

RECENT DEVELOPMENTS OF COPYRIGHT EXHAUSTION IN THE EUROPEAN UNION

Dr. Péter Mezei, PhD

Associate Professor, Associate Dean for International Affairs

University of Szeged, Faculty of Law (Hungary)

Adjunct Professor (dosentti), University of Turku (Finland)

Lecturer in Law, University of Toledo College of Law (USA)

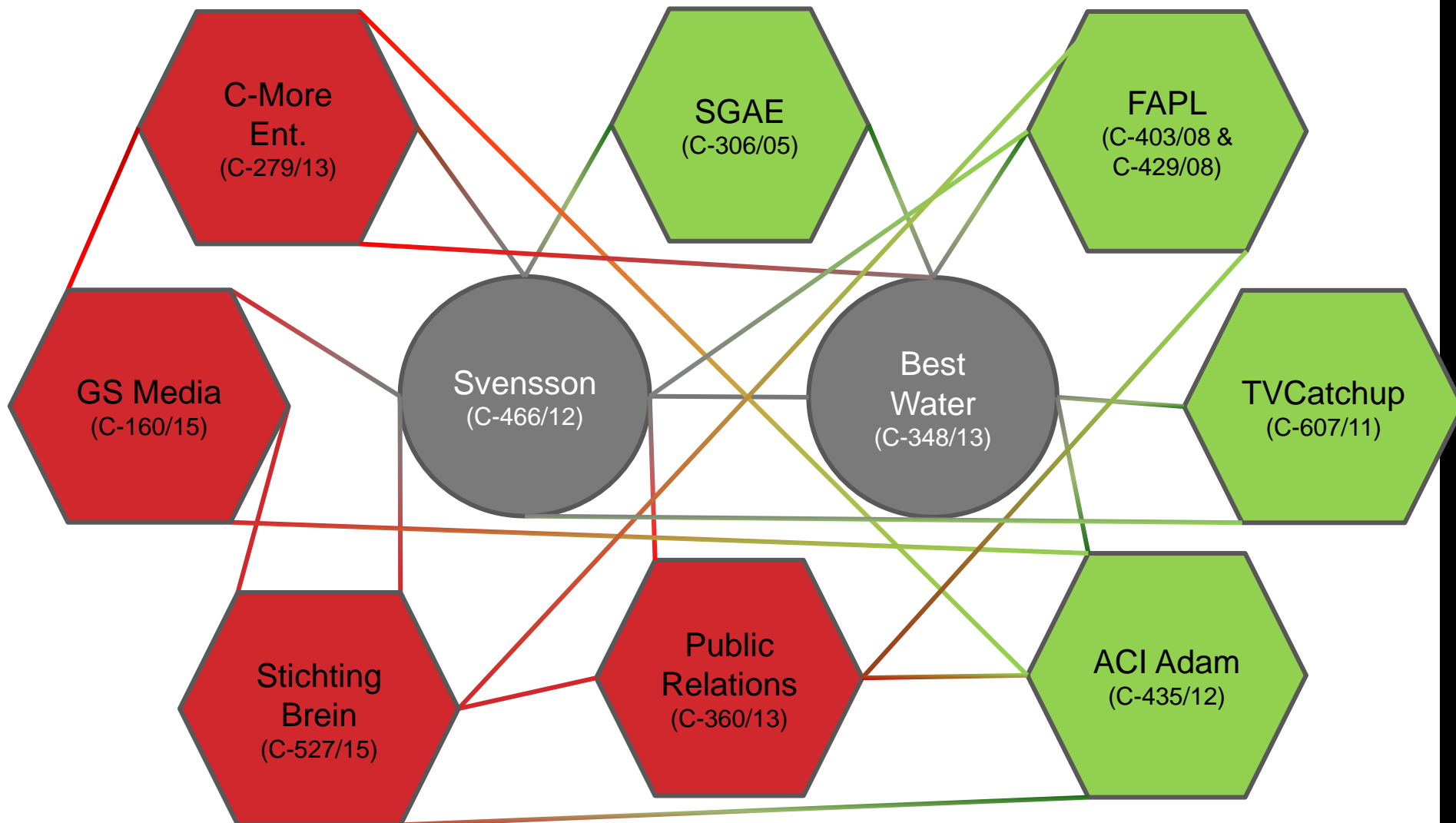
Visiting Professor, Université Jean Moulin Lyon III (France)

