25.1 The Principle of Exhaustion of IP Rights and Copyrights in German Law

25.1.1 General Thoughts

In the German legal system, the principle of exhaustion of intellectual property rights is either particularly stated or at least recognised as a leading principle; in this regard, sections 17(2), 69c no. 3 second sentence of the Copyright Act; section 24 Trademark Act; section 48 Design Act shall be mentioned. In contrast, the German Patent Act lacks an explicit legal basis for the principle of exhaustion; however, its existence is doubted by no means. The German Supreme Court (BGH) has repeatedly acknowledged the exhaustion principle as a precautionary principle for the entire IP law.

1 Urheberrechtsgesetz, BGBl. I pp. 1273–1293.
2 Markengesetz, BGBl. I pp. 3082–3125.
3 Designgesetz, BGBl. I pp. 122–149.

*For the sake of completeness, section 10b Plant Variety Protection law shall be mentioned; however, this section will not be of any relevance for this study; for the purpose of enhancement, see OLG Dresden, 23 September 2009—11 U 422/09.*


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25.1.2 Copyright Law

25.1.2.1 Section 17(2) Copyright Act

In the German case law and also in the literature, the principle of exhaustion of copyrights means that the right holder has exhausted its exclusive rights of use by actually using them; in consequence, following acts of use, especially by third parties, are no longer protected by the right holder’s right of use.7 The exhaustion of copyrights generally applies when the work protected by copyrights is put on the market in the European Union or within the European Economic Area with the consent of the right holder.8 Such a disposal generally takes place when it is accompanied by the transfer of ownership.9 In this regard, the disposal needs to be based on a contract between parties; a transfer of ownership due to statutory law such as sections 946 ff. German Civil Code10 is inadequate.11 Furthermore, the definition of disposal is to be understood in a broad sense: every permanent abandonment of an actual possibility of disposal is sufficient.12 In this context, there are a few situations that have to be differentiated: the transfer by way of security is not a permanent abandonment of disposal because mostly it is eventually going to end in a retransfer.13 In contrast, the reservation of proprietary rights grants the seller only a temporary security and is therefore considered a permanent abandonment.14

The principle of exhaustion is solely applied to the disposed work.15 Furthermore, the principle of exhaustion covers the distribution right but not the reproduction right.16

This is due to the fact that a distribution allows the right holder to convert its rights into cash.17 Apart from that, the principle of legal certainty requires that the

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buyer is granted the right to engage in any type of transaction with his good.18 It is thereby intended to prohibit the foreclosure of downstream markets.19 Thus, the former right holder will no longer be able to restrict the distribution of its work.20 Section 17(2) Copyright Act limits the principle of exhaustion in relation to rental contracts. It applies in terms of reselling only. If the buyer wishes to let the work and thus makes a profit from it the right holder’s consent is needed.21 This limitation was introduced by the third amendment of the German Copyright Act in 1995 which was based on the implementation of the European Directive 92/100/EEC22 on rental right and lending right. In this regard, the term rental is legally defined in section 17(3) sentence 1 Copyright Act as the right to temporarily use the work for direct or indirect commercial purposes.

This limitation of the principle of exhaustion is itself limited in section 17(3) sentence 2 in accordance to recital (13) of the Directive 92/100/EEC.

25.1.2.2 Section 69c no. 3 Sentence 2 Copyright Act

In addition, the German legislator introduced section 69c no. 3 sentence 2 Copyright Act to regulate the principle of exhaustion regarding computer programs. This section is based on article 4 lit. e sentence 2 of Directive 91/250/EEC,23 according to which the first sale of a program’s copy by the right holder or with its consent in the European Economic Area shall exhaust the distribution right of that copy within the European Economic Area. As far as the rental right is concerned, the same exception applies as in section 17(3) sentence 1 Copyright Act. Incidentally, the distribution right exhausts not until the copy is fully in the control of the new holder of rights of use.24 Apart from that, the principles contained in section 17(2) Copyright Act remain widely applicable.25

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25.1.3 Patent Law

Contrary to the Copyright Act, the German Patent Act does not mention the principle of exhaustion at all. Nevertheless, the principle of exhaustion is to be considered as a general principle applicable to patent law in Germany. As far as a definition is concerned, it can be referred to the Copyright Act definition meaning that the patent right exhausts when the covered product is put on market by the right holder or with its consent within the European Economic Area. Consequently, the former right holder cannot prevent the use of the product covered by the patent right. However, the buyer cannot refer to the elementary laws of the acquisition in good faith.

Originally, it was assumed that the principle of exhaustion should only apply if the patented product was put on the market in Germany; however, in accordance with the compatible interpretation of European law and in this regard with the free movement of goods and the corresponding ECJ jurisprudence, the principle of exhaustion must also apply when the product is put on market in the European Economic Area. As far as the situation of an affiliated group is concerned, the product is not put on the market when an affiliated company sells the covered product to another one.

25.1.4 Trademark Law

In the German trademark law, the principle of exhaustion is codified in section 24 (1) Trademark Act. According to section 24(1) Trademark Act, the right holder of a trademark cannot forbid the use of the trademark or trade name with which the product was put on the market. Once again, the principle applies when the product is put on the market within the European Economic Area. The principle of exhaustion in trademark law only applies to goods but not services.

