

CASE LAW SECTION

ECONOMIC RIGHTS

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The Court of Justice of the European Union is continuing its work to define – redefine? – the contours of the monopoly. The first axis, adding to the abundant case law on the subject, seeks to increase, or to confirm, the scope of the right of communication to the public (**First Axis**). The second expands the reach of the “rental-lending” directive to cover digital lending (**Second Axis**). Lastly, the Court has maintained its *UsedSoft* case law concerning the exhaustion of the distribution right and, in passing, has provided some new

points on the reproduction right (**Third Axis**). All in all, while it is hard to discern a general direction, these decisions prove, if proof were still needed, the creative power of European case law in the field of authors' rights.

FIRST AXIS – RIGHT OF COMMUNICATION TO THE PUBLIC

On two occasions recently, the Court of Justice of the European Union has had recourse to the “knowledge” criterion that it used earlier in the *GS Media* case to characterise an act of communication to the public. However, these new decisions make use of it in a rather different context because the two cases submitted to the CJEU did not involve an act of primary communication, or even secondary communication, but rather the provision of means enabling the public to have access to works offered without the consent of the rightholders.

I. THE RIGHT OF COMMUNICATION TO THE PUBLIC AND THE MARKETING OF A MULTIMEDIA PLAYER PROVIDING ACCESS TO WORKS ILLEGALLY PROPOSED ON WEBSITES

Two insights can be drawn from the judgment delivered by the Court of Justice of the European Union on 26 April 2017 (CJEU, 2nd Ch., 26 April 2017, case C-527/15, *Stichting Brein v Jack Frederik Wullems* (hereinafter “*Filmspeler*”):

- 1 – *The sale of a multimedia player with pre-installed add-ons, available on the internet, containing hyperlinks to freely accessible websites on which*

protected works have been illegally made available to the public is an act of communication to the public;

2 – The temporary reproduction on that player of a protected work obtained by streaming is not exempted from the reproduction right.

The facts behind the decision were as follows. Mr Wullems had taken the initiative to sell a multimedia player (called “filmspeler”) through the digital networks. The function of this device was to act as a medium between a source of visual and/or sound data (and thus intellectual works), on the one hand, and a television screen, on the other. The player contained, *inter alia*, open source software, installed by Mr Wullems, making it possible to play files through a user-friendly interface via structured menus, as well as add-ons, created by third parties and available on the internet, the purpose of which was to enable users to retrieve the content they wanted from websites. Indeed, the add-ons contained links which, when activated by the media player’s remote control, connected to streaming websites run by third parties. Some of the sites operated with the authorisation of rightholders whereas others operated without it.

To sum up, the function of the add-ons was to retrieve the desired content from legal or illegal streaming sites and make it start playing, with a simple click, on the multimedia player connected to a television screen. The advertising for the player emphasised that works available on the internet could thus be watched freely and easily without the consent of the holders of the literary and artistic property rights.

This initiative failed to please Stichting Brein, a Dutch foundation for the protection of the interests of copyright holders, which, based on the right of communication to the public, applied to the District Court of Central Netherlands (Rechtbank Midden-Nederland) to order Mr Wullems to stop selling multimedia players or offering hyperlinks that gave users illegal access to protected works.

Stichting Brein submitted that Mr Wullems' marketing of the multimedia player was an act of "communication to the public", in breach of the provisions of articles 1 and 12 of the Dutch copyright law and articles 2, 6, 7a and 8 of the law on related rights, which, in the view of the Dutch Court, must be interpreted in the light of article 3 of Directive 2001/29, which those provisions transpose. As the District Court considered that the CJEU's case law did not enable the questions raised in these circumstances to be answered with certainty, it decided to refer four questions for a preliminary ruling.

The first two questions concern the right of communication to the public (A) and the last two whether end users may enjoy some of the exceptions provided for in article 5 of Directive 2001/29 for the acts carried out by them (B).

A – Bringing the Right of Communication to the Public into Play through the Sale of the Multimedia Player

The Dutch court raised two questions:

(1) Is the sale of a player with add-ons installed containing hyperlinks to illegal websites an act of communication to the public?

(2) “*Does it make any difference* [to the answer to the first question]

– *whether the copyright-protected works as a whole have not previously been published on the internet or have only been published through subscriptions with the authorisation of the right holder?*

– *whether the add-ons containing hyperlinks to websites on which copyright-protected works are made directly accessible without the authorisation of the right holders are freely available and can also be installed in the multimedia player by the users themselves?*

– *whether the websites and thus the copyright-protected works made accessible thereon – without the authorisation of the right holders – can also be accessed by the public without the multimedia player?”*

To answer these questions, the Court of Justice conducts an analysis in two stages, whereby it first recalls, in the customary manner, the principles that may be brought to bear (1) and then goes on to apply them to the particular facts of the case (2).

1. The Court of Justice begins (paragraphs 24 to 34) by **recalling the substance of its case law on the right of communication to the public.**

It is a right which is preventive in nature allowing rightholders, through their power to prohibit communication to the public, to intervene between possible users of their works and the communication to the public which such users might contemplate making (para. 25).

As article 3(1) of Directive 2001/29 “*does not define the concept of ‘communication to the public’, its meaning and its scope must be determined in light of the objectives pursued by that directive and the context in which the provision being interpreted is set*” (para. 26), by favouring a “*broad*” approach in order to guarantee a high level of protection allowing rightholders to obtain an appropriate reward (para. 27).

All this is already familiar and *a priori* reassuring. However, readers of this review will remember that the proclamation of these fine principles has not always had – far from it! – the expected results.

Having set the objective, how is it to be achieved? The Court then becomes more technical and recalls that an “*individual assessment*” is required (para. 28). For the right granted to rightholders to be deemed to be brought into play by the work’s “user”, it must be possible to consider, firstly, that the act performed is an act of “*communication*” (French jurists more readily use the term “*représentation*”) and, secondly, that the initiative at issue brings the work into contact with a “*public*” (para. 29).

The Court indicates (para. 30) that the act (“communication”?) is assessed by considering several complementary criteria, which are not autonomous and

are interdependent. Consequently, it adds, in keeping with its case law, “*those criteria must be applied both individually and in their interaction with one another, since they may, in different situations, be present to widely varying degrees*”.

We would like to point out once again here that the richness and diversity of the CJEU’s approach confers both flexibility and unpredictability on the analysis of the right in question. While the first can be commended, the second is to be regretted in that it causes the judge-made construct to depart from the virtue that is expected of a legal system, namely a degree of legal certainty based on the possibility of knowing beforehand with a measure of certainty, before initiating the act at issue, what the legal response to it should be. However, assuming that this difficulty is overcome by one of the parties involved, the range of factors offered leaves a margin of discretion that is wide enough to enable the other party to think it possible to adopt another standpoint. In other words, given the variety of factors to be taken into consideration, each party – the “user” and the rightholder alike – may – legitimately or by natural inclination – think that the analysis to be adopted should necessarily apply the criterion which works best for themselves. So all too often there is no absolute truth, or relative truth, enabling persons to know with confidence beforehand what attitude they should adopt. This leads one to conclude that a legal construction which requires parties to wait for the court’s verdict to know where they stand is not necessarily conducive to the harmonious development of new business activities and the expansion of cultural initiatives.

Be that as it may, among all the conceivable criteria, the Court places emphasis here on the “*essential role*” played by the user. The latter engages

in an act of communication “*when he intervenes, in full knowledge of the consequences of his action, to give access to a protected work to his customers and does so, in particular, where, in the absence of that intervention, his customers would not, in principle, be able to enjoy the broadcast work*” (para. 31).

Having established that point, there remained the question of the presence of a “*public*”, without which the act that has been performed does not bring into play the right granted in article 3 of Directive 2001/29.

Unsurprisingly, the Court refers back to its case law specifying that “*the concept of the ‘public’ refers to an indeterminate number of potential viewers and implies, moreover, a fairly large number of people*” (para. 32). We shall not go back over the criticism that can be directed at this approach, which favours the quantitative aspect (large number of people) to the detriment of the qualitative analysis (any recipient who does not form part of the family circle is a public) adopted in the past by French law.

It should be added that the Court of Justice supplements this reasoning with two now customary affirmations which follow their own criteria:

1– In the event of secondary communication, a work is deemed to be communicated to the public only in two sets of cases:

- Either when “*specific technical means [are used], different from those previously used*” (in which case it does not matter that the initial source of the communication is lawful (see *TV Catchup*, C-607/11 [2013], para. 39));

– Or, failing such a difference, when the act enables a “*new public*” to be reached, that is to say, a public that was not already taken into account by the copyright holders when they authorised the initial communication to the public of their work.

While we can be grateful to the Court for clarifying the latter point (which is obvious but has not always been clearly stated in the past), it can still be criticised for resorting to a “*new public*” requirement which does not appear in any international or European text but, on the contrary, seemed to have been intentionally ruled out – for lack of relevance – by the negotiators of the international instruments (on the question, see P. Sirinelli, J.-A. Benazeraf, A. Bensamoun, Report for the CSPLA on the right of communication to the public, tracing the history of the European interpretation’s departure from the texts: <http://www.culturecommunication.gouv.fr/Thematiques/Propriete-litteraire-et-artistique/Conseil-superieur-de-la-propriete-litteraire-et-artistique/Travaux/Missions/Mission-du-CSPLA-sur-le-droit-de-communication-au-public>; for the English and French versions of this report, by the same authors, see RIDA, January 2017, no. 251, p. 206 *et seq.* On the examination then the rejection of this criterion by the delegates at the Brussels Conference for the revision of the Berne Convention in 1948, see S. Ricketson and J.C. Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond*, no. 12.26, 12.27 (2006). Cf., for a criticism of this requirement in other EU countries, P.B. Hugenholtz and S.C. van Velze, *Communication to a New Public? Three Reasons Why EU Copyright Law Can Do Without a ‘New Public’*, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2811777 (19 July 2016). See also, for an

international criticism, the Opinion on the “new public” criterion of the International Literary and Artistic Association (ALAI), which, after listing the texts ignored by the Court, states: “*It may lead to a WTO dispute settlement procedure and liability under the TRIPS Agreement for its inconsistency with the Berne Convention.*” <http://www.alai.org/en/assets/files/resolutions/2014-opinion-new-public.pdf>).

However, having made these negative observations, we have to say that the legal approach generally adopted by the Court of Justice is retained in the reported decision, despite the repeated criticism of it.

2 – The Court also recalls that it has stressed on many occasions that “*the profit-making nature of a communication, within the meaning of Article 3(1) of Directive 2001/29, is not irrelevant*”.

Readers will not receive any further enlightenment. Is it mentioned in order to give this criterion a role in the assessment of the damages to be awarded, which would be understandable, or is it mentioned as a constituent element of the right? The wording used (“*is not irrelevant*”) may suggest that the existence of a profit-making nature is not an absolute requirement. With regard to this approach, we can reiterate our convictions: the pursuit of profit makes the act come within the scope of the author’s exclusive right, if only because persons who seek profit from their act of communication will not have restricted their initiative to the family circle. On the other hand, the absence of a profit-making goal should be completely neutral. However, the truth of the matter is that one would have to be clairvoyant to reveal the

underlying thinking of the Court, which has fluctuated a great deal in this respect.

