

The distribution of software in the European Union after the decision of the CJEU “UsedSoft GmbH v. Oracle International Corp.” (“UsedSoft”)

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Abstract: In “UsedSoft GmbH v. Oracle International Corp.”, the European Court of Justice opened the way for the sale of “second-hand software” across Europe. The decision *UsedSoft* gives rise to new data in terms of the content of the right of distribution of a work, including the copy of a computer program, and the issue of exhaustion of the right of distribution of a copy of a computer program. The decision is expected to affect radically the functioning of the EU market of computer programs.

1. Introduction

The 3rd of July 2012 marked the beginning of a new era for the distribution of computer program copies on the internet. On that day, the Court of Justice of the European Union (CJEU) delivered its decision in Case “*UsedSoft GmbH v. Oracle International Corp.*”, taking position on the issue regarding the resale of a copy of a computer program downloaded from the internet, which until then remained unanswered.

2. The legal framework

Pursuant to Art. 4 (2) of Directive 2009/24/EC¹, “The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.”

In the light of the above provision, which lays down the principle of the EU exhaustion of the distribution right of a copy of a computer program, and based on the theory regarding the content of the right of distribution of a work², it becomes unquestionable that the owner of the copyright 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 (Codified version) (OJ L 111/16, 05.05.2009).

² According to the dominant view, the terms “original” and “copy” of a work that are used in Article 4 of Directive 2001/29/EC (Distribution right) are exclusively referring to works that have been incorporated into permanent material media and can circulate as tangible goods. For more about the right of distribution of the original or the copies of a work in the light of Directive 2001/29/EC see Anna Despotidou, *The Economic Rights of the Author Pursuant to Art. 3 (1) of Law 2121/1993*, in MICHAEL-THEODOROS MARINOS (ed.), INFORMATION SOCIETY AND COPYRIGHT, THE GREEK REGULATION, Ant. Sakkoulas, Athens – Komotini 2003, 11, 47-50, with further references (in Greek); Anthoula Papadopoulou, *The Intellectual Creation in the Place and Time of the Internet – The Directive 2001/29/EU for the Information Society*, 12 Business & Company Law 1212, 1220 (2002), 1212, 1220 (in Greek); DIONYSIA KALLINIKOU, *COPYRIGHT AND THE INTERNET DIRECTIVE 2001/29/EC*, P.N. Sakkoulas, Athens 2001, 61-63 (in Greek); Gerald Spindler, *Europäisches Urheberrecht in der Informationsgesellschaft*, GRUR 2002, 105, 109; Jörg Reinbothe, *Die EG-Richtlinie zum Urheberrecht in der Informationsgesellschaft*, GRUR Int. 2001, 733, 737; Michail-Theodoros Marinos, *Absolute and exclusive powers as a subject of harmonization pursuant to Directive 2001/29/EC*, in MICHAEL-THEODOROS MARINOS (ed.), INFORMATION SOCIETY AND COPYRIGHT, THE GREEK REGULATION, Ant. Sakkoulas, Athens – Komotini 2001, 29, 51-52 (in Greek). This opinion could, in principle, be considered to be valid in the sense of the term “copy” of Art. 4 of Directive 2009/24/EK (Distribution right), since, according to the case-law of the CJEU, the terms used in Directives 2009/24/EC and 2001/29/EC must, in principle, have the same meaning. See Case C-403/08 and C-429/08, “*Football Association Premier League Ltd and others v. QC Leisure and others (C-403/08) and Karen Murphy v. Media Protection Services Ltd (C-429/08)*”, of the 04.10.2011, unpublished, paras 187-188.

program cannot oppose the resale of a copy of the program which was incorporated into a data carrier (e.g. CD-ROM, DVD) and was sold in the European Union by himself or with his consent.

On the contrary, the question that arises is whether the above provision also applies to permanent copies of a computer program which was stored on a material medium within the framework of an online sale or by means of downloading within the framework of an online sale by the buyer.