Historically, the principle of exhaustion was already established by usage at times of the former Trademark Act. Interestingly, the former Trademark Act referred to a more international approach, meaning that it was sufficient that the product was put on the market anywhere in the world. The BGH abandoned this approach after the Trademark Act was introduced. Since the ECJ jurisdiction in re Silhouette, there is no more doubt that the principle of exhaustion with regard to trademark law requires that the good is put on the market anywhere within the European Economic Area.

The German jurisprudence acknowledges that the free flow of goods (regardless of different trade levels) should not be hampered by interventions of the right holder once it has put the product on the market.

The exhaustion in trademark law means that a third party may distribute the covered good under its trademark or trade name. At first, there was a broad understanding that this definition would not cover the labeling right, section 14 (3) no. 1 Trademark Act. There only existed a few exceptions to this legal view. This view has changed since the BGH-Stermin II decision. In this case, the BGH interpreted the principle of exhaustion in the German trademark law more extensively and concluded in the context of the ECJ decision in re Bristol-Myers Squibb that the labeling law was also comprised. Indeed, this BGH decision concerned the secondary packaging of parallel imported medicinal products; however, it is now the prevailing view that in conformity with article 7(1) of Directive 2008/95/EC, there can be no other understanding.

The principle of exhaustion in the German trademark law is restricted in section 24(2) Trademark Act. Accordingly, the right holder can prohibit the further use of the trademark due to legitimate reasons. Legitimate reasons are understood to exist when the condition of the covered goods have changed or worsened after having been put on market. This is because the right holder should not have to deal with reputational risks which are due to the distribution arrangements of the buyer. Those distribution arrangements are likely to redound upon the right holder in practice. The question whether this restriction actually applies is to be answered

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35 Warenzeichengesetz, BGBl. I p. 29.
36 See, for example, BGH, 22 January 1964—Ib ZR 92/64 = Neue Juristische Wochenzeitung (NJW) 1964, p. 972 (974).
in view of the individual case. This means that the individual interests of the trademark right holder and the requirements of the free movement of goods are to be compared and weighed.\(^{47}\)

### 25.1.5 Design Law

In the German design law, the principle of exhaustion of rights is codified in section 48 Design Act, which is almost identical to article 15 of Directive 98/71/EC.\(^{48}\) Once again, the aim is to secure the free movement of goods by prohibiting the right holder from disrupting the market.\(^{49}\)

### 25.2 “Traditional Industry” Versus “Online Industry”

The German legal system does not explicitly refer to the term e-commerce. However, the German legislator did respond to the issues that arose in context with e-commerce. In particular, section 312e Civil Code (in the old version) was introduced, which was then retained by section 312g Civil Code (in the new version). Both are securing the implementation of articles 10 and 11 of Directive 2000/31/EC\(^{50}\) into German law. Therefore, section 312g Civil Code applies when an entrepreneur uses tele- and media services in order to conclude a contract for the supply of goods or services. This section is intended to provide for a minimum standard in terms of a fair contract handling.\(^{51}\)

Instead of defining the term e-commerce as information society services in accordance with the definition in Directive 2000/31/EC, the German legislator preferred to introduce the term “tele- and media services” at first; meanwhile, this term was replaced by the term “telemedia”.\(^{52}\) In this context, the German legislator intended to achieve a link between section 2 of the Telecommunications Act\(^{53}\) and section 2 of the Interstate Agreement on Media Services.\(^{54-55}\) Even though the intention of the German legislator to create this link was comprehensible, this approach produced more problems in terms of comprehension and interpretation than it actually contributed to legal certainty. In particular, the consumer (as the addressee) could not be certain how to understand the term “tele- and media services”.\(^{56}\)

Since the Telecommunications Act has been replaced by the Telemedia Act,\(^{57}\) section 1 (1) sentence 1 of the Telemedia Act contains the term “telemedia”.\(^{58}\) By legal definition, telemedia comprises every information and communication service as long as they are not subsumed under one of the exceptions in section 1(1) sentence one, second half-sentence of the Telemedia Act.\(^{59}\)

Since section 312g Civil Code finds its origin in Directive 2000/31/EC, one ought to refer to the Directive in order to interpret this section.\(^{60}\) It follows that telemedia services at least comprise any service generally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.\(^{61}\) The German Government pointed out that distribution services should not be part of telemedia. Instead, telemedia refers to services that the user can individually and electronically retrieve in order to place a purchasing order.\(^{62}\)

Further differentiations between the normal and the online market cannot be found when analysing the laws regarding the intellectual property and the copyright.

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\(^{52}\) For further comments, see C. Wendehorst. In: Münchner Kommentar zum BGB, Band 2 §§ 241–432, 6. Auflage München 2012, § 312g, para. 20.

\(^{53}\) Teledienstegesetz, BGBl. I pp. 1870–1880.

\(^{54}\) Mediendienste—Staatsvertrag, GV NRW 1997 pp. 158–163.