LAW AND SOCIETY CONFERENCE

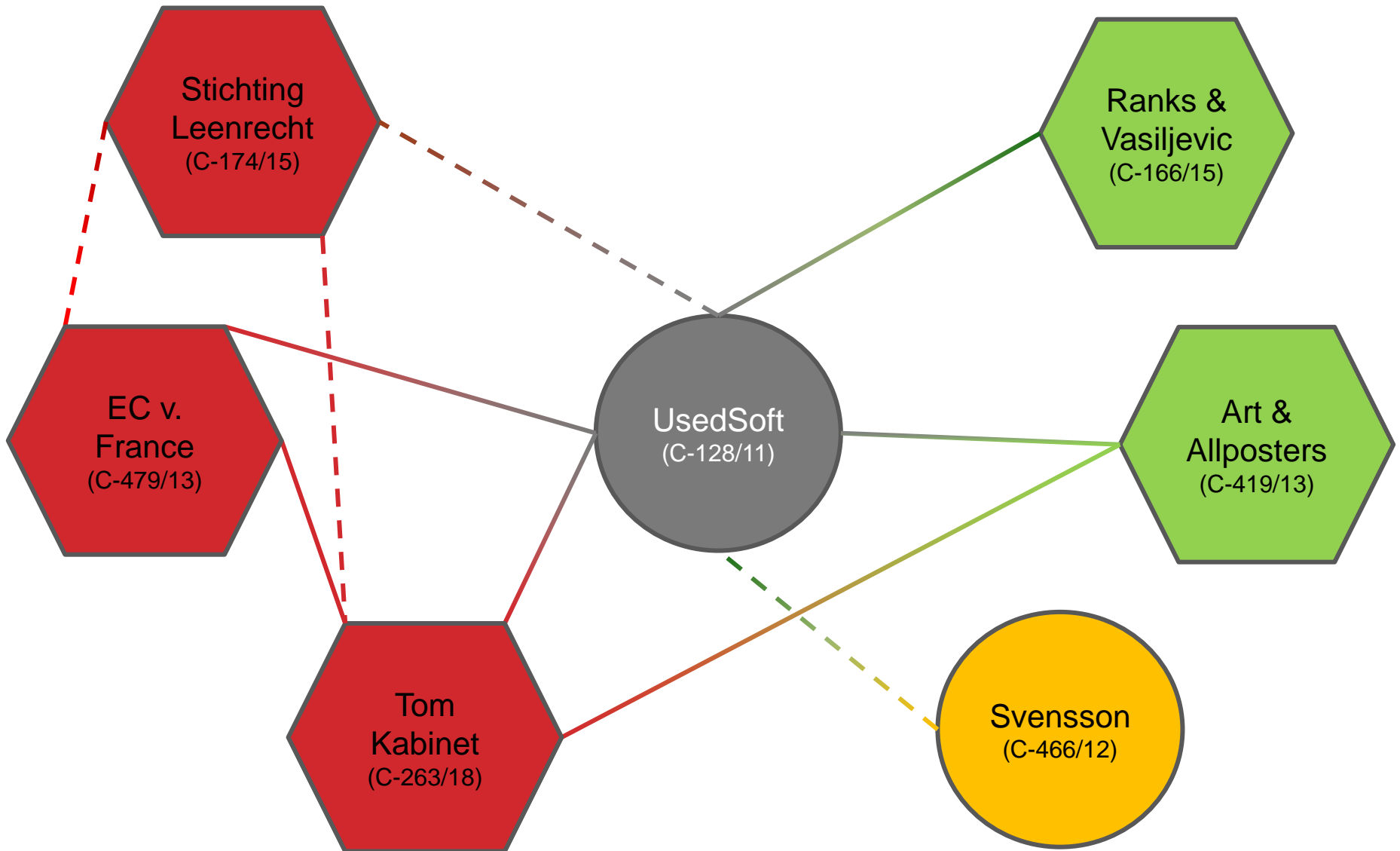
TORONTO, JUNE 8, 2018

ECJ CASE LAW MATRIX ON LINKING

See in details: **Enter the matrix: the effects of the CJEU's case law on linking and beyond**
GRUR-Int, 10/2016: p. 887-900 & *JIPLP* 10/2016: p. 778-794



RECENT ECJ CASE LAW MATRIX ON THE DOCTRINE OF EXHAUSTION



ESSENCE OF USED SOFT

- If the license is valid for an indefinite term and allows a permanent use “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” = **SALE**.
- “The existence of a transfer of ownership *changes an ‘act of communication to the public’ (...) into an act of distribution (...).*”
- “The operation of downloading from that medium a copy of the computer program and that of concluding a licence agreement remain inseparable from the point of view of the acquirer.” = “***The on-line transmission method is the functional equivalent of the supply of a material medium.***”
- The Software Directive – especially its Art. 4(2) – is ***lex specialis***.

ESSENCE OF SVENSSON

“Where all the users of another site to whom the works at issue have been communicated by means of a clickable link could access those works directly on the site on which they were initially communicated, without the involvement of the manager of that other site, the users of the site managed by the latter must be deemed to be potential recipients of the initial communication and, therefore, as *being part of the public taken into account by the copyright holders when they authorised the initial communication.*” (para. 27.)

Does the application of the theory of “new public” and the theory of “different technological means of transmission” lead to the exhaustion of the right of making available to the public?

(Theoretically not, but how else could we interpret para. 27?)

ESSENCE OF ART & ALLPOSTERS

- “The fact that the ink is saved during the transfer cannot affect the finding that the image’s medium has been altered. What is important is ***whether the altered object itself, taken as a whole, is, physically, the object that was placed onto the market with the consent of the rightholder.*** That does not appear to be the case in the dispute in the main proceedings.” (para. 45)

ESSENCE OF RANKS & VASILJEVIC