This question arises mainly for three reasons. The first one is that “distribution” concept of Art. 4 (1) of Directive 2009/24/EC does not include, according to theory, the online circulation of a work through digital networks³. The second reason stems from the finding that, according to the terminology used in the contracts reached between rightholders and users, the downloading of a copy of a computer program from the internet is not done generally based on a sale but a license agreement. On the contrary, the application of Art. 4 (2) of Directive 2009/24/EC presupposes the sale of a copy of a computer program. Finally, the third reason is that, in any case, the online sale of a work constitutes a service⁴ and the question of exhaustion of rights does not arise, according to the recitals in the preamble to Directives 2001/29/EC and 96/9/EC, in the case of services and online services in particular⁵. The CJEU answered the above question with its recent decision “*UsedSoft GmbH v. Oracle International Corp.*” that was delivered (hereinafter: “*UsedSoft*”), on the 3rd of July 2012⁶.

3. The facts

The facts upon which the CJEU decided in the decision *UsedSoft* may be summed up as follows: Oracle developed and distributed, in particular by downloading from the internet, computer programs functioning as ‘client-server software’. The customer downloaded a copy of the program directly onto his computer from Oracle’s website. The user right for such a program, which was granted by a licence agreement, included the right to store a copy of the program permanently on a server and to allow up to a specific number of users to access it by downloading it to the main memory of their work-station computers. The licence agreement gave the customer a non-transferable user right for an unlimited period, exclusively for his internal business purposes. On the basis of a maintenance agreement, updated versions of the software (updates) and programs for correcting faults (patches) could also be downloaded from Oracle’s website.

UsedSoft marketed licences acquired from customers of Oracle. Customers of UsedSoft who were not yet in possession of the software downloaded it directly from Oracle’s website after acquiring a ‘used’ licence. Customers who already had that software and then purchased further licences for additional users were induced by UsedSoft to copy the program to the work stations of those users.

Oracle brought proceedings against UsedSoft in the German courts, seeking an order for it to cease those practices. The Bundesgerichtshof (Federal Court of Justice, Germany), which had to rule on the

³ See Anna Despotidou, *supra* note 2, at 49; Anhoula Papadopoulou, *supra* note 2; Michael Hart, *The Copyright in the Information Society Directive: An Overview*, 24 EIPR 58, 59 (2002); Michail-Theodoros Marinos, *supra* note 2, at 52.

⁴ See the recital 18 in the preamble to Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (‘Directive on electronic commerce’) (OJ L 178/1, 17.07.2000).

⁵ According to the recital 33 in the preamble to Directive 96/9/EEC:

“Whereas the question of exhaustion of the right of distribution does not arise in the case of on-line databases, which come within the field of provision of services; whereas this also applies with regard to a material copy of such a database made by the user of such a service with the consent of the rightholder; whereas, unlike CD-ROM or CD-i, where the intellectual property is incorporated in a material medium, namely an item of goods, every on-line service is in fact an act which will have to be subject to authorization where the copyright so provides”

Furthermore, according to the recital 29 in the preamble to Directive 2001/29/EC:

“The question of exhaustion does not arise in the case of services and on-line services in particular. This also applies with regard to a material copy of a work or other subject-matter made by a user of such a service with the consent of the rightholder. Therefore, the same applies to rental and lending of the original and copies of works or other subject-matter which are services by nature. Unlike CD-ROM or CD-I, where the intellectual property is incorporated in a material medium, namely an item of goods, every on-line service is in fact an act which should be subject to authorisation where the copyright or related right so provides.”

⁶ Case C-128/11, “*UsedSoft GmbH v. Oracle International Corp.*”, of the 3rd July 2012, unpublished.

dispute as court of final instance, made a reference to the CJEU for it to interpret the Articles 4 (2) and 5 (1) of Directive 2009/24/EC⁷ in the light of the above facts.

4. Findings of the CJEU

To settle the above dispute, the CJEU clarified that, pursuant to Art. 4 (2) of Directive 2009/24/EC, 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 him⁸. Further, based on this statement, it judged that the application of the above provision must involve a transfer of the right of ownership in a specific copy of the computer program⁹. Such a transfer also takes place, according to the CJEU, when the manufacturer of a computer program concludes a user licence agreement with his client relating to the right to use a copy of the program concerned, that the latter downloaded for free from the manufacturer's website for an unlimited period and in return for payment of a fee corresponding to the economic value of the copy¹⁰.