Following this reminder of the premises, the principles espoused by the Court should be applied to the situation at issue.

2. Is the *disputed sale* indeed an *act of communication to the public*?

By reference to article 3(1) and recital 23 of Directive 2001/29, the Court reaffirms that “*it is sufficient, in particular, that a work is made available to a public in such a way that the persons forming that public may access it, irrespective of whether they avail themselves of that opportunity*” (paras. 35 and 36). Based on this principle, the Court had already stated that the fact of making a work accessible to the public fell within an act of communication without it being necessary to determine whether that offer was followed by an actual act of transmission. That has been the solution in the event of the creation of a hyperlink (para. 37) to a freely accessible website (see, to this effect, the judgment of 13 February 2014, *Svensson and Others*, C-466/12, para. 18 [RIDA, April 2014, no. 240, p. 268 *et seq.*]; see also the judgment of 8 September 2016, *GS Media*, C-160/15, para. 43 [RIDA, Jan. 2017, no. 251, p. 334 *et seq.*]).

The same also holds, the Court of Justice now tells us, for the sale of a multimedia player such as the one at issue, due to the mere fact, therefore, of providing a device equipped in the manner described.

It was doubtless an observation of this kind that suggested to the defendant an argument to support his defence. Is it not the case that recital 27 of Directive 2001/29 states that the mere provision of physical facilities for enabling or making a communication does not in itself amount to “communication” within the meaning of that directive? If such a parallel were adopted (which seemed to be the Commission’s position in this case), Mr Wullems would not have performed any act bringing into play the rightholders’ exploitation rights in the retrieved works (para. 39).

However, comparisons prove nothing, as the saying goes, and the Court cites other cases in which this false analogy was rejected (para. 40 *et seq.*). For example, in the case of the provision of television sets in hotel rooms, “*while the ‘mere provision of physical facilities’ does not as such amount to a communication to the public within the meaning of Directive 2001/29, it remains the case that that facility may make public access to broadcast works technically possible. Therefore, if, by means of television sets thus installed, the hotel distributes the signal to customers staying in its rooms, then communication to the public takes place, irrespective of the technique used to transmit the signal (judgment of 7 December 2006, SGAE, C-306/05, EU:C:2006:764, paragraph 46)*”. Then, referring to the Advocate General’s opinion in the present case (paragraphs 53 and 54), the Court stresses that, here, Mr Wullems, “*with full knowledge of the consequences of his conduct, pre-installs onto the ‘filmspeler’ multimedia player that he markets add-ons that specifically enable purchasers to have access to protected works published – without the consent of the copyright holders of those works – on streaming websites and enable those purchasers to watch those works on their television screens (see, by analogy, judgment of 7 December 2006, SGAE,*

C-306/05, EU:C:2006:764, paragraph 42). That intervention enabling a direct link to be established between websites broadcasting counterfeit works and purchasers of the multimedia player, without which the purchasers would find it difficult to benefit from those protected works, is quite different from the mere provision of physical facilities, referred to in recital 27 of Directive 2001/29. In that regard, it is clear from the observations presented to the Court that the streaming websites at issue in the main proceedings are not readily identifiable by the public and the majority of them change frequently” (emphasis added).

It becomes clear on reading the decision that while the multimedia player could potentially be regarded as a physical facility, the device at issue here is not “neutral” due to Mr Wullems’ deliberate decision to install add-ons providing access to infringing content. Consequently, in the view of the Court, the provision of a multimedia player which – in view of the add-ons pre-installed on it – affords access via structured menus to links contained in those add-ons which, when activated, offer its users direct access to protected works without the consent of the copyright holders must be regarded as an act of communication within the meaning of article 3(1) of Directive 2001/29.

So much for the analysis of the act. But what about the second requirement, namely that of a “public”?

To conclude that a “public” exists (para. 45: “*that communication is aimed at an indeterminate number of potential recipients and involves a large number of persons*”), the Court takes up the analysis grid that it had already established

earlier (*de minimis* threshold, potential recipients, their access to the work at the same time or in succession...):

“44 In that regard, the Court has stated, first, that the concept of ‘public’ encompasses a certain de minimis threshold, which excludes from the concept groups of persons which are too small, or insignificant. Second, in order to determine that number, the cumulative effect of making the works available to potential recipients should be taken into account. Thus, it is relevant to know not only how many persons have access to the same work at the same time, but also how many of them have access to it in succession (see, to that effect, judgments of 15 March 2012, Phonographic Performance (Ireland), C-162/10, EU:C:2012:141, paragraph 35; of 27 February 2014, OSA, C-351/12, EU:C:2014:110, paragraph 28; and of 31 May 2016, Reha Training, C-117/15, EU:C:2016:379, paragraph 43 and the case-law cited).”

However, as a secondary communication was involved, the requirement is two-pronged and, because of the (questionable) case law referred to earlier, the public concerned must be “new”.

A new public is “a public which was not taken into account by the copyright holders when they authorised the initial communication” (para. 47). And the Court follows with a reminder (para. 47 *et seq.*) of its judicial construction regarding hyperlinks:

1– Posting a hyperlink to a lawful “open” website does not constitute an act of communication to the public, for want of a “new public”.

Note that the Court of Justice takes care to point out (para. 48) that this is the case only when the open site has been authorised. In the absence of such authorisation, and based on the application of the definition of “new public” recalled above, the author may prohibit the initiative:

“48 It is clear from the judgments referred to in the previous paragraph that posting hyperlinks on a website to a protected work which has been made freely available on another website with the consent of copyright holders of that work does not constitute a ‘communication to the public’ within the meaning of Article 3(1) of Directive 2001/29. In that regard, the Court held that as soon as and as long as that work is freely available on the website to which the hyperlink allows access, it must be considered that, where the copyright holders of that work have consented to such a communication, they have included all internet users as the public, such that the communication in question is not made to a new public. However, the same finding cannot be deduced from those judgments failing such an authorisation (see to that effect, the judgment of 8 September 2016, GS Media, C-160/15, EU:C:2016:644, paragraphs 42 and 43)” (emphasis added).

The solution is logical. But the Court is to be commended for stating it clearly. As a result, the reported decision is clearer than the Court’s earlier construction (*Svensson / Bestwater / GS Media*). It must be understood that the solution in *GS Media* shed fresh light (the importance of the lawful nature of the site in question) on the one formulated in *Svensson*. We knew that the constructions were complementary, but it is a good thing that this is clearly affirmed here.

In addition, the Court of Justice points out that as “*Article 3(1) of Directive 2001/29 [...] specifically provides that every act of communication of a work to the public must be authorised by the copyright holder*” (emphasis added), it is possible to consider that posting a hyperlink to an illegal open website brings the right of communication to the public into play even if another website (different from the one to which the link actually leads) has been authorised by the author to make the works at issue available to the public.

2– Creating a hyperlink that circumvents measures (for example, a subscription and code) to restrict access to a “closed” website is an act bringing the communication to the public right into play, “*the posting of such a link then constituting a deliberate intervention without which those users could not benefit from the works broadcast*” (para. 49).

3– A person offering direct access to works who knows or ought to know that the hyperlink he has posted provides access to a work illegally placed on the internet carries out an act of “communication to the public” (para. 49). Here, the Court confirms its very odd construct based on the element of knowledge of the illegality of the linked-to site.

4– That knowledge is presumed (rebuttably) when hyperlinks are posted for profit. In this case, it can be expected that the person posting the hyperlinks “*carries out the necessary checks to ensure that the work concerned is not illegally published on the website to which those hyperlinks lead*” (para. 49). Unless proof of lack of knowledge is provided, it should be considered that the linker has carried out an act of communication to the public.

Through the application of these solutions, it can be affirmed that the sale of the multimedia player as equipped brings into play the right of communication to the public.

- Firstly, because the act was performed “*in full knowledge*” of the facts (para. 50), as shown by the advertising for the player which specifically stated that it enabled free and easy viewing of works made available to the public without the consent of the rightholders (actual knowledge).
- Secondly, because “*the multimedia player is supplied with a view to making a profit, the price for the multimedia player being paid in particular to obtain direct access to protected works available on streaming websites without the consent of the copyright holders*” (para. 51).

To summarise to the extreme the Court’s reasoning, it is possible to say that, in its analysis of the right of communication to the public, the Court used all the criteria that it had already – rightly or wrongly – identified. However, it can be observed that:

- in its substantiation concerning the act of communication, the Court emphasises the defendant’s “*essential rôle*”;
- in the necessary distinction made between the act of communication and the mere provision of means, the Court uses the criterion of an act performed “*in full knowledge of the consequences*” of the conduct at issue (stressing the fact that the intervention enables “*a direct link to be*

established between websites broadcasting counterfeit works and purchasers of the multimedia player, without which the purchasers would find it difficult to benefit from those protected works”).

With regard to the first observation, the Court's reasoning can be endorsed as long as the “essential” nature of the role is a sufficient factor to qualify as an act of communication to the public and not a necessary factor. Moreover, one could question the appropriateness of maintaining the “*new public*” requirement which, according to the Court, concerns the second component of the act: the presence of a public...

As to the second point, it should be noted that one finds again here the reference to an element of “*knowledge*” to accept that the act does indeed fall within the scope of communication to the public. We had criticised this position (RIDA, Jan. 2017, no. 251, p. 334 *et seq.*) when, to determine the existence of an act of communication, the CJEU had laid down this requirement for hyperlinks leading to illegal content. The result was to transform both the nature of the liability incurred and the very concept of communication.

However, things are different, it seems, in the present case. The knowledge criterion is required only because we are not dealing with an act of primary communication or even an act of secondary communication. It is a question of judging an act of making available to the public a device containing elements which are provided by third parties and enable access to be offered to websites which themselves make works illegally available!

In other words, this criterion, which was used – inappropriately – in the *GS Media* case to restrict the sphere and scope of the right of communication to the public, is used here to extend its compass by enabling it to cover acts which, in other States, come under the umbrella of what can be termed “derivative liability”.

As a result of the legal framework constructed by the CJEU, persons who facilitate access to infringing material proposed by or originating from third parties may incur copyright liability through the right of communication to the public. The Court has harmonised in a way the status of persons who are not the originators of illegal communications but who knowingly facilitate them, without it being necessary to give further consideration to theories of complicity or vicarious liability (for a deeper analysis of this idea, see, *infra*, II, p. 128 et seq.).

B – Non-Enjoyment of the Exception Laid Down in Article 5(1) of Directive 2001/29

Two other questions were referred to the Court for a preliminary ruling.

