Bierbach (liquidator of UsedSoft GmbH) v Oracle International Corp

According to Advocate General Bot, creators of computer programs may oppose the resale of 'used' licences which allow their programs to be downloaded from the internet again

However, he suggests that they may not oppose the resale of 'used' copies, downloaded by their own customers from the internet, given that their exclusive right of distribution relating to those copies is 'exhausted'

Oracle develops and markets computer software, in particular, by download from the internet, by concluding "licence" agreements with its customers, which provide that the customer receives a non-transferable user right, for internal business purposes and for an unlimited period.

UsedSoft is a German company which sells licences bought from Oracle customers. UsedSoft's customers, who are not yet in possession of the Oracle software concerned, download the software directly from Oracle's website after acquiring the 'used' licences. Customers who already have the software and who purchase licences for additional users download the software to the main memory of the workstations of those additional users.

Oracle having brought proceedings against UsedSoft before the German courts to prevent the continuation of these practices, the Bundesgerichtshof (Federal Supreme Court, Germany), which has final jurisdiction over this dispute, referred a question to the Court of Justice in order for it to interpret, in this context, the Directive on the legal protection of computer programs.[1]

That directive, which ensures the protection of computer programs by copyright as literary works, provides that the first sale in the EU of a copy of a program by the right holder or with his consent shall "exhaust" the right of distribution within the EU of that copy, with the exception of the right to control further rental of the program. Under this principle, the intellectual property right holder who has marketed a copy in the territory of a Member State loses the right to rely on his monopoly on exploitation in order to oppose the resale of that copy.

Whereas UsedSoft claimed that the principle of exhaustion validated the practice of reselling used computer software, Oracle contended, to the contrary, that the principle was not applicable in the event of the downloading of a computer program from the internet, in the absence of a sale of a tangible object.

According to the Advocate General, the principle of exhaustion applies where the right holder, who allowed that copy to be downloaded from the internet to a data carrier, also granted, for consideration, a right to use that copy for an unlimited period of time.

Noting that the marketing of computer software most commonly takes the form of user licences, he considers that an excessively restrictive interpretation of the term "sale", within the meaning of the aforementioned directive, would divest the exhaustion principle of all scope and undermine its effectiveness. He also proposes to define the term "sale" as any act by which a copy of a computer

[1] Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009, on the legal protection of computer programs (OJ L111, p. 16), which codifies Directive 91/250/EEC of the Council of 14 May 1991, on the legal protection of computer programs (OJ L 122, p. 42).

program is made available in the EU, in any form and by any means, for the purposes of being used for an unlimited period and in return for a lump-sum payment.

He is therefore of the opinion that a "licence" for the use of software should be considered as a sale where the customer thereby permanently secures the right to use the copy of the computer program in return for a lump sum payment.

He considers, for the same reasons, that a distinction should not be made between computer programs sold on a CD-ROM or any other tangible article and those sold by download from the internet. In his view, allowing the supplier to control the resale of a copy and demand, in that event, further remuneration, on the sole pretext that the copy had been downloaded from the internet, would have the effect of extending the right holder's monopoly on the exploitation of that right.

Nevertheless, the Advocate General does not conclude from this that the resale of user licences should be held to be valid. He submits that such resale is precluded since the principle of exhaustion relates to the right of distribution and not the right of reproduction, and the assignment of Oracle's user licences allows UsedSoft's customers to reproduce the computer program by creating new copies, in particular, by connecting to Oracle's website.

Hence, whereas the resale of a downloaded copy by the first acquirer falls within the ambit of the right of distribution and may be carried out without the consent of the supplier under the principle of exhaustion, the assignment of a user licence, independently of the downloaded copy, allowing the program to be reproduced by creating a new copy by download from the internet, does not fall within the scope of the exhaustion principle.

According to the Advocate General, that practice, which is liable to alter the very substance of copyright, cannot find a basis in the Directive, which only permits the reproduction of the computer program without the consent of the right holder in order to allow a person who already possesses a copy to use the computer program for its intended purposes.

The Advocate General thus concludes that in the event of resale of a licence, the second acquirer cannot rely on exhaustion of the right to distribute the copy initially downloaded in order to reproduce the computer program by creating a new copy, even if the first acquirer has erased his copy or no longer uses it.

NOTE: The Advocate General's Opinion is not binding on the Court of Justice. It is the role of the Advocates General to propose to the Court, in complete independence, a legal solution to the cases for which they are responsible. The Judges of the Court are now beginning their deliberations in this case. Judgment will be given at a later date.

NOTE: A reference for a preliminary ruling allows the courts and tribunals of the Member States, in disputes which have been brought before them, to refer questions to the Court of Justice about the interpretation of European Union law or the validity of a European Union act. The Court of Justice does not decide the dispute itself. It is for the national court or tribunal to dispose of the case in accordance with the Court's decision, which is similarly binding on other national courts or tribunals before which a similar issue is raised.

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