Moreover, according to the CJEU, for applying Art. 4 (2) of Directive 2009/24/EC it makes no difference whether the copy of the computer program was made available by means of a material medium such as a CD-ROM or DVD or by means of a download from the rightholder's website¹¹. The CJEU justified this opinion putting forward the following arguments: firstly, based on Art. 1 (2) (a) of Directive 2001/29/EC, the provisions of Directive 2009/24/EC constitute a *lex specialis* in relation to the provisions of Directive 2001/29/EC. Therefore, even if the digital transmission of a copy of a computer program falls within the scope of the "communication to the public" defined in Art. 3 (1) of Directive 2001/29/EC and thus there is no exhaustion of the distribution right in the copy concerned under Article 3 (3) of Directive 2001/29/EC, this cannot affect the scope of Art. 4 (2) of Directive 2009/24/EC¹²; secondly, it follows from Art. 6 (1) of the WIPO Copyright Treaty (WCT), in the light of which both Directive 2001/29/EC and Directive 2009/24/EC must, to the greatest extent possible, be interpreted, that the transfer of the right of ownership of a copy of a computer program always leads to the application of Art. 4 (2) of Directive 2009/24/EC¹³; thirdly, Art. 4 (2) of Directive 2009/24/EC makes no distinction according to the tangible or intangible form of the copy in question¹⁴; fourthly, according to Art. 1 (2) of Directive 2009/24/EC 'protection in accordance with this Directive shall apply to the expression in any form of a computer program'¹⁵; fifthly, Recital 7 in the preamble to Directive 2009/24/EC specifies that the 'computer programs' that the said Directive aims to protect 'include programs in any form, including those which are incorporated into hardware'¹⁶; sixthly, from an economic point of view, the sale of a computer program on CD-ROM or DVD and the sale of a program by downloading from the internet are similar¹⁷; seventhly, the non-application of the principle of the exhaustion of the distribution right under Article 4(2) of Directive 2009/24 in relation to a copy of a computer program that has been downloaded from the internet would allow the copyright holder to control the resale of copies downloaded from the internet and to demand further remuneration on the occasion of each new sale, even though the first sale of the copy had already enabled him to obtain an appropriate remuneration. Such a restriction of the

⁷ *Ibid*, paras 20-34.

⁸ *Ibid*, para 42.

⁹ *Ibid*.

¹⁰ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, paras 43-46. See also Opinion of the Advocate General Yves Bot, points 56-60.

¹¹ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 47. See also Opinion of the Advocate General Yves Bot, point 84.

¹² Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 51.

¹³ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 52. See also Opinion of the Advocate General Yves Bot, point 73.

¹⁴ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 55.

¹⁵ *Ibid*, para 57.

¹⁶ *Ibid*.

¹⁷ *Ibid*, para 61.

resale of copies of computer programs downloaded from the internet would go beyond what is necessary to safeguard the specific subject-matter of the copyright¹⁸.

Besides, as pointed out by the CJEU after putting forward the above arguments, the application of the exhaustion rule under Art. 4 (2) of Directive 2009/24/EC to a copy of a computer program that was downloaded from the internet is not affected by the fact that the seller and the first user of this copy also reached a contract for services i.e. a maintenance agreement. According to the CJEU, the functionalities corrected, altered or added on the basis of such an agreement form an integral part of the copy originally downloaded and can be used by the acquirer of the copy for an unlimited period, even in the event that the acquirer subsequently decides not to renew the maintenance agreement. Therefore, given that the user of a copy of a computer program that he downloaded from the internet is proprietor not only of the copy concerned but also its functionalities, the finding that the copy of the computer program that the user concerned resells is not identified with the one that was downloaded to his computer from the internet does not affect the legality of the above resale in the light of Art. 4 (2) of Directive 2009/24/EC¹⁹.

In addition, based on the findings of the decision *UsedSoft*, given that one of the legal consequences of the exhaustion doctrine under Art. 4 (2) of Directive 2009/24/EC is that the user of a copy of a computer program that was downloaded from the internet may resell legally this copy to another user, it must be concluded that the second acquirer and any subsequent acquirer of that copy are 'lawful acquirers' of it within the meaning of Article 5 (1) of Directive 2009/24/EC²⁰. Also, in the event that the second acquirer obtained the copy concerned by means of downloading from the internet, such a download must be regarded as a reproduction of a computer program that is necessary to enable the new acquirer to use the program in accordance with its intended purpose²¹. Nevertheless, the above legal consequences do not include the possibility of the acquirer to resell only the user right for the copy concerned to a number of users determined by him²². As stressed by the CJEU, in order to avoid infringing the exclusive right of reproduction of a computer program which belongs to its author, laid down in Article 4 (1) (a) of Directive 2009/24/EC, after the resale of a copy of a computer program that was obtained by the first acquirer by means of downloading from the internet and was installed on his server, the latter must no longer be able to use this copy²³. Thus, in the case of a copy of a computer program that was obtained by means of a download from the internet for a determined number of users, the application of Art. 4 (2) of Directive 2009/24/EC does not mean that the acquirer is authorized to divide the licence and resell only the user right for the computer program concerned corresponding to a number of users determined by him²⁴. Besides, the CJEU entitled the manufacturer of the computer program to ensure by all technical means at his disposal that the copy that was obtained by means of downloading from the internet and is still in the hands of the reseller is made unusable²⁵.