One of them (the third) was worded as follows: “(3) *Should Article 5 of Directive 2001/29 be interpreted as meaning that there is no ‘lawful use’ within the meaning of Article 5(1)(b) of that directive if a temporary reproduction is made by an end user during the streaming of a copyright-protected work from a third-party website where that copyright-protected work is offered without the authorisation of the right holder(s)?*”

The other (the fourth therefore) concerned whether the three-step test was respected (article 5(5) of Directive 2001/29).

Dismissing the Commission's argument concerning the hypothetical nature of these questions (because they related to the streaming of protected works and not the sale of a multimedia player; paras. 54 to 58), the Court replies to the two questions by rejecting the possible application of the exception.

The Court recalls in the usual manner that to qualify for the mandatory exception in article 5(1), an act must satisfy five cumulative (para. 61) conditions, which must be interpreted strictly (para. 62) because the exception is a derogation from the general principle, namely:

- not only must the act of reproduction at issue be temporary,
- but it must also be transient or incidental;
- it must be an integral and essential part of a technological process;
- the sole purpose of that process must be to enable a transmission in a network between third parties by an intermediary or a lawful use of a work or protected subject matter; and
- the act must not have any independent economic significance.

To these requirements must be added the conditions – which are general, cumulative and common to all the exceptions – set by the three-step test under article 5(5). For the record, the invoked exception:

- must be applicable only in certain special cases

- which do not conflict with a normal exploitation of the work or other subject matter

- and do not unreasonably prejudice the legitimate interests of the rightholder.

With regard to the requirement of a “*lawful use*” (fourth condition of article 5(1)), it is necessary to determine whether the use at issue has been authorised by the rightholders or otherwise whether it is covered by an exception to the right or falls outside the scope of the right.

As it is clear that the first eventuality has to be ruled out here, what remains is to explore the possible application of an exception... which in any case would have to satisfy the conditions of the three-step test. But there too lies the rub.

Admittedly, in its judgment of 4 October 2011 (*Football Association Premier League and Others*, C-403/08 and C-429/08, EU:C:2011:631, paras. 170 to 172), the Court held that the ephemeral acts of reproduction enabling the proper functioning of the satellite decoder and the television screen made

it possible for the broadcasts containing protected material to be received, so that the mere reception of those broadcasts in itself, i.e. the picking up of the broadcasts and their visual display in a private circle, did not reveal an act restricted by the relevant legislation; hence it could be concluded that the sole purpose of the acts of reproduction at issue was to enable a “*lawful use*” of the works within the meaning of article 5(1)(b) of Directive 2001/29.

In the reported case, however, “*having regard, in particular, to the content of the advertising of the multimedia player at issue [...] and the fact [...] that the main attraction of that player for potential purchasers is the pre-installation of the add-ons concerned, it must be held that it is, as a rule, deliberately and in full knowledge of the circumstances that the purchaser of such a player accesses a free and unauthorised offer of protected works*” (para. 69, emphasis added).

The requirements of the three-step test are not satisfied either (para. 70) given that the acts at issue allowing unlawfully offered works to be accessed “*are such as to adversely affect the normal exploitation of those works and cause unreasonable prejudice to the legitimate interests of the right holder, because, as the Advocate General observed in points 78 and 79 of his opinion, that practice would usually result in a diminution of lawful transactions relating to the protected works, which would cause unreasonable prejudice to copyright holders*”.

The conclusion is thus inescapable: acts of temporary reproduction, on a multimedia player, of a protected work obtained by streaming from a website belonging to a third party offering that work without the consent of the copyright holder do not satisfy the conditions set out in article 5(1) and

(5) of Directive 2001/29. Therefore, they cannot escape the enforceability of the right.

II. BRINGING THE RIGHT OF COMMUNICATION TO THE PUBLIC INTO PLAY BY MAKING AVAILABLE A PEER-TO-PEER (P2P) SHARING PLATFORM

The making available and management, on the internet, of a sharing platform which, by means of the indexation of metadata referring to protected works and the provision of a search engine, allows users of that platform to locate those works and to share them in the context of a peer-to-peer network constitutes an act of communication to the public due to the essential role played in this way.

Ziggo and XS4ALL are internet access providers with a significant number of subscribers who use the online sharing platform The Pirate Bay (TPB). The latter offers its users (“peers”) the possibility of sharing (uploading and downloading) in segments (“torrents”) works that are stored on their own computers. Although peer-to-peer technology can be used to share data of any kind, the most widespread practice now involves works protected by literary and artistic property rights made available without the consent of their rightholders. This was the position in the case submitted to the Court of Justice of the European Union (CJEU, **2nd Ch., 14 June 2017, case C-610/15, *Stichting Brein v Ziggo BV and XS4All Internet BV***).

The process is described by the Court as follows (paras. 9 and 10): “*In order to be able to share files, users must first download specific software called*

'BitTorrent Client', which is not provided by the online sharing platform TPB. 'BitTorrent Client' is software which allows the creation of torrent files. Users (called 'seeders') who wish to make a file on their computer available to other users (called 'leechers') have to create a torrent file through their BitTorrent Client. Torrent files refer to a central server (called a 'tracker') which identifies the users available to share a particular torrent file as well as the underlying media file. These torrent files are uploaded by the seeders to an online sharing platform, such as TPB, which then proceeds to index them so that they can be found by the users of the online sharing platform and the works to which those torrent files refer can be downloaded onto the users' computers in several segments through their BitTorrent Client'.

These practices are not to the liking of rightholders who view such unauthorised exchanges as acts of infringement. For that reason, the principal request of Stichting Brein, a Dutch foundation for the protection of the interests of copyright holders, in the proceedings was that Ziggo and XS4ALL be ordered to block the domain names and IP addresses of the online sharing platform TPB in order to prevent their services from being used for such file sharing.

Stichting Brein's requests were upheld at first instance but rejected on appeal. When the case was subsequently brought before the Hoge Raad der Nederlanden (Supreme Court of the Netherlands), it decided to question the CJEU on the interpretation of the European copyright directive (2001/29) in order to obtain clarification on the situation of a sharing platform of the Pirate Bay kind. Does it indeed carry out an act of "communication to the public" within the meaning of Directive 2001/29 (article 3(1))? In which

case, it would have to be considered that, in the absence of the rightholders' authorisation, the platform infringes copyright. Is it also possible to enlist the cooperation of internet access providers?

The two questions referred for a preliminary ruling were:

“(1) Is there a communication to the public within the meaning of Article 3(1) of Directive 2001/29 by the operator of a website, if no protected works are available on that website, but a system exists [...] by means of which metadata on protected works which are present on the users' computers are indexed and categorised for users, so that the users can trace and upload and download the protected works on the basis thereof?

(2) If Question 1 is answered in the negative:

Do Article 8(3) of Directive 2001/29 and Article 11 of Directive 2004/48 offer any scope for obtaining an injunction against an intermediary as referred to in those provisions, if that intermediary facilitates the infringing acts of third parties in the way referred to in Question 1?”

The first question thus asks whether the activity of making available and managing, on the internet, a sharing platform, which, by means of the indexation of metadata relating to protected works and the provision of a search engine, allows users of that platform to locate those works and to share them in the context of a peer-to-peer network, constitutes an act of communication to the public.

To answer it, the Court repeats the substantiation exercise that it adopted in the case involving the multimedia player heard two months earlier (*Filmspeler* case, *supra*, I). It begins by recalling that a “*broad*” approach must be favoured when considering this right, which is preventive in nature, so as to guarantee a high level of protection allowing rightholders to obtain an appropriate reward (paras. 20 to 22). The Court specifies, as it did in its judgment of 26 April 2017, that the concept of “communication to the public” requires an individual assessment to verify the presence of its two components (“*communication*” and “*public*”). This verification must be conducted by reference to a set of criteria to be applied both individually and in their interaction with one another (paras. 23 to 25). This has become an “*acquis communautaire*” which now serves as an established benchmark.

As the line of reasoning is the exact copy of the one conducted in the earlier decision, it is not surprising that the criterion of the “*indispensable role played by the user and the deliberate nature of his intervention*” (para. 26) is again used to assess the act at issue. And the judges give the concept the same substance: the “*user makes an act of communication when he intervenes, in full knowledge of the consequences of his action, to give his customers access to a protected work, particularly where, in the absence of that intervention, those customers would not be able to enjoy the broadcast work, or would be able to do so only with difficulty*”.

The reasoning is also identical for the right’s other component, namely the presence of a “public”: an indeterminate but fairly large number of potential recipients / communication using specific technical means, different from the

initial means or, failing that, a “new public”, i.e., a public not already taken into account by the rightholders / possibility of taking the “profit-making nature” of the communication into account (paras. 27 to 29).

As the “legal toolbox” is exactly the same, what is of interest in the decision is to see how it is applied to the acts at issue.

With regard to the act of communication, the Court states (paras. 31 to 33) that “*it is sufficient, in particular, that a work is made available to a public in such a way that the persons comprising that public may access it, from wherever and whenever they individually choose, irrespective of whether they avail themselves of that opportunity*”. The solution, with which we are already familiar, was also recalled in the decision of 26 April 2017. Making a work available or accessible comes within the scope of communication to the public without it being necessary for these initiatives to be followed by an actual act of transmission.

The Court then reiterates the conclusion that it had already drawn from these premises: “*as a rule, any act by which a user, with full knowledge of the relevant facts, provides its clients with access to protected works is liable to constitute an ‘act of communication’ for the purposes of Article 3(1) of Directive 2001/29*” (para. 34).

What does this mean in concrete terms?

In line with the Advocate General (para. 45 of his opinion), the Court notes that “*it is not disputed that copyright-protected works are, by means of the*

online sharing platform TPB, made available to the users of that platform in such a way that they may access those works from wherever and whenever they individually choose" (para. 35, emphasis added).

Is the fact that the works made available in this way by the online sharing platform TPB were "*placed online on that platform not by the platform operators but by its users*" liable to change the approach taken by the Court? No, is its reply, because "*the fact remains that those operators, by making available and managing an online sharing platform such as that at issue in the main proceedings, intervene, with full knowledge of the consequences of their conduct, to provide access to protected works, by indexing on that platform torrent files which allow users of the platform to locate those works and to share them within the context of a peer-to-peer network*" (emphasis added). The Court and the Advocate General share the same conviction: without the intervention of the operators of the platform "*the works could not be shared by the users or, at the very least, sharing them on the internet would prove to be more complex*" (para. 36). This shows that they play "*an essential role in making the works in question available*" (para. 37, emphasis added).

Is there no escape route, notably by contending that the operators of the online sharing platform TPB were "merely providing physical facilities"? The same defence is raised here as in the *Filmspeler* case decided on 26 April 2017 based on the fact that, according to recital 27 of Directive 2001/29, a person who merely plays such a role does not carry out an act of communication to the public.

This line of defence meets with the same lack of success. Because the platform TPB, firstly, “*indexes torrent files in such a way that the works to which the torrent files refer may be easily located and downloaded by the users of that sharing platform*”, secondly, “*in addition to a search engine, [...] offers an index classifying the works under different categories, based on the type of the works, their genre or their popularity, within which the works made available are divided, with the platform’s operators checking to ensure that a work has been placed in the appropriate category*” and, thirdly, deletes obsolete or faulty torrent files and actively filters some content (para. 38), the argument must be rejected. The act is indeed an act of communication and not the mere provision of physical facilities.