\(^{55}\) Both the Telecommunications Act and the Interstate Agreement on Media Services are no longer in force; the Telecommunications Act has been replaced by the Telemedia Act. For further reasoning, see B. Holzmeier/T. Rickes: In: Spindler/Schuster, Recht der elektronischen Medien, 2. Auflage München 2011, § 1 TMG, para. 1; C. Wendehorst: In: Münchner Kommentar zum BGB, Band 2 §§ 241–432, 6. Auflage München 2012, § 312g, para. 20.


\(^{57}\) Teledienstegesetz, BGBl. I pp. 179–185.


\(^{59}\) These exceptions are negligible as far as this contribution is concerned.

\(^{60}\) C. Wendehorst: In: Münchner Kommentar zum BGB, Band 2 §§ 241–432, 6. Auflage München 2012, § 312g, para. 22; also see G. Thüsing. In: Staudinger, BGB, Buch 2, Berlin 2012, § 312g, para. 9 f., who believes that the German legislator consciously implemented a different term than in directive 2000/31/EC; on this behalf he argues that the EC directive should only be referred to in a second stage.

\(^{61}\) See article 2 lit. a Directive 2000/31/EC in conjunction with article 1 no. 2 Directive 98/48/EC.

\(^{62}\) Regel BT-Drucks. 14/6040, p. 171.
25.3 The Principle of Exhaustion in the Online Industry

25.3.1 Introduction

The application of the principle of exhaustion to the online industry is very disputed in the German case law, as well as literature. The German legislator has been aware of this topic for quite a while; however, there has not been a successful approach to solve this problem so far. Especially, the CJEU decision in re UsedSoft could only solve some selected issues. Unfortunately, it also provided some new problems that are now subject to discussions.

We propose to review the legal situation before UsedSoft in order to illustrate and tackle these new problems.

In the German online sector, the core of all problems referred to the question whether the download of software should fall under the principle of exhaustion or not.

Generally, software is eligible for protection under section 69a(3) Copyright Act. As mentioned in the beginning, the principle of exhaustion with regard to software is codified in section 69c no. 3 sentence 2 Copyright Act. In this regard, the right holder's distribution right shall exhaust when a copy of the software is put on the market within the European Economic Area by the right holder or with its consent. The idea is that the copyright stands back in order to maintain the free movement of the covered good once it is put in the market with the consent of the right holder. Indeed, the right holder is not obliged to put the good on the market. However, once it has entered the market, the right holder is no longer able to decide on its further distribution. Hence, the right holder should not be able to interfere with the free movement of goods by influencing the distribution of the product.

25.3.2 The Principle of Exhaustion with Regard to Immaterial Goods

Basically, there were two major questions to be answered in terms of legal certainty. First, it stood out that in section 69c no. 3 sentence 2 Copyright Act, the term copy was understood to be a physical good. This raised the question whether the principle of exhaustion should also apply to immaterial goods—possibly by analogy. Second, it became apparent that the copy of a piece of software would actually be a reproduction, which is generally not subject to the principle of exhaustion. Therefore, the question arose whether an exception should be made.

25.3.2.1 Analogous Application of Section 69c no. 3 Sentence 2 Copyright Act

Two different opinions were expressed against the application by analogy of section 69c no. 3 sentence 2 Copyright Act to intangible goods.

According to one opinion, the wording of section 69c no. 3 sentence 2 Copyright Act was considered as crucial, which only refers to tangible goods. In addition, it was pointed out that recital (29) of the Directive 2001/29/EC only refers to tangible goods as well.

Furthermore, some writers said that the principle of exhaustion was meant to be an exception that had to be applied restrictively.

Apart from that, it was argued that the reasoning by analogy was not pertinent. First, the opponents to an analogy said that the legislator did not overlook the problem because it was aware of recital (29) of Directive 2001/29/EC when codifying section 69c no. 3 sentence 2 Copyright Act; nonetheless, it did not react to that matter. Furthermore, a hypothetic oversight could not have been unintended because article 4 of Directive 2001/29/EC solely codified the principle of exhaustion with regard to material goods.

According to the second opinion, no difference should be made between tangible and intangible goods. In particular, it would make no difference regarding the right holder's exploiting interests in which way the good was distributed. Apart from that, it was argued that the right holder could circumvent the effect of section 69c no. 3 sentence 2 Copyright Act just by using online distribution; this was

63 See, for example, T. Hoeren, Entwurf einer EU-Richtlinie zum Urheberrecht in der Informationsgesellschaft — Überlegungen zum Zwischenstand der Diskussion, MMR 2000, p. 515 (517).
64 See the draft of a law with regard to enabling the private resale of immaterial goods, BT-Drucks. 17/6377; for deepening purposes see J. Marly, Praxishandbuch Softwarerecht, 6. Auflage München 2014, para. 201.
distinguished as an unfair outcome. Furthermore, some writers put forward that the principle of exhaustion was not an exception because most of the courts classified it as a generally applicable principle. As a consequence, an analogy of section 69c no. 3 sentence 2 Copyright Act was assumed to be applicable.