5. Comment

The decision *UsedSoft* constitutes, in several aspects, a leading decision, which gives rise to new data in terms of the content of the right of distribution of a work, including the copy of a computer program, and the issue of exhaustion of the right of distribution of a copy of a computer program. Furthermore, it is a decision that is expected to affect radically the functioning of the EU market of computer programs.

¹⁸ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para. 63. Cf. See also Opinion of the Advocate General Yves Bot, points 78-83.

¹⁹ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, paras 64-68.

²⁰ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 80. The Advocate General Yves Bot is opposed (points 95-99).

²¹ Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 81. The Advocate General Yves Bot is opposed (points 95-99) and does not accept any extension of the principle of exhaustion to the right of reproduction of a copy of a computer program.

²² Case C-128/11, "*UsedSoft GmbH v. Oracle International Corp.*", of the 3rd July 2012, unpublished, para 69.

²³ *Ibid*, para 70.

²⁴ *Ibid*, para 69.

²⁵ *Ibid*, para 87.

5.1 The decision *UsedSoft* is a landmark

The decision *UsedSoft* is a landmark for the following reasons:

(i) Firstly, the above decision revises the issue of the separation between the right of distribution of the original or the copies of a work and the right of communicating a work to the public and, more specifically, from the right of the author to make his work available to the public in a specific way, which constitutes a special expression of the above right²⁶. Concretely, according to what has been accepted to date regarding the content of the right of distribution of the original or the copies of a work, the said right does, by no means, include the digital transmission of a work²⁷. Nonetheless, according to the statements of the decision *UsedSoft* and the Advocate-General Yves Bot, the finding that the existence of a transfer of ownership changes, in the light of Art. 6 (1) of the WIPO Copyright Treaty (WCT)²⁸, an ‘act of communication to the public’ within the meaning of Art. 3 (1) of Directive 2001/29/EC into an act of distribution within the meaning of Art. 4 of Directive 2009/24/EC²⁹. It is therefore observed that, according to the CJEU’s view, the online transmission of a work does fall within the right of distribution of a work provided that the result of the above transmission is the transfer of an ownership right on a permanent copy of a work that was created with the consent of the copyright holder on a data carrier by the receiver of the transmission. At this point, the CJEU’s effort to extend the content of the right of distribution of a work and – through this extension – to subsume an additional form of exercise of the author’s right to the rule of exhaustion of rights, which demonstrates in EU copyright law the fundamental principle of free movement of goods, is particularly evident. Indeed, if the above digital transmission was regarded by the CJEU as one of the forms of exercising the right of communicating a work to the public and, more specifically, the right of the author to make his work available to the public in a specific way (Art. 3 (1) of Directive 2001/29/EC), there would not be room for applying the rule of exhaustion of rights since the above right is explicitly excluded from the scope of this rule (Art. 3 (3) of Directive 2001/29/EC). Nonetheless, if the above digital transmission is regarded as a form of exercise of the right of distribution of a work (Art. 4 (1) of Directive 2001/29/EC), it is possible to apply the provision of Art. 4 (2) of Directive 2001/29/EC on the above transmission.

(ii) Secondly, based on the above decision, it becomes clear that, regardless of the qualification given by the manufacturer of the computer program in the relevant contract, the grant of a right to use a copy of the program for an unlimited period and in return for payment of a fee corresponding to the economic value of the copy of the program is equal to a sale of the copy concerned within the meaning of Art. 4 (2) of Directive 2009/24/EC. As a result, the fact that the copy of a computer program is made available to a specific user based on a “shrink-wrap” license or a “click-wrap” license or based on any license, the terms of which were not negotiated by the contracting parts annuls the application of the provision of Art. 4 (2) of Directive 2009/24/EC, unless it is founded that a right was granted to use the copy for an unlimited period and in return for payment of a fee corresponding to its economic value. The CJEU’s position must be praised since, if the application of Art. 4 (2) of Directive 2009/24/EC depended on the description referred to in the contract that grants a right to use a copy of a computer program, the risk of circumvention of the above provision would certainly be, as pointed out by the Advocate-General Yves Bot, quite high³⁰.