That communication is made to a public (paras. 39 to 46) given that, as it covers all the platform’s users, who are able, at any time and simultaneously, to access the protected works shared by means of the platform, it “*is aimed at an indeterminate number of potential recipients and involves a large number of persons*” (para. 42 repeating para. 45 of the judgment of 26 April 2017 and the case law cited in it). That public is even “*new*” because it “*was not taken into account by the copyright holders when they authorised the initial communication*” (para. 44). Nor could the operators of the platform have been unaware of this because not only were they duly informed of the situation (para. 45) but also their stated objective was to make works available without authorisation. Moreover, in the view of the Court, there could be no dispute that the making available and management of the online sharing platform was “*carried out with the purpose of obtaining profit therefrom*”, given, in particular, the considerable advertising revenues generated.

So there is indeed an act of communication to the public on the platform's part, thus making it unnecessary to examine the second preliminary question.

As one can see, the structure and substance of the reasoning proposed by the Court in the *Filmspeler* case (*supra*, I) are repeated in the *Ziggo* case commented on here.

Is it any wonder when the two decisions were rendered two months apart in cases raising the same issue? In both of them, the defendant facilitated acts of infringement through the provision of means. This necessarily led the Court to propose criteria to distinguish between “*the mere provision of physical facilities for enabling or making a communication*”, which is not covered by the author's right (recital 27) and communication to the public which is.

The main contribution of the two decisions thus lies in the analysis of this act in cases involving a very different set-up to that of a standard primary communication, or even a secondary communication. Granted, the two cases – *Filmspeler* and *Ziggo* – are not identical, as *Filmspeler* concerned a form of provision of links (via the multimedia player at issue), whereas *Ziggo* dealt with the provision of other means of accessing infringing works (a platform facilitating P2P file sharing). However, both had in common the act of facilitating infringement through an intervention offering means of access to the public.

By dealing with each of the two cases in a totally identical manner, the Court accepts – based on the issue common to both of them – a harmonised regime concerning both the right of communication to the public

(the viewpoint of the rightholder) and liability for facilitating infringement (situation of the person providing the means to infringe).

The construction concerning such provision of means is then as follows (independently of the criteria usually adopted):

- The act at issue must reach a “*public*”, understood as an indeterminate number of potential recipients and implying a fairly large number of people. The profit-making objective pursued may play a role.

- Through the act performed, the person who allegedly communicates the work to the public must play an “*essential role*” (or “*indispensable role*”). In other words, that person must have intervened “*in full knowledge of the consequences of his action*”. This is the case when, aware of the implications of his act, that person makes a work that he knows is infringing indirectly accessible. However, the act at issue does not have to be “*indispensable*” as far as the public is concerned. This was the position in the *Filmspeler* case due to the fact that the defendant knowingly made it possible for hyperlinks to websites to be loaded onto his multimedia players. It is also the case when works are classified on a platform. The public’s access to infringing works was possible without the intervention of the defendants but would have proved to be more complex. Through his initiative, the facilitator carries out an act of communication.

However, he does not merely provide means, because his role is “*essential*”, “*indispensable*”, “*decisive*” or “*deliberate*” (*Filmspeler*, para. 49; *Ziggo*, para.

26) and is performed “in full knowledge of the consequences of his action”, i.e. knowing that he is facilitating infringement (*Filmspelers*, para. 31; *Ziggo*, paras. 26, 34), since the Court’s analysis is based on the party’s knowledge of the infringements.

As a matter of fact, the criteria adopted by the Court both to characterise the act of communication and to rule out the exemption in the event of the “mere provision of physical facilities for enabling or making a communication” (recital 27) are similar. But it is true that, in both cases, it is a question of confirming that the act does indeed come within the scope of the communication right.

This construction calls for three observations.

The first concerns the rightholders who often complained about the analyses adopted by the Court of Justice in that they viewed the Court’s interpretations (and the surprising conditions set by it) as narrowing the scope of the rights granted by the copyright directives. In a way, this new line of case law, destined to harmonise the solutions in the European Union, restores their prerogatives to them.

The second observation concerns the role assigned to the “*new public*” concept by the Court which makes it a requirement, particularly in the case of secondary communication. By prioritising the role of the agent to classify the act, the Court goes over, intellectually, the same ground as that covered by the negotiators meeting at the time in Geneva. We know that, in 1948,

during the proceedings of the Brussels Conference which led to the adoption of article 11 *bis*(1) of the Berne Convention, the negotiators had contemplated using the “new public” criterion before rejecting it in the end (by 13 votes to 5) at the same Conference and opting for another one, considered more relevant, namely the “other organisation” criterion (adopted first in the subcommittee then unanimously by the Conference). Those proceedings were summarised as follows: “*While the criteria of ‘new communication to the public’ and ‘new public’ were found to be impracticable with regard to qualifying distinct activities of the organization authorized by the author to broadcast his work, no doubt had been raised during the Conference about the fact that distribution of the broadcast of a work by a third person always constitutes a new act of communication to the public. [...] The provision, as it stands now in Article 11bis(1)(ii) of the Berne Convention, was adopted in the Subcommittee by 12 votes against 6 (Br. Doc. p. 290), and later on unanimously by the Conference itself.*” (Annotated Principles in Connection with Distribution by Cable, *Copyright*, WIPO 1984, no. 63-67, p. 131 *et seq.*).

In view of the solution proposed in the decisions in *Filmspeler* and *Ziggo*, what is the point in keeping this inappropriate and unnecessary condition?

The third observation concerns the curious parallel that seems to continue to exist between the right of communication to the public and the status of certain technical service providers arising from Directive 2000/31 on electronic commerce.

We indicated earlier (RIDA, Jan. 2017, no. 251, p. 334 *et seq.*) that the solution adopted by the judgment in *GS Media* (cited *supra*, I) departed from

the canons of literary and artistic property law by requiring an element of knowledge (that of the illegal nature of the linked-to content) to characterise an act of communication to the public. Apart from the fact that this construct broke away from all the solutions laid down in international or European instruments, it also amounted to transforming the objective nature of a right into a kind of subjective liability.

The “knowledge” criterion is maintained. This can be considered in two ways:

– Either negatively: the Court of Justice persists in using a criterion that is normally irrelevant.

– Or differently: the Court uses it in situations that are further removed from the ones initially addressed because they involve neither primary communication nor secondary communication. Here it is a question of the concept of communication covering acts which, in other States, would fall under derivative (or secondary) liability. Some view this approach – and the requirement of knowledge – as enabling the communication right to have broad scope, making it possible to prohibit acts of persons who facilitate infringement or provide users with the means to infringe.

But, beyond this observation, it is necessary to return to the parallel that can be made with other actors, including technical service providers. The second case (*Ziggo*) highlights it even more than the first (*Filmspelers*).

We know that a person who provides storage or a hosting service in accordance with the conditions laid down in article 14 of Directive 2000/31 enjoys a favourable status of conditional non-liability under the provisions in question. If providers play a passive role, they can enjoy the status of hosts. This then places them within a regime which exempts them from liability, even if they host infringing works, as long as they have no knowledge of the existence of those works. We also know that many courts apply this status, rightly or wrongly, to certain community or UGC platforms. To combat infringement on these platforms, rightholders are faced with the choice of having to substantiate an active role played by the provider (preventing it from enjoying host status) or having to prove knowledge of the infringement on the part of the provider enjoying that status. In most cases, in the second situation, liability may be incurred if, on receiving notice, the provider does not remove or disable access to the illegal content. All this is subject to substantiation by the rightholder of an act of reproduction or communication to the public carried out by the provider.

An “active role”? “Knowledge”?

These criteria, which are the ones used in litigation involving the provisions of the electronic commerce directive, reappear here (para. 38) in pure copyright disputes.

The CJEU uses these two criteria in both the *Ziggo* case and the *Filmspeler* case to demonstrate that an act of communication has been performed by a person who provides the means to access works illegally or who facilitates

infringement. It does so both to establish the act of communication and to rule out eligibility for the exemption proposed in recital 27 of Directive 2001/29 (“*the mere provision of physical facilities for enabling or making a communication*” does not come within the scope of the acts restricted by copyright)!

So there is unquestionably an edifying symmetry between the situation of a technical service provider who provides a hosting service and a person who, without being a technical service provider within the meaning of the electronic commerce directive, provides means! The parallel is all the more striking if one considers:

– Firstly, that, in the *Ziggo* case, the Court noted, to describe the process at issue, that “*the works thus made available to the users of the online sharing platform TPB have been placed online on that platform not by the platform operators but by its users*”. This is very much like internet users’ “posts” on UGC platforms.

– Secondly, that to characterise the “*active role*” which disqualifies the provider from enjoying host status, the proposal for a directive of 14 September 2016 put forward the criterion of optimising the presentation of the content or promoting it (paragraph 3 of recital 38 of the Proposal for a Directive on Copyright in the Digital Single Market, COM(2016) 593 final of 14/09/2016: “*In respect of Article 14, it is necessary to verify whether the service provider plays an active role, including by optimising the presentation of the uploaded works or subject-matter or promoting them,*

irrespective of the nature of the means used therefor.” Emphasis added; see, for an analysis of this text, the resolution of the International Literary and Artistic Association (ALAI): <http://www.alai.org/en/assets/files/resolutions/170218-value-gap-en.pdf>).

We do not know whether the Court of Justice adopts this symmetrical approach intentionally because no reference to this parallel is made in the two reported decisions. It should of course be stressed that the operating situations of the two sets of players are quite different. It is indisputable, for example, that Filmspeler, which sells physical devices, could in no way be regarded as an “*information society service*” within the meaning of the electronic commerce directive. Doubtless a closer comparison of the regimes established (by means of a directive, on the one hand, and a judicial interpretation, on the other) would reveal differences here and there. However, there has never been any suggestion of an assimilation or even an alignment. The present commentary’s sole intention is to highlight similarities in the general structure of the reasoning in situations that are different but not entirely remote...

SECOND AXIS – DIGITAL LENDING

Although there is no express provision to this effect in Directive 2006/115/EC, the lending of a copy of an electronic book may, on certain conditions, be assimilated to the lending of a copy of a traditional book where that lending is carried out by placing the copy on the server of a public library and allowing a user to reproduce the copy by downloading it onto his own computer, bearing in mind

that only one copy may be downloaded during the lending period and that, after that period has expired, the downloaded copy can no longer be used by that user.

A Member State may make the application of article 6(1) of Directive 2006/115 subject to the condition that the digital copy of a book made available by the public library must have been put into circulation by a first sale or other transfer of ownership of that copy in the European Union by the holder of the right of distribution to the public or with his consent.

The copy made available must not have been obtained from an illegal source.