25.3.2.2 Exception to the Restricted Act of Reproduction Pursuant to Section 69d(1) Copyright Act

Under the hypothetic assumption that the above analogy was pertinent, one has to deal with the fact that the software is then installed on the hard drive and thus reproduced by the buyer; according to section 69c no. 1 Copyright Act, the principle of exhaustion is not applicable to reproductions.

In this regard, section 69d(1) Copyright Act was considered to be relevant. Section 69d(1) Copyright Act states that acts of reproduction are not conditional on the real holder’s consent as long as they are necessary to ensure the intended use of the computer program.

The opponents to the analogy argued that the buyer should not be granted reproduction rights because sections 69c no. 3 sentence 2 and 69d(1) Copyright Act are not applicable in the absence of receipt of a tangible copy.

On the contrary, it was argued that section 69d(1) Copyright Act had to be construed in accordance with its purpose and intention, i.e., to enable the usage of the computer program by allowing necessary reproduction actions. When favouring an analogy, it would only be consistent to understand the reproduction act as mandatory in order to use the computer program as intended.

25.3.2.3 Key Points Regarding CJEU UsedSoft

As is probably known, the legal matter between Oracle and UsedSoft had its origin in Germany. Despite the fact that the LG München I and the OLG München initially decided in favour of Oracle, UsedSoft successfully appealed a non-admission complaint to the BGH. At that time, the BGH decided to pass the matter on to the CJEU seeking a preliminary ruling. This led to the CJEU decision at issue called UsedSoft.

The CJEU first determined whether and under which circumstances the download of a computer program’s copy from the Internet—authorised by the dealer—could be a first sale in terms of article 4(2) of Directive 2009/29/EC. It found out that a sale normally is an agreement by which one person transfers his ownership rights in tangible or intangible goods to another person. In terms of the intent and purpose of article 4(2) of Directive 2009/29/EC, the principle of exhaustion of the distribution of a computer program’s copy must involve the transfer of the ownership in that copy.

The CJEU underlined that the download of a computer program and the conclusion of a licence agreement formed an indivisible whole because downloading a computer program would not be of any sense if one was not allowed to use the program afterwards. By those means, the CJEU concluded that the transfer of ownership was not different between handing out a tangible medium with a computer program copy and an online download. Furthermore, the CJEU hereby solved the problem how to classify a software contract.

The CJEU underlined that tangible and intangible computer program copies are economically comparable. For that reason, the online download of a program’s copy is equivalent to the handing over of the actual copy on a data carrier. The European judges also stressed that when taking the contrary view, the right holder would be eligible for charging a fee for any further distribution by the buyer. The CJEU considered this to be unreasonable.

83 BGH, 3 February 2011—1 ZR 129/08 — GRUR 2011, pp. 418 ff.
84 CJEU, case 128/11, UsedSoft GmbH v Oracle International Corp.
88 The understanding is that the CJEU classifies the software contract as a common purchase contract. However, from a German perspective, it is quite interesting that the CJEU concentrates on the right in rem and not the binding agreement itself; see J. Schneider/G. Spindler, Der Erschopfungsgutachtensatz bei „gebrauchter“ Software im Praxistest, Computer und Recht (CR) 2014, p. 213 (214); for deepening reasons, see T. Hoeren, Softwareüberlassung als Sachauftrag, München 1989, para. 143.
CJEU allowed the seller to use technical measures to ensure that the reseller’s copy was made unusable, it is predictable that this will lead to serious practical problems in terms of the burden of proof.

25.3.2.4 Conclusions from CJEU UsedSoft and the Subsequent Decision of the BGH

The most important conclusion to be derived is that the principle of exhaustion does apply to the distribution of digital goods. The question on whether an analogy with regard to section 69c no. 3 sentence 2 Copyright Act should be applicable was answered in the affirmative.

Due to UsedSoft, the acquirer is regarded as a lawful acquirer (see article 5 (1) Directive 2009/24/EC). The distribution right exhausts with regard to the updated or altered version of the computer program.

It should also be mentioned that the UsedSoft decision has contributed to the discussion on how to classify a software contract. It can be concluded that the era of the licensing agreement construction has come to an end. The CJEU has clarified that the right to use the copy is a permanent one. The specific content and provisions of a software contract shall not interfere with the legislative implementations. In this context, special attention should be paid in the future to the interpretation of contractual terms and constructions: as the principle of exhaustion is not applicable with regard to rental and leasing contracts, the question whether a particular contract is a sale contract will have to be examined.