(iii) Thirdly, in the light of the above decision, the rule of exhaustion of the right of distribution of a computer program also applies to copies of computer programs which were installed, even for free, on a data carrier (e.g. on a hard disc of a computer) within the framework of an online service or by means of

²⁶ See Michail-Theodoros Marinou, *supra* note 2, at 44.

²⁷ See *supra* note 3.

²⁸ As already acknowledged by the CJEU in a previous decision, the provisions of Directives of the European secondary copyright law must be interpreted, to the extent possible, in the light of the rules of International Agreements reached by the European Community (now European Union). See Case C-456/06, “*Peek & Cloppenburg KG v. Cassina SpA.*”, [2008] ECR, I-2731, para 30.

²⁹ Case C-128/11, “*UsedSoft GmbH v. Oracle International Corp.*”, of the 3rd July 2012, unpublished, para 52. Opinion of the Advocate General Yves Bot in Case C-128/11, “*UsedSoft GmbH v. Oracle International Corp.*”, of the 3rd of July 2012, unpublished, point 73.

³⁰ See Opinion of the Advocate-General Yves Bot in Case C-128/11, “*UsedSoft GmbH v. Oracle International Corp.*”, of the 3rd July 2012 (unpublished), point 59. Cf. even prior to the delivery of the decision *UsedSoft*, CHRISTOPHER STOTHERS, PARALLEL TRADE IN EUROPE, INTELLECTUAL PROPERTY, COMPETITION AND REGULATORY LAW, Hart Publishing, Oxford 2007, 51.

downloading that was done within the framework of an online service by the service user and for which the copyright holder provided, in return for a fee corresponding to the economic value of the above copy, a right of use of the copy concerned for an unlimited period. Therefore, it is founded that, according to the CJEU's view, there must be a distinction between an online sale, which, according to the recital 18 in the preamble to Directive 2000/31/EC, constitutes an information society service and is not subject to the rule of exhaustion of rights, and the permanent copy of a computer program that is created on a specific material medium under an online sale by the acquirer and with the consent of the copyright holder and should therefore be subject to the rule of Art. 4 (2) of Directive 2009/24/EC. Besides, as clarified by the CJEU, the downloading that is indispensable for the resale of such a copy, pursuant to the above rule, does not breach the exclusive right of reproduction of a computer program (article 4 (1) (a) of Directive 2009/24/EC) and, therefore, cannot be prohibited by the rightholder because it constitutes a reproduction which is necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose. On the other hand, in order to avoid infringing the above right, it was clarified that the user who resold such a copy must no longer have the possibility to use it and the rightholder may ensure by all technical means at his disposal that the copy concerned is made unusable.

The above views of the CJEU seem right regarding the correct distinction between products and services. Indeed, the permanent copy of a computer program that is created on a material medium under an online sale by the acquirer and with the consent of the rightholder does not have all the characteristics of a service³¹. Contrary to a service, whose use by its recipient requires the involvement of its provider, the copy concerned may be used by its acquirer without the seller's involvement. Besides, the creation and use of the copy concerned do not happen at the same time, as in the case of the provision and use of a service. Nevertheless, the above view of the CJEU clashes with the view expressed on this issue by the European Commission within the framework of Directives 96/9/EEC and 2001/29/EC on the permanent copies of databases and any other work that are created on material media by users of online services with the consent of the rightholders. More specifically, pursuant to the recital 33 in the preamble to Directive 96/9/EEC and the recital 29 in the preamble to Directive 2001/29/EC³², the rules of exhaustion of rights of the said Directives (articles 5 (c), second sentence of Directive 96/9/EEC and article 4 (2) of Directive 2001/29/EC) are not applied to the above copies. Finally, regarding the clarification of the CJEU on the legality of the reproduction (downloading) that is necessary for the resale of the above copy, this approach was, of course, necessary to guarantee from a technical point of view the effectiveness of Art. 4 (2) of Directive 2009/24/EC in this case.