“Roll out an international treaty (the 1996 WIPO Copyright Treaty) and two directives (2006/115 – “Rental-Lending” and 2001/29 – “InfoSoc”),

Add a pinch of preparatory work and a touch of explanatory memorandum,

Beat together the principles of a high level of protection for authors, the strict interpretation of exceptions and their effectiveness in one direction then the other,

Set aside the principle of terminological consistency,

Assimilate certain concepts to better dissociate others from them,

Mix well, wait for the magic to work... and you will have the solution!”

The recipe certainly does not provide any means of anticipating the response to the request for a preliminary ruling from the Rechtbank Den Haag (District Court, The Hague, Netherlands) in case C-174/15 concerning digital lending because the solution is so clearly dictated by pragmatism alone. The request mixed various provisions and raised questions on the interpretation of article 4(2) of Directive 2001/29/EC, on the harmonisation of certain aspects of copyright and related rights in the information society, and article 1(1), article 2(1)(b) and article 6(1) of Directive 2006/115/EC on rental right and lending right and on certain rights related to copyright in the field of intellectual property.

The judgment of 10 November 2016 (**CJEU, 3rd Ch., 10 Nov. 2016, case C-174/15, *Vereniging Openbare Bibliotheken v Stichting Leenrecht and Others***: Prop. intell. Jan. 2017, no. 62, p. 19 *et seq.*, obs. A. Lucas; Com. com. électr., Feb. 2017, comm. 10, obs. C. Caron and Com. com. électr., Jan. 2017, comm. 3, obs. G. Loiseau; RTD Com. 2017 p. 79, obs. F. Pollaud-Dulian; Dalloz IP/IT 2017, p. 42, obs. S. Dormont) is one of those much awaited and spectacular decisions of which only the CJEU has the secret. It was much awaited because it concerns a topical issue connected with new practices and because of its significant implications for the publishing world and libraries. It was also a spectacular decision in terms of its method – but the CJEU has now accustomed us to clothing its doubtless inductive reasoning in the gold of principles and other treasures of logic (on the CJEU’s methods, see V.-L. Benabou, “Retour sur dix ans de jurisprudence de la Cour de justice de l’Union européenne en matière de propriété littéraire et artistique: les méthodes”, Prop. intell. April 2012, no. 44, p. 140, and A. Bensamoun,

“Réflexions sur la jurisprudence de la CJUE: du discours à la méthode”, *Propriété intellectuelle*, April 2015, no. 55, p. 139) – and also in terms of the solution, even if, as we shall see, the latter must be nuanced.

The dispute, which originated in the Netherlands, involved the various entities concerned by the public lending right. Dutch law has made use of the possibility offered by the European directive and has created a statutory licence mechanism for the public lending of literary works which have been placed on the European market. However, it does not specify whether the mechanism is restricted to paper copies or whether it also covers digital books. The debate pitted the association of public libraries (VOB, Vereniging Openbare Bibliotheken), claiming that the Dutch legislation already covered the assimilation, against StOL (Stichting Onderhandeligen Leenvergoedingen), the body setting the amount of the fair remuneration due for the lending right, which took the opposite view. On the basis of an official report, the government of the Netherlands considered it necessary to draw up draft legislation on libraries providing for the creation of a national digital library based on the premise that digital lending of electronic books by libraries does not come within the scope of the exception under article 15c, para. 1 of the Dutch law. The VOB then brought proceedings before the District Court of The Hague in which it sought a declaration that the current Dutch law already covered digital lending, based on the “one copy, one user” model whereby the digital book is available for one user to download for a limited period during which it is not accessible to other users of the library, and expressly restricting its scope to “*digital copies of copyright-protected novels, collections of short stories, biographies, travelogues, children’s books and youth literature*”.

The Court decided to stay the proceedings and referred four questions to the Court of Justice of the European Union (actually three because the last one became irrelevant as a result of the negative answer given to the second question; see para. 73) worded as follows:

“(1) Are Articles 1(1), 2(1)(b) and 6(1) of Directive 2006/115 to be construed as meaning that ‘lending’ as referred to in those provisions also means making copyright-protected novels, collections of short stories, biographies, travelogues, children’s books and youth literature available for use, not for direct or indirect economic or commercial advantage, via a publicly accessible establishment

– by placing a digital copy (reproduction A) on the server of the establishment and enabling a user to reproduce that copy by downloading it on to his/her own computer (reproduction B),

– in such a way that the copy made by the user when downloading (reproduction B) is no longer usable after a limited period, and

– in such a way that other users cannot download the copy (reproduction A) on to their computers during that period?

(2) If Question 1 is to be answered in the affirmative: does Article 6 of Directive 2006/115 and/or any other provision of EU law preclude Member States from imposing on the application of the restriction on the lending right included in Article 6 of Directive 2006/115 a condition that the copy of the work made available by the establishment (reproduction A) must have been brought

into circulation by an initial sale or other transfer of ownership of that copy within the European Union by the rightholder or with his consent within the meaning of Article 4(2) of Directive 2001/29?

(3) If Question 2 is to be answered in the negative: does Article 6 of Directive 2006/115 lay down other requirements for the source of the copy (reproduction A) provided by the establishment, for instance the requirement that the copy was obtained from a lawful source?

(4) If Question 2 is to be answered in the affirmative: is Article 4(2) of Directive 2001/29 to be construed as meaning that the initial sale or other transfer of ownership of material as referred to in that provision also means making available remotely by downloading, for use for an unlimited period, a digital copy of copyright-protected novels, collections of short stories, biographies, travelogues, children's books and youth literature?

In substance, the questions seek to determine whether Directive 2006/115 covers digital lending and on what conditions. The answer is two-pronged: “Article 1(1), Article 2(1)(b) and Article 6(1) of Directive 2006/115 must be interpreted as meaning that the concept of ‘lending’, within the meaning of those provisions, covers the lending of a digital copy of a book [...]” (para. 54). In this case, the CJEU thus rules that the purview of Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (consolidated version of Directive 92/100/EEC) extends to digital lending of electronic books, which may be subject

to the derogating system under article 6(1) of the European directive against payment of fair remuneration. However, things are not as clear-cut as a quick reading might seem to suggest. Indeed, the assimilation of digital lending to paper lending is not only limited by the proposed model (I) but is also subject to certain additional criteria (II).

I. LIMITED ASSIMILATION OF DIGITAL LENDING OF ELECTRONIC BOOKS TO LENDING OF PRINTED WORKS

The decision extends the purview of Directive 2006/115 to assimilate digital lending of electronic books to lending of printed works (A). Within this context, public lending benefits, by way of derogation, from a fair remuneration mechanism, but the scope of the assimilation is then limited by the so-called “one copy, one user” model (B).

A – Extension of the Coverage of the Lending Right

To justify the extension of the scope of Directive 2006/115, the CJEU surprisingly relies on the lack of grounds for excluding digital objects. It backs its position further by referring to various principles.

1. The Absence of Grounds for Exclusion

After recalling article 1(1), which establishes the exclusive right of rental and lending “*of originals and copies of copyright works*”, and article 2(1)(b), which defines lending as “*making available for use, for a limited period of time*”

and not for direct or indirect economic or commercial advantage, when that lending is made through establishments which are accessible to the public”, the Court notes that these provisions do not specify whether they include works which are not fixed in a physical medium, such as digital copies (paras. 28-29). Once this obvious fact had been noted, one might have expected the Court to highlight the arguments that would have allowed the scope of the text to be extended beyond what is stated in it and thus to include lending of digital objects. However, this is not what the Court chose to do. At the cost of inverting the reasoning, the Court asks, on the contrary, whether there are grounds to justify the exclusion of the lending of digital objects from the scope of Directive 2006/115. To answer this question, the CJEU refers to international law, on the one hand, and the preparatory work preceding the adoption of the directive, on the other.

Firstly, recalling the need for the legislation of the Member States to be approximated in such a way as not to conflict with international law (para. 31), the Court of Justice begins by referring to the WIPO Copyright Treaty. In the Court’s view, it follows from the agreed statement annexed to the WIPO Copyright Treaty – which defines the concepts of “*original*” and “*copies*” in article 7 of the Treaty as referring “*exclusively to fixed copies that can be put into circulation as tangible objects*” – that the exclusion of intangible objects concerns only the rental right, which can cover, therefore, only copies fixed in a physical medium (paras. 34-35). Indeed, again according to the Court, even if reference is often made to the “*rental and lending right*”, there is no reason to conclude that the legislature intended to give the same meaning to the concepts of “*objects*” and “*copies*” in the case of lending and rental. Moreover,

it states that the difference in treatment is supported by the use of the plural in some language versions which do not refer to the “*rental and lending right*” but rather to the rental and lending “*rights*”. Lastly, the Court justifies this semantic dissociation by pointing to the existence of two separate definitions, one for rental and the other for lending.

The Court’s reasoning is untenable: the choice of attaching the requirement of tangible objects to the rental right alone appears arbitrary. And the use of the plural in certain translations (which, incidentally, are not harmonised from one State to another...) does not succeed in concealing the closeness of the two rights! As to the definition argument, it is quite simply incomprehensible. How is it possible to conclude that “*the subject matter of ‘rental’ is not necessarily identical to that of ‘lending’*” (para. 38) from the fact that each concept has its own definition? The existence of two separate definitions to describe two realities is not an argument but a matter of logic. The law seldom feeds on pointless synonyms which, through the application of the principle of legal rationality, can only refer to different objects. The Court of Justice had already forced different meanings on a single concept appearing in two texts. Here, however, the trait is taken to the extreme. The Court grants a different meaning to concepts used with the same stroke of the pen in the same text and thus artificially separates the rights regime. A variation on a single theme, or polysemy, is a sign of disorder, Professor Cornu would have written...

However, an important element should be noted, namely the starting point of the Court’s reasoning, which rests on the primacy of the international

conventions (paras. 31-32). This surprising docility is noteworthy given that the Court has been inclined at times to mistreat international law and its interpretation, not least the Berne Convention with the right of communication to the public.

Secondly, the CJEU relies on the lack of support for excluding digital media in the preparatory work preceding the adoption of Directive 92/100, which did not exclude lending in digital form from the scope of that directive (para. 40). While acknowledging that the explanatory memorandum mentioned the Commission's desire to exclude "*the making available by way of electronic data transmission*" (a desire which was not reflected, however, in the text of the directive, as the Court also argues; see para. 43), the Court considers that it is not certain that this statement was intended to apply to digital copies of books. Indeed, it presents two arguments in support of that view: first, the hypothesis concerned only the electronic transmission of films (whereas it would seem, rather, that films were mentioned as an example); second, and above all, such use was uncommon when the European directive was adopted (para. 42). So we are to understand that the silence which counts as acceptance here is one of ignorance... Ignorance is seldom loquacious!

The Court infers from all these considerations that "*there is no decisive ground allowing for the exclusion, in all cases, of the lending of digital copies and intangible objects from the scope of Directive 2006/115*" (para. 44), adding that this conclusion is, moreover, borne out by various principles, which are sources of interpretation.