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93 See above Sect. 25.3.2.1.
95 Incidentally, see below Sect. 25.3.3.
100 CJEU, case 128/11, UsedSoft GmbH v Oracle International Corp., pt. 70, 78.
102 See, for example, J. Schneider/G. Spindler, Der Erschöpfungsgrundsatz bei „gebrauchter“ Software im Praxistext, CR 2014, p. 213 (220).
104 See above Sect. 25.3.2.1.
105 T. Hoeren/M. Försterling, Onlinevertrieb „gebrauchter“ Software – Hintergründe und Konsequenzen der EU-Entscheidung “UsedSoft”, MMR 2012, p. 642 (644); still in doubt G. Schulze, Werkgemass und Werknutzung in Zeiten des Internets, NJW 2014, pp. 721 (724 f.), who questions whether the principle of exhaustion is up to date with the problems of the Internet and therefore demands a restrictive usage of this principle. This thought is worth mentioning and basically mirrors the problems the ECJ had to deal with; however, this is a rather dogmatic approach that does not lead to a solution of the actual problem.
However, it will have to be taken into consideration that the term “sale” is now characterised by a broad understanding.\textsuperscript{112} The BGH\textsuperscript{113} has obviously adopted the CJEU’s reasoning in its subsequent decision. However, it is to be noted that no final judgement has been made—the case was referred back to the OLG München. Nevertheless, the BGH agreed on the applicability of the principle of exhaustion on computer programs\textsuperscript{114} even though it seemed to favour the opposite opinion in its order for reference.\textsuperscript{115}

Moreover, the BGH has acknowledged that certain reproduction acts, such as loading the copy in the working memory, are not subject to authorisation by the right holder (see section 69d(1) Copyright Act). Fortunately, the BGH emphasised the mandatory core of section 69d(1) Copyright Act and its equivalent in article 5 (1) Directive 2009/24/EC. This point of view is consequent and more than welcome.

On the contrary, the BGH pursued a rather unorthodox approach by stating that a right to use the software was granted to the acquirer by section 69c(1) Copyright Act. The result does comply with the findings of the CJEU. However, the BGH seemed to be troubled with section 69d(1) first half-sentence Copyright Act, which allows the assignment of rights when contractually agreed on. Dogmatically, section 69d(1) Copyright Act does not offer a basis for a claim; it is to be understood as a legal exception to section 69a no. 3 sentence 2 Copyright Act. Therefore, it would have been much more understandable and elegant if the BGH had identified the contractual exclusion of an assignment right as contradictory to the mandatory core\textsuperscript{116} of section 69d(1) Copyright Act and therefore as a breach with the German laws on general terms and conditions of business.\textsuperscript{117} Meanwhile, the LG Hamburg has favoured this approach.\textsuperscript{118}

As mentioned earlier, the CJEU UsedSoft decision left one big issue open concerning the proof of the dismantling of the seller’s copy. The CJEU skillfully avoided this issue by allowing the implementation of technical measures.\textsuperscript{119} According to the principles of the German Code of Civil Procedure,\textsuperscript{120} the party who actually relies on the principle of exhaustion carries the burden of proof. Depending on the specific facts of the case, the acquirer may bear the burden of proof. At this stage, it seems inconceivable how the acquirer should give substantial evidence that the seller has made his copy unusable.\textsuperscript{121} In particular, it can barely be thought of a situation in which the acquirer could make use of a technical measure because that would imply that he has to take actions in the sphere of the seller. Obviously, the seller will not authorise such an interference with his technical facilities so that in practice the acquirer will fail to bear the proof.

25.3.2.5 Splitting Up Client-Server Licences Respectively Volume Licences

Problem Identification

In practice, a business generally buys a bunch of licences in order to use the computer program on more than one computer.

In this regard, a distinction needs to be drawn between client-server licences and volume licences. When buying a volume licence, the acquirer receives a digital master copy and may then copy the software to different computers (obviously in accordance with the contractually agreed number of copies). That means that the software is installed on and run from each computer individually. On the contrary, having bought a client-server licence, the acquirer installs the computer program on his central server. Hereinafter, a user accesses the server on demand and is then able to use the computer program; however, the computer program is run directly on the server. So the difference is that in case of a volume licence, the acquirer is granted permission to reproduce the software to a certain extent, whereas the client-server licence only grants a certain number of rights of use.

As far as selling all volume licences as a whole, including the digital master, is concerned, there is no doubt that this situation is to be treated like the sale of only one piece of software including only one licence. Therefore, section 69d no. 3 sentence 2 Copyright Act is applicable in this respect.\textsuperscript{122}

However, problems arise when the rights of use are split in order to sell only a couple of rights of use and retain the others. In this regard, there are two main situations to be examined. First, the seller could make a copy of the digital master and then transfer both the copy and the appropriate number of rights of use to the acquirer. Second, it is possible that the acquirer already possesses the computer program and therefore only needs more rights of use.

Findings from CJEU UsedSoft and Client-Server Licences

The UsedSoft decision revived the general discussion on this topic. This leads back to pt. 69 of the decision.\textsuperscript{123} Pt. 69 states that if the first acquirer bought a licence that

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\textsuperscript{113} BGH, 17 July 2013—1 ZR 129/08 = MMR 2014, p. 232.
\textsuperscript{114} BGH, 17 July 2013—1 ZR 129/08 = MMR 2014, pp. 232 (235 ff.).
\textsuperscript{115} BGH, 3 February 2011—1 ZR 129/08 = MMR 2011, p. 305 (307).
\textsuperscript{116} BGH, 17 July 2013—1 ZR 129/08 = MMR 2014, p. 232 (235).
\textsuperscript{117} See section 307(2) no. 1 Civil Code, in conjunction with sections 17(2), 69c no. 3 sentence 2, 69d(1) Copyright Act; see also below Sect. 25.3.3.
\textsuperscript{119} CJEU, case 128/11, UsedSoft GmbH v Oracle International Corp., pt. 87.
\textsuperscript{120} Zivilprozessordnung, BGBl. I pp. 3202–3378.
\textsuperscript{121} See also M. Steiper, comment on the judgement ECI, case 128/11, UsedSoft GmbH v Oracle International Corp. In: ZUM 2012, p. 668 (669).
\textsuperscript{123} CJEU, case 128/11, UsedSoft GmbH v Oracle International Corp., pt. 69.
provides for more users than actually needed, he shall not be authorised by the principle of exhaustion to divide the licence and resell only the user rights that are of no future use.