5.2 Consequences of the decision *UsedSoft* for the market of computer programs in the European Union

5.2.1 Impact

The decision *UsedSoft* is expected to have a great impact on the EU market of computer programs. Precisely, the main and direct consequence of the said decision is that it provides the users of online services a possibility whose legality was controversial to date, i.e. the possibility of reselling permanent copies of computer programs which were created on material media with the consent of the rightholders by the users concerned. Still, the benefits of the decision for the users of the computer programs most probably will not apply to the computer programs that will be launched in the near future. And this is due to the fact that the findings of the said decision are expected to lead those who develop such programs to adopt new and revise established methods of software distribution with a view to reducing radically the copies of the computer programs that will be subject to the rule of Art. 4 (2) of Directive 2009/24/EC.

*5.2.2 Consequences of the decision *UsedSoft* for the users of copies of computer programs*

With regard to the users of copies of computer programs, the decision *UsedSoft* makes it clear that the user of a computer program that created the copy concerned within the framework of an online sale or by means of downloading within the framework of an online sale with the consent of the rightholder, has the

³¹ For the characteristics of a service, according to the economic theory, see Raymond P. Fisk, Stephen W. Brown & Mary Jo Bitner, *Tracking the Evolution of the Services Marketing Literature*, 69 *Journal of Retailing* 61 (1993).

³² See for the text of the above recitals, *supra* note 6.

same rights as the user who acquired a copy of the same program on a material medium (e.g. CD-ROM, DVD). That means that the first one of the above users has the possibility to resell the copy he acquired while the consent of the rightholder is not necessary for the resale. Second, this opens the way for the development of intra-brand competition³³ on the market of copies of computer programs that are made available online through digital networks. More specifically, the decision *UsedSoft* “abolishes” the monopoly of the rightholders on digital transmissions that lead to the creation of permanent copies of computer programs on material media, since such copies may now be (re-)sold at lower prices compared to the prices set by the above holders, by the users who acquired an ownership right on them with the consent of the holders concerned. Third, there is no longer any doubt about the possibility of reselling the data media that have permanent copies of computer programs which were created by users of online services with the consent of the rightholders. Indeed, since, pursuant to the decision *UsedSoft*, the resale of the above copies is legal, the resale of the data media with such copies should also be considered legal.

5.2.3. Consequences of the decision *UsedSoft* for manufacturers of computer programs

On the other hand, with regard to the manufacturers of computer programs, the result of the decision *UsedSoft* will likely push them to seek and establish new software distribution methods. Concretely, in order for them to annul in practice the benefits stemming from the above decision for the users of copies of computer programs, it is very likely that they renounce, to a great extent, the sale and, on the basis of the findings of the above decision, the grant of a right to use a copy of a program for an unlimited period in return for payment of a fee corresponding to the economic value of the copy as software distribution methods. Besides, even if the above methods of software distribution will continue to be applied by some computer program manufacturers, it is almost certain that they will not be applied with the current terms of the software market. In fact, following the decision *UsedSoft*, the computer program manufacturers are expected to turn towards the following software provision methods:

(i) Grant of a right to use the copy of a computer program for a limited period (“subscription-based model”). According to the statements of the decision *UsedSoft*, the application of the rule of Art. 4 (2) of Directive 2009/24/EC requires the grant of a right to use the copy of a computer program for an unlimited period. However, a use right of an extremely long duration (e.g. fifty or seventy years) does not seem to annul the application of the above rule since it is obvious that the time restriction aims at circumventing the said rule.

(ii) Use of the model “Software as a Service (SaaS)” (also known as “on-demand software”). Based on the statements of the decision *UsedSoft*, the application of the rule of Art. 4 (2) of Directive 2009/24/EC requires the transfer of the ownership right on a copy of a computer program. If the transfer of the ownership right is not ascertainable, the above provision cannot be applied regardless if a user gained access to the functions of a computer program with the consent of the rightholder. Therefore, in order to avoid the possibility of applying the above provision to a copy of a computer program that is distributed digitally, the solution for the manufacturers of computer programs could be the “Software as a Service (SaaS)” model, which is already being increasingly used³⁴. Within the framework of the aforementioned model, the rights to use the applications are not bought but the user acquires the right to use a software paying a fee which does depend either on the duration of its use (time-based) or on the subscription that the user chose for his access to this software. The user has access through the internet and a common web browser³⁵. It is evident that the “Software as a Service (SaaS)” does not entail

³³ In a copyright context, intra-brand competition has the meaning of competition between copies of the same copyrighted product.