2. The Backing of Principles

The Court also justifies the inclusion of digital lending by referring to the objective of adapting copyright to “*new economic developments such as new forms of exploitation*”, as stated in recital 4 of Directive 2006/115. It is difficult at first sight to draw an argument from this affirmation: “*Copyright and related rights protection must adapt to new economic developments such as new forms of exploitation.*” The assertion is more a matter of generality and the same could be said today of all branches of law. So it cannot be construed as a free hand given to the judiciary. Yet, noting that digital lending is “*indisputably*” a new form of exploitation, the CJEU concludes that an adaptation is “*necessary*” (para. 45) and thus assumes such power.

In addition, the Court cites, as it traditionally does, the “*general principle requiring a high level of protection for authors*” (para. 46), the usefulness of which is now primarily tied to the principle’s unlimited plasticity, given that one can draw any conclusion from it. The exercise is interesting in terms of the technique used: because it considers that the principle appears only “*implicitly*” in recital 5 of Directive 2006/115 (para. 47), the Court draws it from recital 9 of Directive 2001/29.

With regard to the form, this reference confirms the inter-relationship already established between the directives, and particularly with the InfoSoc Directive which has already been designated as the “general law” of literary and artistic property. In this respect, the Court indicates that this principle

must be taken into account in interpreting directives with a more limited aim than Directive 2001/29 (para. 48).

The reference is more surprising with regard to the substance: how does a high level of protection make it possible to give primacy to digital lending, opening the door to the application of the fair remuneration system and thus a limitation of the exclusive right, when hitherto the exclusive right was exercised under licensing contracts (para. 24)?

Nevertheless, the extension of the coverage of the lending right is subject to verification of the application of the “one copy, one user” model.

B – Restriction of the Enjoyment of the Derogating System to a Model

Once the inclusion of digital lending was confirmed, it still had to be “*verified whether the public lending of a digital copy of a book, carried out in conditions such as those indicated in the question referred, is capable of coming within the scope of Article 6(1) of Directive 2006/115*” (para. 49, emphasis added). Hence the benefit of the derogating statutory licence system rests on a principle of equivalence based on a model.

1. The Substance of the Derogation from the Exclusive Right

Article 6(1) of Directive 2006/115 provides: “*Member States may derogate from the exclusive right provided for in Article 1 in respect of public lending,*

provided that at least authors obtain a remuneration for such lending. Member States shall be free to determine this remuneration taking account of their cultural promotion objectives.”

The provision allows States to introduce a derogation (the Court also uses the term “*exception*”) from the exclusive right, which is replaced by a right to fair remuneration. The Netherlands – like France – took up the opportunity offered by the provision and article 15c, para. 1 of the Auteurswet (Aw) states in this regard: “*Lending, as defined in article 12(1)(3), of all or part of a copy of a literary, scientific or artistic work, or a reproduction thereof, put into circulation by the rightholder or with his consent, shall not constitute an infringement of the copyright in that work, provided that fair remuneration is paid by the person who carries out that lending or arranges for it to be carried out. [...]*” (cited in para. 16).

Because the mechanism is a derogation, it is logical to interpret it on the basis of the principle of the strict interpretation of exceptions, as the Court notes. However it combines this principle of interpretation, which requires the scope of the interpreted norm to be restricted, with the principle of effectiveness which, on the contrary, requires its scope of application to be broadened if necessary, to enable its purpose to be observed (para. 50). This twin-track approach, whereby a connection is established between principles whose implementation may lead to opposite responses, is not unprecedented for the CJEU which, moreover, refers to its judgments in *Football Association Premier League and Others*, (4 October 2011, joined cases C-403/08 and C-429/08, EU:C:2011:631, paras. 162 and 163), and *Painer* (1 December 2011, case C-145/10, EU:C:2011:798, para. 133).

What remained then was to define the purpose of the exception in order to understand what its effectiveness would amount to. In this regard, the Court stresses the importance of public lending of digital books for libraries and the derogation's contribution to "*cultural promotion*", an expression that is so broad and vague that it could justify any interpretation... For those reasons, "*it cannot [...] be ruled out that Article 6(1) of Directive 2006/115 may apply where the operation carried out by a publicly accessible library, in view of, inter alia, the conditions set out in Article 2(1)(b) of that directive, has essentially similar characteristics to the lending of printed works*" (para. 51).

2. A Principle of Equivalence Based on a Model

To benefit from digital lending's assimilation to paper lending, it was still necessary to check that the proposed arrangement had "*similar characteristics*" to those stated in the very definition of lending in article 2(1)(b) of the "Rental-Lending" Directive, namely that "*lending*" means "*making available for use, for a limited period of time and not for direct or indirect economic or commercial advantage, when it is made through establishments which are accessible to the public*".

There is a clear description of the hypothesis; it involves "*the lending of a digital copy of a book, carried out by placing it on the server of the public library and allowing the user concerned to reproduce that copy by downloading it onto his own computer, bearing in mind that only one copy may be downloaded during the lending period and that, after that period has expired, the downloaded copy can no longer be used by that user*" (para. 52). It should be added that

the lending being considered here involves only “*copyright-protected novels, collections of short stories, biographies, travelogues, children’s books and youth literature*” (para. 26, preliminary question).

Therefore, the model is the one referred to as “one copy, one user”. In this respect, the assimilation is made contingent upon a principle of equivalence of the situations: the proposed arrangement must have the same structure as lending in paper form.

Accordingly, the Court verifies that the lending capacity of the library concerned is identical due to the fact that the number of downloads matches the number of copies and that lending is carried out only for a limited period because the downloaded copy can no longer be used once the lending period has expired (paras. 52-53).

The solution is hard to classify – half-victory, half-defeat – for both sides. It is confined to a precise case and makes the classification of the operation dependent on its equivalence to the “traditional” model of lending of printed works. As a result, it does not enable a definite stand to be taken on other kinds of lending: a single file (with a special rate?) which may be borrowed simultaneously by several users; streaming access to packages of digital books, etc.

Limited in its scope of application, the assimilation made between digital lending and paper lending is also subject to conditions.

II. CONDITIONAL ASSIMILATION OF DIGITAL LENDING OF ELECTRONIC BOOKS TO LENDING OF PRINTED WORKS

The second and third questions referred for a preliminary ruling concern the conditions under which lending of digital books may be made subject to the statutory licence permitted under article 6(1) of Directive 2006/115. The first condition, relating to the prior exercise of the distribution right, is subsidiary, being specific to the Dutch system (A), whereas compliance with the second one – the lawfulness of the source of the copy – is required of all the Member States, even though it is not expressly laid down in the European directive (B).

A – The Subsidiary Condition of the Exercise of the Distribution Right

The question here was whether article 6(1) precluded a Member State from exceeding the textual requirements and making the application of the mechanism subject to the condition that “*the digital copy of a book made available by the public library must have been put into circulation by a first sale or other transfer of ownership of that copy in the European Union by the holder of the right of distribution to the public or with his consent, for the purpose of Article 4(2) of Directive 2001/29*” (para. 55). The Court of Justice proceeds in two stages: following a few reminders concerning the distribution right, it indicates that it is possible for a Member State to subject enjoyment of the derogating statutory licence system to the requirement of this right’s prior exercise.

1. Reminders Concerning the Distribution Right

The CJEU stresses in the first place the differences in the nature of the distribution right and the lending right: while the transfer of ownership of the copy of a work (on a tangible medium) exhausts the distribution right, it does not lead to the exhaustion of the lending right (para. 56). Indeed, under article 1(2) of Directive 2006/115, “*The rights referred to in paragraph 1 [rental and lending] shall not be exhausted by any sale or other act of distribution of originals and copies of copyright works and other subject matter as set out in Article 3(1).*”

Hence “*the lending right remains one of the prerogatives of the author notwithstanding the sale of the physical medium containing the work*” (para. 59).

This is a welcome reminder when the judgment in *UsedSoft* established the exhaustion of the distribution right in a digital copy of software (CJEU, 3 July 2012, case C-128/11, see the references in the commentary on CJEU, 12 October 2016, case C-166/15) and there are fears of a future “online exhaustion” that would cover any digital subject matter (C. Zolynski, “L'épuisement en ligne”, *Propr. intell.* no. 55, April 2015, p. 133).

2. The Possibility of Additional Conditions

In Dutch law, the application of the exception is subject to the condition of having exercised the distribution right; thus the digital copy of the work must have been placed on the market by a first sale or other transfer of

ownership of that copy. This intra-European distribution acts as a prior condition for the lending right derogation to apply.

The question is a recurrent but fundamental one: can a Member State lay down additional conditions for an exception to apply (exception is the term used by the Court but it is doubtless more a limitation than an exception here)? Put another way and more broadly, can a national exception be stricter than the European one? The answer is extremely controversial given how divergent the Member States' traditions can be.

Recalling in the first place the balance which must be achieved – and which seems to be secured by the fair remuneration – between the interests of authors, on the one hand, and cultural promotion, on the other, the Court (para. 61) again cites the principle of a high level of protection for authors in order to decide that article 6(1) “*must be regarded as laying down only a minimum threshold of protection for authors required when the public lending exception is being implemented*” (para. 61) and that, consequently, it is possible for Member States to make the exception subject to “*additional conditions such as to improve the protection of authors' rights beyond what is expressly laid down in that provision*” (para. 61). The Court goes on to explain that as the mechanism removes the requirement of the author's consent, its application to some works could harm the legitimate interests of authors (para. 63). So the additional condition required by the law – that a digital copy of the book subject to such lending must have first been put into circulation by the rightholder or with his consent – is capable of reducing the risks of causing harm “*and therefore of improving the protection of authors' rights in*

the implementation of that exception” (para. 64). The Court thus concludes that “*such an additional condition must be considered to be in accordance with Article 6(1) of Directive 2006/115*” (para. 64).

Two main conclusions can be drawn from this demonstration.

First, contrary to what the Court stated elsewhere, the exceptions are not all destined to be “Europeanised” with regard to their substance. In particular, in its judgment in *ACI Adam* (CJEU, 10 April 2014, case C-435/12), the Court held that “*the Member States have the option of introducing the different exceptions provided for in Article 5 of that directive, in accordance with their legal traditions, but [...], once they have made the choice of introducing a certain exception, it must be applied coherently, so that it cannot undermine the objectives which Directive 2001/29 pursues with the aim of ensuring the proper functioning of the internal market*” (para. 34). By contrast, in the reported judgment, the Court decides that the European proposal is a “*minimum threshold of protection for authors required when the public lending exception is being implemented*”. So it is possible for the Member States to add conditions to the European exceptions. This argument could be put forward in support of the panorama exception as recently introduced in France by Law no. 2016-1321, “*for a digital Republic*”, of 7 October 2016. Subparagraph 11 of article L. 122-5 of the Intellectual Property Code now excludes from the scope of the exclusive right “*reproductions and representations of architectural works and sculptures permanently located on public thoroughfares made by natural persons, excluding any use of a commercial nature*”. However, the French rule is far narrower than the European one. Indeed, article 5(3)(h) of Directive 2001/29 lays down

an (optional) exception for the “*use of works, such as works of architecture or sculpture, made to be located permanently in public places*”. There is no restriction concerning the subject matter, the beneficiary of the exception or the purpose of the use. Nevertheless, the argument based on a high level of protection and the need to safeguard the author’s legitimate interests could well “validate” the French stance.