- “It follows that a ***back-up copy of a computer program may be made and used only to meet the sole needs of the person having the right to use that program*** and that, accordingly, that person cannot — even though he may have damaged, destroyed or lost the original material medium — use that copy in order to resell that program to a third party.” (para. 43)

CONFLICTING CASE LAW ON E-BOOKS

- “[U]nder Article 24(1) of the VAT Directive, a ‘supply of services’ means any transaction which does not constitute a supply of goods, whereas, under Article 14(1) of that directive, a ‘supply of goods’ means the transfer of the right to dispose of tangible property as owner. Contrary to what the French Republic argues, the supply of electronic books cannot be regarded as a ‘supply of goods’ within the meaning of that provision, since an electronic book cannot qualify as tangible property. As is clear from paragraph 28 above, the physical support enabling an electronic book to be read, which could qualify as ‘tangible property’, is not part of that supply. It follows that, pursuant to Article 24(1) thereof, ***the supply of electronic books must be classified as a supply of services.***” (para. 35) (EC v. France)
→ services are not subject to the doctrine of exhaustion (InfoSoc Directive, recital 29)

CONFLICTING CASE LAW ON E-BOOKS

- Michel Walter (2016): following Stichting Leenrecht, exhaustion applies to e-books:
 - ECJ: lending right covers e-lending;
 - the right of distribution requires the transfer of ownership under EU law, but it also covers lending/rental activities under Austrian law;
 - under §16a of the Austrian Copyright Act, remuneration is due, if libraries lend copies that were lawfully marketed, and upon which the right of distribution has exhausted;
 - read all these together, if libraries are allowed to lend e-books it hypothetically means that the respective e-books were acquired by libraries lawfully, and the right of distribution has exhausted on them (at least under Austrian law).
 - (Not convincing to me: the ECJ did not talk about exhaustion; on the contrary, it only discussed whether e-lending is covered by the Rental Directive; and ECJ rulings can only be interpreted uniformly, rather than individually under domestic laws.)