³⁴ See Larry Barret, *SaaS Market Growing by Leaps and Bounds: Gartner*, available at: <http://www.datamation.com/entdev/article.php/3895101/SaaS-Market-Growing-by-Leaps-and-Bounds-Gartner.htm>; Gartner Newsroom, *Gartner Says Worldwide Software as a Service Revenue Is Forecast to Grow 21 Percent in 2011*, available at: <http://www.gartner.com/it/page.jsp?id=1739214&M=6e0e6b7e-2439-4289-b697-863578323245>; Tomasz Targosz, *The Economic Perspective: Exhaustion in the Digital Age*, in LIONEL BENTLEY, UMA SUTHERSANEN & TORREMANS PAUL, *GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE, FROM 1709 TO CYBERSPACE*, Edward Elgar, Cheltenham 2010, 337, 346.

³⁵ For the “Software as a Service (SaaS)” see GERALD BLOKDIJK, *SaaS 100 SUCCESS SECRETS*, WebEx 2008; MELVIN GREER, *SOFTWARE AS A SERVICE INFLECTION POINT: USING CLOUD COMPUTING TO ACHIEVE BUSINESS AGILITY*, iUniverse, Inc., New York, Bloomington, IN, 2009; IVANKA MENKEN, *SaaS - THE COMPLETE CORNERSTONE GUIDE TO SOFTWARE AS A SERVICE BEST PRACTICES CONCEPTS*,

transfer of ownership right and, as a result, in the light of this method of software distribution, the issue of applying the provision of Art. 4(2) of Directive 2009/24/EC does not arise.

(iii) Grant of right to use a copy of a computer program for an unlimited period to a large number of users (“enterprise/block licensing”). According to the findings of the decision *UsedSoft*, the buyer, who acquired the right to use the copy of a computer program for an unlimited period and for a determined number of users is not entitled to divide up the right of use he acquired by reselling the said right to a number of users determined by him. Based on this clarification, it is obvious that the resale of the right to use a permanent copy of a computer program for more users is obviously more difficult than the resale of a right to use a permanent copy of the same program for one single user since the first of the foregoing resales requires that the new acquirer needs a right to use covering the same number of users. Therefore, the grant of rights to use copies of computer programs for an unlimited period for a large number of users rather than one single constitutes another option for the manufacturers of computer programs in their attempt to reduce the cases of application of Art. 4 (2) of Directive 2009/24/EC.

(iv) Grant of right to use a copy of a computer program for an unlimited period and use of anti-piracy protection technical means (“technical solution”). Finally, following the decision *UsedSoft*, it is almost certain that the use of technical protection means that will guarantee to a great extent that the reseller of a copy of a computer program acquired by means of downloading from the internet can no longer use this copy will be increased. It comes out from the decision *UsedSoft* that the CJEU favors the use of such technical means by the rightholders. Nevertheless, the use of anti-piracy protection means should lead to an increase in the prices to be paid for the rights to use copies of computer programs for an unlimited period and, thus, a possible fall in the demand for such rights and the reduction of cases subject to the provision of the exhaustion of the distribution right under Directive 2009/24/EC.

6. Conclusion

Through the decision *UsedSoft*, the CJEU made it clear that the distinction between the rights of digital dissemination and the distribution of a work/copy of a computer program must be based on the finding of the existence of a transfer of ownership. Furthermore, it clarified that the rule of exhaustion of the distribution right laid down in Article 4(2) of Directive 2009/24/EC is applied on every permanent copy of a computer program for which a right to use for an unlimited period was granted either by the rightholder or with his consent regardless if the said copy was distributed on a data carrier (offline) or by means of downloading from the internet. The decision *UsedSoft* has direct benefits for the users of copies of computer programs. Yet, in the medium to long term, the manufacturers of computer programs are expected to try to annul in practice the above benefits. More specifically, following the decision *UsedSoft*, they are expected to adopt new or revise the existing software distribution methods (to the extent that those will continue to be used) with a view to reducing the number of copies of computer programs that are subject to the rule of Art. 4 (2) of Directive 2009/24/EC.

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