In this context, some writers assumed that this sentence would lead to a prohibition of splitting volume licences. However, pt. 69 of the decision cannot be over-simplified but has to be understood in context with the facts at issue. In UsedSoft, the CIEU had to deal with client-server licences; therefore, it has to be concluded that the pt. 69 does not state a general principle. Especially, pis. 22 and 24 of the UsedSoft decision support this assumption because they refer to the facts of issue of the preliminary ruling of the BGH—and surely the BGH dealt with client-server licences.

Furthermore, in pt. 70, the CIEU stated that the seller would have to make his own copy usable at the time of resale. This use of words is also an argument in favour of client-server licences because otherwise it would have been indispensable to refer to the copies on the respective desktop computers as well.

In conclusion, the CIEU favoured the prohibition of splitting client-server licences. The outcome is comprehensible. However, it did not decide on volume licences.

Volume Licences

As a result, the discussion on how to deal with volume licences will continue. Having analysed the UsedSoft decision, it appears coherent to permit the splitting of volume licences in the future. Generally, it can be argued that a certain copy from the digital master to the correspondent desktop computer is derived with the consent of the right holder because it will normally receive a compensation fee. Assuming that this new copy is retained legally, it seems obvious to equate this copy with a

127 For deepening reasons and with regard to the dogmatic approaches, see T. Hoeren, Der Erschöpfungsgrundsatz bei Software – Körperliche Übertragung und Folgeprobleme, GRUR 2010, pp. 665 (665 ff.).

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copy retained online from the right holder. This result is especially consistent from an economic point of view because simply put, the volume licence is not a whole but a bunch of single licences offered and bought as a package.

Hence, applying the general legal views in UsedSoft, it should be concluded that the splitting of volume licences is not prohibited. Obviously, the other requirements regarding the UsedSoft decision must be met; especially, it should be paid attention that when already using the full amount of licences, one copy needs to be made unusable in the event of a sale.

In this context, the OLG Frankfurt a.M. decided in 2013 that splitting up a volume does not collide with the legal implementations as long the originally granted number of rights of use is not exceeded after the split.

25.3.2.6 Issues in Relation to Maintenance Agreements

Because of the UsedSoft decision, some writers betokened that the acquirer would enter into a contractual relationship with the maintenance provider if such a maintenance contract was already concluded before the software sale.

The problem is that in the German literature, some writers argued the maintenance contract would be a service contract.

In my opinion, there is no maintenance contract as such. The parties agree on a "general service contract", which can be classified as a contract for the performance of continuing obligations. Thereby, the acquirer can demand a certain performance which is then subject to software maintenance. Moreover, it is the responsibility of the acquirer to demand the performance.

131 With the same result T. Hoeren, Der Erschöpfungsgrundsatz bei Software – Körperliche Übertragung und Folgeprobleme, GRUR 2006, p. 655 (670); H. Redeker, Das Konzept der digitalen Erschöpfung – Urheberrecht für die digitale Welt, CR 2014, p. 73 (76).
134 H. Beise, DB 1979, p. 1214; apart from this classification, there were also writers who classified the maintenance contract as a rental contract: H. P. Löwe, Gedanken zur rechtlichen Einordnung von Wartungsverträgen, CR 1987, p. 219 (220); however, with regard to software which was individually ordered and then custom made, it makes sense to assume a contract to produce a work: for deepening reasons, see T. Hoeren, in: In: Graf von Westphalen, Vertragsrecht und AGB-Klauselwerke, Klauselwerke, IT-Verträge, para. 172.
135 Obviously, there are differing opinions; see also T. Hoeren/M. Försterling, Onlinevertrieb “gebrauchter” Software – Hintergründe und Konsequenzen der EuGH-Erlass “UsedSoft”, MMR 2012, p. 642 (646).
Nevertheless, the general principles of the Civil Code continue to apply. That means that the private autonomy has to be taken into account. For that reason, the maintenance provider can still decide with whom he wants to enter into an agreement. Hence, the principle of exhaustion cannot cause a contractual relationship between the acquirer and the maintenance provider.137

25.3.2.7 The Significance of Technical Measures
The CJEU pointed out in pt. 79 of the UsedSoft decision that the proof that the seller has made his copy of the software unusable could cause some difficulties. Therefore, it concluded that the acquirer was allowed to use technical protective measures such as product keys.138

In the German legal system, such technical measures must generally be contractually agreed; otherwise, they are supposed to be a contractual breach.139 The purpose of the technical measures will be important to assess their lawfulness. In light of the UsedSoft decision, certainly all measures which aim at dismantling any copy held by the seller will be lawful.140

However, technical measures causing serialisation or requiring activation are not acceptable.141 It has to be ensured that the principle of exhaustion will not be banned or circumvented by such measures.