Second, as already mentioned, the Court notes that the exception’s application to some works could prejudice the legitimate interests of authors. There is a recognisable reference here to one of the steps of the three-step test, which acts as an additional instrument to filter exceptions. But a doubt subsists on the subject: is the instrument intended for national legislatures when introducing an exception in domestic law, or can national courts use it to check, *a posteriori*, whether – in addition to the conditions of the exception – the use at issue is consistent with the test in each case? The reported decision does not provide an answer to this question, but it can be noted that the Court uses the tool as an argument to validate a national exception that is stricter than the European version. The implications are important because, depending on the interpretation adopted, power over exceptions may be delegated to the courts based on which certain practices in the digital environment could be called into question (see, on the subject, the report for the CSPLA on the review of Directive 2001/29: *Rapport de la mission CSPLA sur la révision de la directive 2001/29/CE sur l’harmonisation de certains aspects du droit d’auteur et des droits voisins dans la société de l’information*, P. Sirinelli, A. Bensamoun, C. Pourreau, Oct. 2014, [154](http://www.culturecommunication.gouv.fr/Politiques-ministerielles/Propriete-litteraire-et-artistique/Conseil-</p></div><div data-bbox=)

[superieur-de-la-propriete-litteraire-et-artistique/Travaux-du-CSPLA/Missions/Mission-du-CSPLA-relative-a-l-avenir-de-la-directive-2001-29-Societe-de-l-information](#)).

While the condition that the digital copy has been placed on the market is merely an option open to Member States, the lawfulness of the source is a requirement, even though it too is not stated in the directive.

B – The Essential Condition of the Lawfulness of the Source

Can the derogation for public lending in article 6(1) of Directive 2006/115 apply if the digital copy of a book made available by a public library was obtained from an unlawful source?

To answer the question, the Court derives a first argument from the objective of combating piracy pursued by Directive 2006/115, as stated in its recital 2 (para. 67). Indeed, to accept that a copy lent out by a library could have an unlawful source would amount, in its view, “*to tolerating, or even encouraging, the circulation of counterfeit or pirated works*” (para. 68). The Court then refers to the judgment in *ACI Adam* cited earlier in which it held that the private copying exception in article 5(2)(b) of Directive 2001/29 could not benefit users of copies made from an unlawful source, even though the condition is not enshrined in the European directive. The Court lists the arguments in that judgment which had led it to that conclusion – the exception could not be based on requiring authors to tolerate *ex ante* infringements of their rights; it would be detrimental to the proper functioning of the internal

market, and rightholders would be unreasonably prejudiced (para. 70) – and then transposes them “*by analogy*” (para. 71) to the context of article 6(1) of Directive 2006/115. Similar causes call for similar remedies!

What conclusions can be drawn from the decision? In the first place, that, within the context of the proposed model and subject to certain conditions, the Court of Justice has extended the statutory licence permitted under article 6(1) of Directive 2006/115 to digital lending. Doubtless also that the Court’s approach, dictated by a result to be achieved rather than by rigorous legal reasoning, is particularly bold – destroying concepts? – but for a very meagre harvest in the end...

**THIRD AXIS – EXHAUSTION OF THE DISTRIBUTION RIGHT
IN SOFTWARE AND OBSERVANCE OF THE REPRODUCTION RIGHT**

Although the initial acquirer of a copy of a computer program accompanied by an unlimited user licence is entitled to resell that copy and his licence to a new acquirer, he may not, however, in the case where the original material medium of the copy that was initially delivered to him has been damaged, destroyed or lost, provide his back-up copy of that program to that new acquirer without the authorisation of the rightholder.

The Court of Justice of the European Union is continuing to map out the contours of the exhaustion of the distribution right in computer software. In a decision delivered on 12 October 2016 (CJEU, 3rd Ch., 12 Oct. 2016, case C-166/15, *Rīgas apgabaltiesas Krimināllietu tiesu kolēģija v Aleksandrs*

Ranks, Jurij Vasilevičs. Dalloz IP/IT 2016, 603, obs. M. Coulaud; RTD com. 2016, 741, obs. Fr. Pollaud-Dulian; *ibid.* 2017, 83, obs. Fr. Pollaud-Dulian; RLDI Dec. 2016, 21, obs. Casanova; CCE 2016, no. 99, note Chr. Caron; Propr. intell. 2017, no. 62, p. 17, obs. C. Bernault; LEPI Dec. 2016, 3, obs. A. Lebois), the Court takes up the approach adopted a few years ago in the *UsedSoft* case (CJEU, 3 July 2012, case C-128/11, RIDA, July 2012, no. 233, and our critical observations p. 230; *ibid.* July 2016, no. 249, p. 155, study M. Trampuž; Dalloz actualité, 16 July 2012, obs. J. Daleau; D. 2012. AJ 1817, obs. Daleau; *ibid.* 2101, Viewpoint J. Huet ; *ibid.* 2343, obs. J. Larrieu, C. Le Stanc & P. Tréfigny; *ibid.* 2142, note A. Mendoza-Caminade; *ibid.* Pan. 2848, obs. P. Sirinelli; RTD com. 2012, 542, obs. Fr. Pollaud-Dulian; *ibid.* 790, chron. P. Gaudrat; Rev. UE 2015, 442, study J. Sénéchal; RTD eur. 2012, 947, obs. E. Treppoz; Propr. intell. 2012, no. 44, p. 333, obs. A. Lucas; *ibid.*, no. 45, p. 384, obs. Varet) and supplements it by adding a restriction concerning the observance of the reproduction right when a back-up copy is involved.

This case arose as a result of a conflict in Latvia between persons who were reselling (on eBay) used copies of computer programs published by Microsoft (over 3,000 copies of either the Windows operating software or the Office suite which includes Word and Excel) without the US company's authorisation. The persons in question, who were charged by the Latvian Department for the Prosecution of Economic and Financial Offences, were found guilty at first instance by the Riga District Court and ordered to pay compensation to the publisher. On appeal, the Riga Regional Court set aside that decision in part, but the defendants lodged an appeal for review on a

point of law before the Senate of the Supreme Court of Latvia. The result of the appeal was that the case was referred back to the appeal court for re-examination. As the resellers' line of argument was based in part on the benefit they could draw from the *UsedSoft* case law, despite the fact that the copies sold by them were not originals but back-up copies, the Latvian Court decided to make a reference to the CJEU to verify the argument's relevance.

The request for a preliminary ruling consisted of two questions:

“(1) Under Article 5(1) and Article 4(2) of Directive 2009/24, may a person who has acquired a computer program with a ‘used’ licence on a non-original disk, which works and is not used by any other user, rely upon the exhaustion of the right to distribute a copy of that computer program, the first purchaser of which acquired it from the rightholder with the original disk, [where that disk] has been damaged, if the first purchaser has erased his copy and no longer uses it?”

“(2) If the answer to the first question is in the affirmative, then, does a person who may rely upon the exhaustion of the right to distribute a copy of the computer program have the right to resell that computer program on a non-original disk to a third person, in accordance with Article 4(2) and Article 5(2) of Directive 2009/24?”

The aim was in fact to determine whether the solution reached earlier by the Court of Justice concerning the distribution right's exhaustion may still apply when the used copy that was “resold” was not the original copy made

available to the lawful user by the rightholder but rather a copy made by that user under the exception for making a back-up copy.

The Court of Justice conducts its analysis in two stages, focusing firstly, in a general way, on the exhaustible distribution right (I) and then turning its attention to the observance of the reproduction right which, for its part, is not subject to exhaustion (II).

I. Exhaustion of the Distribution Right

In this regard, Microsoft's argument sought to get the Court of Justice to accept that the distribution right's exhaustion was limited in scope to the sale of the original medium by the rightholder or with the rightholder's consent. This was also the approach taken by the European Commission and the Polish and Italian governments.

The Advocate General assigned to this case, Mr Saugmandsgaard Øe, outlined in his Opinion (paras. 35-37) the three approaches that could be defended before the Court concerning the possible application of the principle of the exhaustion of the distribution right to non-original tangible copies:

- According to a first approach, such copies can never benefit from the exhaustion of the distribution right and therefore cannot be sold by a user without the rightholder's authorisation. This was the analysis adopted by Microsoft and the one that appeared to be favoured by the Advocate General.

- According to the second approach, a non-original tangible copy should be able to benefit from the distribution right's exhaustion when the requirements established in the *UsedSoft* decision are respected (a paid licence conferred for an unlimited period / no usable copy is retained).

- According to the third approach, proposed by the European Commission, the solution adopted in *UsedSoft* could be extended to non-original tangible copies only if the original tangible copy had been damaged. It would then be necessary to refer to article 5(1) and (2) of the directive.

The Court of Justice rejects the first analysis. Interpreting article 4(c) of Directive 91/250 (applicable at the time of the facts), the Court considers that the distribution right's exhaustion concerns the copy of the program and the user licence in the strict sense. Consequently, there is no reason, in the Court's view, to take account of the nature of the medium itself, whether it is tangible or intangible (para. 31 *et seq.*) In support of its decision, the CJEU refers to some of the solutions already adopted by it. To begin with, the Court points out (para. 27) that the distribution right is subject to exhaustion when two conditions are fulfilled: (i) first sale/marketing in the European Union; (2) in compliance with the rules of copyright. Having given this – indisputable and undisputed – bedrock, the CJEU then makes a point of recalling (para. 28) the construction crafted in the *UsedSoft* case to the effect that “*the term 'sale' in that provision, which must be given a broad interpretation, encompasses all forms of marketing of a copy of a computer program characterised by the grant of a right to use that copy, for an unlimited period, in return for payment of a fee*

designed to enable the copyright holder to obtain a remuneration corresponding to the economic value of that copy". This bold assertion – aligning the regime applicable to acts of downloading with the one applicable to the physical circulation of a tangible medium embodying the copy of a computer program – was and continues to be intended to guarantee the “effectiveness” of the solution laid down in the directive, based on highly questionable reasoning that was strongly criticised by the majority of commentators.

The legal construction adopted at the time was – and still is – as follows:

1- A licence whereby the program is made available – via the digital networks – must be classified as “sale”;

2- The concept of “communication to the public” does not apply then;

3- The exhaustion theory applies to the distribution right, which is at issue in connection with the operation of downloading;

4- However, the right’s exhaustion does not affect the reproduction right as such;

5- The licence, for its part, is not exhausted but is transferred to the new “acquirer”;

6- In the case of a multi-user licence, the licensee cannot split the licence in order to transfer one of the copies authorised by the licence;

7- The copy updated under a maintenance contract is assimilated to the first copy sold; therefore, it is subject to exhaustion with regard to its distribution;

8- The person who obtains a copy of a program through the effect of the exhaustion of the distribution right in that copy may be regarded as a “lawful acquirer”, entitled as a result to carry out the “acts necessary” for the use of the program in accordance with its intended purpose (article 5(1) of Directive 2009/24).