CONFLICTING CASE LAW ON E-BOOKS

Questions referred to the ECJ for preliminary rulings in the Tom Kabinet case:

1. Is Article 4(1) of the Copyright Directive to be construed as meaning that ‘any form of **distribution** to the public by sale or otherwise of the original of their works or copies thereof’ as referred to therein **includes making available remotely by downloading**, for use for an unlimited period, e-books (being digital copies of books protected by copyright) at a price by means of which the copyright holder receives remuneration equivalent to the economic value of the work belonging to him?
2. If question 1 is to be answered in the affirmative, is the distribution right with regard to the original or copies of a work as referred to in Article 4(2) of the Copyright Directive **exhausted** in the Union, when the first sale or other transfer of that material, which **includes making available remotely by downloading**, for use for an unlimited period, e-books (being digital copies of books protected by copyright) at a price by means of which the copyright holder receives remuneration equivalent to the economic value of the work belonging to him, takes place in the Union through the rightholder or with his consent?

CONFLICTING CASE LAW ON E-BOOKS

Questions referred to the ECJ for preliminary rulings in the Tom Kabinet case – continued:

3. Is Article 2 of the Copyright Directive to be construed as meaning that a ***transfer between successive acquirers of a lawfully acquired copy in respect of which the distribution right has been exhausted***, constitutes consent to the acts of reproduction referred to therein, in so far as those acts of reproduction are necessary for the lawful use of that copy and, if so, which conditions apply?
4. Is Article 5 of the Copyright Directive to be construed as meaning that the ***copyright holder may no longer oppose the acts of reproduction*** necessary for a transfer between successive acquirers of the lawfully acquired copy in respect of which the distribution right has been exhausted and, if so, which conditions apply?

FUTURE EXPECTATIONS IN THE TOM KABINET CASE

Sale v. licence? Most probably sale.

Distribution covers making available to the public? Most probably yes.

The new copy theory versus migration of files and forward-and-delete technologies? Referred questions do not address this question (but speaks of the transfer of a legally obtained copy). But if Art & Allposters is followed: Tom Kabinet fails. If the lawful owner's logic (under UsedSoft) is followed: Tom Kabinet wins. (Who cares about ReDigi in the EU?)

Different subject matters and lex specialis? It is highly problematic that the reference did not address recitals 28-29 of the InfoSoc Directive.

Theory of functional equivalence? Meaningful similarities and differences exist between the use of a computer program and an e-book.

ENTER THE MATRIX?!



Cambridge Intellectual Property and Information Law

Copyright Exhaustion

Law and Policy in the United States
and the European Union

Péter Mezei



Professor Mezei's book provides a detailed, nuanced, yet accessible treatment of the copyright exhaustion doctrine - a critical but underdeveloped area of intellectual property law that courts around the world are struggling to get right, especially as it applies to copyright-protected digital works.

William T. Gallagher - Director of the Intellectual Property Law Center, Golden Gate University School of Law

In this era of digital streaming, cloud computing and global content distribution, the exhaustion doctrine in copyright law deserves serious scholarly and policy attention. This timely and important book provides an in-depth comparative analysis of the doctrine's justifications, evolution and future development on both sides of the Atlantic and at the international level. Highly recommended!

Peter K. Yu - Director, Center for Law and Intellectual Property, Texas A & M University School of Law

OUT SINCE 31 JANUARY 2018

**THANK YOU FOR YOUR
ATTENTION!**

MEZEI@JURIS.U-SZEGED.HU

HTTP://SSRN.COM/AUTHOR=1697918