In this regard, a change of the German jurisprudence must be expected. In 2010, the BGH judged in Re Half Life 2 regarding a technical measure that effectively led to a restriction on disposal. In this case, the usage of the computer game would only be possible if the acquirer created a player’s account and logged into it every time he wanted to play the game. However, in the case of the resale of the game, the seller would not be allowed to pass on his player’s account or at least the access data.142 The BGH concluded that this condition was acceptable as it would not interfere with the law, especially following the examination of the laws of general terms and conditions, section 307(1) sentence 1, (2) sentence 1 of the Civil Code in conjunction with the principle of exhaustion. The judges argued that the disposal of the copy was effective despite the questionable condition; on the contrary, it would not be decisive whether a potential buyer was actually not interested in buying the copy.143 They came to the conclusion that a technical measure which modified the modalities of the computer game’s usage would not interfere with the copyright law even if it effectively led to a non-disposability.144

In the light of the UsedSoft decision, this approach cannot be pursued.145 It may only be noted in the margin that the disposal of the game is still possible—it is not directly forbidden by law or such. However, considering that the game was bound to the gamer’s online account, the economic value of the game tended to zero. In consequence, such a measure effectively seals off (downstream) markets. Obviously and as mentioned earlier, the goal of the European Union is to reduce the restrictions in the Digital Single Market.146

Having said so, in a new decision, the LG Berlin147 surprised by relying on the BGH’s arguments rather than transferring the UsedSoft principles to the facts issued. The facts issued were very comparable to those in Half Life 2; they comprised a computer game which could be used only after having registered an online player’s account. The general terms and conditions contained a clause which prohibited the transfer of the player’s account, as well as any relevant data to access the player’s transfer. The interesting difference from Half Life 2 was that the game could not be used as long as the player was not logged into an account. Being logged in was vital to the game because the producers had developed the game in the way that some of the content was allocated on the servers.

The LG Berlin judged that this constituted an “additional service” offered by the producers. The court then referred to recital (29) of Directive 2001/29/EC and assumed that the principle of exhaustion was not applicable to services.148

Unfortunately, the LG Berlin was fatally mistaken by pursuing this dogmatic approach. Surely, the contract between the producers and the acquirer comprises not only elements of a purchase contract but also those of a rental agreement, as well as a service contract. However, following the prevailing view in the German legal system, these contracts comply with the nucleus of the contract. Where necessary, this nucleus has to be determined by interpreting the intention of the

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140 See also T. Hartmann, Weiterverkauf und “Verleih” online vertriebener Inhalte, Gewerblicher Rechtsschutz und Urheberrecht Internationaler Teil (GRUR-Int.) 2012, p. 980 (985).
142 BGH, 11 February 2010—1 ZR 178/08 = MMR 2010, p. 771 (772).
143 BGH, 11 February 2010—1 ZR 178/08 = MMR 2010, pp. 771 (772 f.).
parties pursuant sections 133, 157, 242 Civil Code. In this regard, it is rather obvious that an objective observer would assume that the parties have agreed on a purchase contract. It is particularly doubtful that a buyer of a computer game knows that he will be depending upon further services to be provided by the producers. This becomes even more apparent when considering the fact that these registry obligations in question normally arise after having bought the game. Having said so, the acquirer cannot foresee any further obligations which would actually change the nature of the contract at the time of conclusion.

The bottom line is that the LG Berlin should have adopted the CJEU UsedSoft view on the exhaustion principle because the questionable contract is a purchase contract. Therefore, the LG Berlin should have judged a breach of section 307 (2) no. 1 Civil Code in conjunction with section 69c no. 3 sentence 2 Copyright Act.

25.3.3 Application of the Principle of Exhaustion to Other Digital Goods

At this point, the question should be raised whether the principle of exhaustion, relatively the ruling in re UsedSoft, is applicable to other digital goods but computer programs.

It is certainly worth mentioning that the CJEU UsedSoft decision was mainly geared by Directive 2009/24/EC. In particular, one could argue that having imposed Directive 2001/29/EC as lex specialis, the underlying ideas which motivated the UsedSoft decision could not be transferred to issues that are not covered by this Directive.

Moreover, some writers say that other digital goods exist which are different. For example, an eBook is not only a piece of software but also a linguistic creation. The situation of computer games is even more complex: they are generally assembled from computer programs, especially by the "engine" which runs the game, audiovisual contents, obviously meaning graphics and music, as well as other contents dependent on the individual case.

However, detractors of the principle of exhaustion's applicability to other digital goods should fall fairly silent in consideration of the CJEU Nintendo decision. In that case, the CJEU concluded that even though computer games comprise different elements, each of which may be covered by different Directives, both Directives 2009/24/EC and 2001/29/EC are applicable at the same time, regardless that Directive 2009/24/EC was called lex specialis in UsedSoft. As a result, it can no longer be argued that nowadays computer games only include a minor part that actually is a computer program, and therefore Directive 2001/29/EC should solely be applicable.