9- All these solutions apply only if the initial acquirer destroys the original copy when the transfer to the second acquirer is made, thereby precluding, in theory, an increase in the number of users or any increase in the number of licensees.

There is no need to comment again here on the *contra legem* character of the judicial interpretation proposed by the Court of Justice and we shall confine ourselves to observing that the Court – unsurprisingly – maintains its case law in the name of technological equivalence. This enables it to reject any contrary contractual stipulation prohibiting any further transfer (para. 30).

Nevertheless, the situation here was not identical to the one in the *UsedSoft* case, as is clearly outlined in paragraph 31 of the reported decision:

“However, the questions referred do not concern the resale of the used copy of a computer program, stored on an original material medium, by its initial

acquirer, but rather the resale of the used copy of a computer program, stored on a non-original material medium, by a person who acquired it from the initial acquirer or from a subsequent acquirer” (emphasis added).

This was the line taken in Microsoft’s argument, mentioned earlier, but it was too abrupt in character to convince the Court immediately (para. 33: “*That line of argument cannot be accepted as such.*”!)

The Court begins by recalling that the exhaustion of the distribution right concerns the copy of the computer program itself and the accompanying user licence, and not the material medium (para. 34) and then rejects any possibility of making a distinction according to the tangible or intangible form of the copy in question (para. 35). However, it takes care to point out also that the application of the theory of the exhaustion of the distribution right does not exhaust the legal question here because there is also the matter of the reproduction right granted to the holder of the rights in the computer program and enforceable against the copier (paras. 37 and 38).

II. Necessary Observance of the Reproduction Right

The question of this prerogative’s application had already arisen in the *UsedSoft* case, but there it came at the tail end of the reasoning (the new lawful user as a result of the resale could carry out the act of reproducing the program as it was necessary to enable him to use it in accordance with its intended purpose; paras. 80 and 81). In the present case, the question of the right’s *ex*

ante enforceability had to be considered because the copy at issue was not the original one.

It is the observance of the reproduction right – also granted by the directive but not deemed subject to exhaustion – that constitutes an obstacle here to the freedom of action of the person who subsequently wishes to resell the program. This is because making a copy, which therefore would not be the original copy, is permitted only with the rightholder's agreement or through the application of an exception to the reproduction right. Was that the case here?

Article 5(2) of Directive 91/250 lays down an exception – established as the lawful user's right (the solution is one of public policy) – for the making of a back-up copy insofar as it is necessary for the program's use.

Can the lawful user of a copy of the computer program which is only a back-up copy resell it on the second-hand market?

To answer this question, the Court begins by indicating that, in accordance with its case law (CJEU, 1 Dec. 2011, *Painer*, C-145/10, para. 109), exceptions must be interpreted strictly. In the case of a back-up copy, this means 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 of the reported decision).

An examination of the conditions of the exception thus immediately reveals that, for the person making the back-up copy to be able to do so freely, it is not enough that the program's original medium has been damaged, destroyed or lost. The copy must also be for the copier's personal use. However, that was not the position in this case, not only because the copies were actually intended for resale rather than for personal use, but also because the copier(s) may have made the copies at issue for commercial purposes (a point to be verified by the referring court) (paras. 44 to 47). In other words, the acts performed in this case failed to observe the copyright principles established by Directive 91/250.

Having said that, the exception for making a back-up copy – which is regulated in article 5(2) of Directive 91/250 – is not the only exception to the reproduction right. Another limitation is provided for in the first paragraph of the same article.

“(1) In the absence of specific contractual provisions, the acts referred to in points (a) and (b) of Article 4(1) shall not require authorisation by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.”

This is the case, as we have seen, when a legitimately purchased copy, including a copy lawfully acquired on the second-hand market, is installed on a computer (*UsedSoft*, case C-128/11, para. 75; the act is then to be regarded as “necessary” and is performed by a lawful user).

But what about in other cases? Is it possible to conclude that this exception applies when the act of copying is performed *ex ante* by a lawful acquirer of a copy who makes another copy for resale purposes?

Advocate General Saugmandsgaard Øe answered “no”.

“[...] it is apparent from the wording of Article 5(1) of Directive 91/250 that the non-original tangible copy must be made by the lawful acquirer to allow him to use the computer program in accordance with its intended purpose. However, in the event of the resale of the computer program, that lawful acquirer transfers his rights to use that program and must stop using it. Accordingly, it is no longer possible for him to satisfy the requirement that the non-original tangible copy must allow him to use the computer program in accordance with its intended purpose. As noted by the Commission, the term ‘use’ in that provision cannot be interpreted as meaning that it includes the making of non-original tangible copies for resale.” (Para. 60 of the Opinion.)

However, this is not the analysis or the solution adopted by the CJEU. The Court’s reasoning here is extremely complex and – it has to be admitted – hard to follow.

It is surprising in the first place because the preliminary question did not appear to cover this ground. In addition, it attracts attention due to the circuitous route it takes with regard to the substance. The Court reiterates once again that no distinction should be made based on the tangible or

intangible origin of the medium embodying the computer program and that the situation of the lawful holder of a back-up copy and that of the lawful acquirer of a copy of a computer program purchased and downloaded on the internet must be regarded as being comparable (para. 52).

The Court describes the framework for downloading a copy of a computer program from the publisher's website and specifies that, based on its solution in *UsedSoft* (see, *supra*, the nine-point summary), the initial acquirer may transfer the program to a second acquirer who will then be a lawful user, subject to "*mak[ing] any copy in his possession unusable at the time of its resale*" (para. 55). That second acquirer will also be entitled to download the program from the publisher's website without having to seek the rightholder's authorisation. In all these cases, the act of reproduction performed will be regarded as "necessary" to enable the lawful acquirer to use the program in accordance with its intended purpose (para. 50). It will simply be up to the person who downloads a copy of a program onto his computer from the publisher's website to "*establish, by any available evidence, that he acquired that licence in a lawful manner*" (para. 56).

But the pivot of the Court's reasoning is doubtless to be found in paragraph 53 of the reported decision:

"The lawful acquirer of the copy of a computer program, who holds an unlimited licence to use that program but who no longer has that original material medium on which that copy was initially delivered to him, because he has destroyed, damaged or lost it, cannot, for that reason alone, be deprived

of any possibility of reselling that copy to a third party, since this would render ineffective the exhaustion of the distribution right under Article 4(c) of Directive 91/250 (see, to that effect, judgment of 3 July 2012, UsedSoft, C-128/11, EU:C:2012:407, paragraph 83)."

The “effectiveness” justification, in conjunction with that of “functional equivalence”, thus enables the Court to reach a conclusion that appears contrary – in its practical consequences – to the previous statements concerning back-up copies. In substance, the Court accepts that the “lawful user”, by virtue of the licence he has acquired, must be able to download the computer program to replace the physical copy by another tangible or intangible copy, thereby making the second-hand market possible in spite of the rules concerning the reproduction right! On the other hand, as a matter of principle, and this is repeated in the operative part of the judgment, a back-up copy cannot be resold. In a nutshell, this is to state a principle and how to circumvent it.

The solutions as expounded call for a few additional practical and theoretical observations.

On a practical level, there appear to be some open questions. How will difficulties of an evidentiary kind be resolved? Can one be certain of the traceability of programs? What if the publisher of the programs does not offer the possibility of downloading them? It is hard to imagine that the publisher would come to the user’s rescue spontaneously. It is even less conceivable that publishers could be compelled to do so.

In purely theoretical terms and independently of the observation that the judicial construction of the exhaustion of the distribution right is becoming harder and harder to follow, a question arises once again: if the practical solution seems so appropriate that it should be imposed, would it not be preferable to do so by amending the legislative texts rather than by engaging in a game of deconstruction?

(English translation by
Margaret PLATT-HOMMEL)

The decisions are available on the CJEU website
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COURT OF JUSTICE OF THE EUROPEAN UNION

Case C166/15

Third Chamber

12 October 2016

*Finanšu un ekonomisko noziegumu izmeklēšanas prokuratūra
(procureur du bureau de la répression des délits financiers et
économiques, Lettonie) c/Aleksandrs Ranks et Jurijs Vasīlevičs*

Request for a preliminary ruling under Article 267 TFEU from the Rīgas apgabaltiesas Krimināllietu tiesu kolēģija (Criminal Law Division of the Riga Regional Court, Latvia)

REFERENCE FOR A PRELIMINARY RULING – Intellectual property – Copyright and related rights – Directive 91/250/EEC – Article 4(a) and (c) – Article 5(1) and (2) – Directive 2009/24/EC – Article 4(1) and (2) – Article 5(1) and (2) – Legal protection of computer programs – Resale of ‘used’ licensed copies of computer programs on non-original material media – Exhaustion of the distribution right – Exclusive right of reproduction.

COURT OF JUSTICE OF THE EUROPEAN UNION

Case C174/15

Third Chamber

10 November 2016

Vereniging Openbare Bibliotheken v Stichting Leenrecht,

Request for a preliminary ruling from the Rechtbank Den Haag (District Court, The Hague, Netherlands)

REFERENCE FOR A PRELIMINARY RULING – Copyright and related rights – Rental right and lending right in respect of copyright works – Directive 2006/115/EC – Article 1(1) – Lending of copies of works – Article 2(1) – Lending of objects – Lending of a digital copy of a book – Public libraries.

COURT OF JUSTICE OF THE EUROPEAN UNION**Case C – 527/15****Second Chamber****26 April 2017*****Stichting Brein v Jack Frederik Wullems***

Request for a preliminary ruling from the Rechtbank Midden-Nederland
(District Court of Central Netherlands, Netherlands)

REFERENCE FOR A PRELIMINARY RULING – Intellectual and industrial property – Directive 2001/29/EC – Harmonisation of certain aspects of copyright and related rights – Article 3(1) – Communication to the public – Definition – Sale of a multimedia player – Add-ons – Publication of works without the consent of the right holder – Access to streaming websites – Article 5(1) and (5) – Right of reproduction – Exceptions and limitations – Lawful use.

COURT OF JUSTICE OF THE EUROPEAN UNION

Case C-610/15

Second Chamber

14 June 2017

Stichting Brein v Ziggo BV and XS4All Internet BV

Request for a preliminary ruling from the Hoge Raad der Nederlanden
(Supreme Court of the Netherlands)

REFERENCE FOR A PRELIMINARY RULING – Intellectual and industrial property – Directive 2001/29/EC – Harmonisation of certain aspects of copyright and related rights – Article 3(1) – Communication to the public – Definition – Online sharing platform – Sharing of protected files, without the consent of the rightholder.