Nevertheless, the LG Bielefeld has anew joined the opponents to the applicability of the principle of exhaustion. The case concerned an online shop offering eBooks and audio books for download. In the general terms and conditions, the online shop included a clause saying that the acquirer was granted a right of use. Apart from that, the acquirer would not be allowed to distribute the product against payment or free of charge, to reproduce it or to use it for commercial reasons.

The LG Bielefeld concluded that this condition would not interfere with the laws of the general terms and conditions of a business (see sections 307(1), (2) no. 1 and 2 Civil Code in conjunction with section 17(2) Copyright Act). It argued that the acquirer would receive a right of use which granted permission to listen to or to watch the digital product as often as he wanted. The fact that further rights were not granted was justified by stressing that these rights would not coincide with the primary purpose of the contract. Furthermore, the court pointed out that it was already not possible to gain ownership of an eBook or audio book because this was not an object pursuant section 90 Civil Code.

This decision of the LG Bielefeld holds some odd chains of thoughts. It almost seems like the judges wanted to achieve a certain outcome no matter what the cost—or rather the legal justification.

Obviously, the LG Bielefeld was right in stating that an eBook or an audio book is not an object pursuant to section 90 Civil Code. However, the court abstained from characterising the contract afterwards. For example, it would have seemed appropriate to discuss a purchase of rights pursuant sections 433, 453 Civil Code.

154 CJEU, case 355/12, Nintendo Co. Ltd., Nintendo of America Inc., Nintendo of Europe GmbH v PC Box Srl, 9 Net Srl (not yet published).
155 CJEU, case 355/12, Nintendo Co. Ltd., Nintendo of America Inc., Nintendo of Europe GmbH v PC Box Srl, 9 Net Srl, pt. 22 ff.
which are the provisions setting forth the rules of purchase contracts. This is especially awkward because later on the court referred to the primary aim of the contract. It particularly stressed that the aim was not to grant “rights comparable to ownership rights”; in fact, it should only be granted a right of use in terms of the copyright laws. By that the LG Bielefeld was probably talking about a licence. But it remains unclear how the court classified the actual contract irrespective of the right of use.

It got even more confusing when the court justified the usage of purchase contract terms in the general terms and conditions by saying that the layperson would be unable to cope with terms from the copyright law; however, he would normally be familiar with the circumstances of an Internet purchase; the buyer would know that he did not receive the same position as a purchase contractor. It seems needless to say that at this stage the level of confusion is at a maximum: on the one hand, the buyer — being a layperson — should not be overburdened with copyright law terms; on the other, he should generally be able to differentiate between a right of use and the conditions of a purchase contract regarding a digital good.

Beyond that, the question arises why it should be unreasonable to use terms of the copyright law in general terms and conditions. Surely, these terms can be deceptive at times. However, the evaluation of such a deception would be subject to the relevant individual case. In general, there is no reason not to use copyright terms in general terms and conditions.

Eventually, the LG Bielefeld considered that the principle of exhaustion was neither directly nor by analogy applicable to eBooks or audio books. The judges said that the conditions for an analogy would not apply. Furthermore, it referred to the lex specialis argumentation.

In this context, the LG Bielefeld remained very technical and close to the wording of Directive 2001/29/EC which supersedes considering the creativity displayed when dealing with the principles governing the general terms and conditions. The court neglected that in UsedSoft, the CJEU had the foreclosure of downstream markets in mind. Overall this goal would have required a more sensitive handling of this matter.

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162 LG Bielefeld, 5 March 2013 — 4 O 191/11 = GRUR-RR 2013, p. 281 (282).
163 LG Bielefeld, 5 March 2013 — 4 O 191/11 = GRUR-RR 2013, p. 281 (283).
164 LG Bielefeld, 5 March 2013 — 4 O 191/11 = GRUR-RR 2013, p. 281 (284); with regard to the premises of an analogy, see above Sect. 25.3.2.1.
165 LG Bielefeld, 5 March 2013 — 4 O 191/11 = GRUR-RR 2013, p. 281 (284).

25.4 Infringement and Remedies

As far as can be ascertained, there is no differentiation between infringements in the regular market in contrast to the online market in the German legal system.

In German copyright law, the infringed party is granted an injunctive relief following section 97(1) Copyright Act. Section 97(1) Copyright Act states a duty to refrain from any infringement to the copyright. In this regard, the infringer is strictly liable. This duty addresses the perpetrator or collaborator of the infringement. The corresponding claim in section 97(1) Copyright Act also covers future infringements as long as a danger of recurrence or even a danger of a first infringement can be proven.

167 H. Redeker, Das Konzept der digitalen Erschöpfung — Urheberrecht für die digitale Welt, CR 2014, p. 73 (76).
It shall be mentioned that the German legal system also knows the principle of liability for disturbance. The conditions of making the claim are not determined; however, liability for disturbance is generally approved and derived either from section 97(1) Copyright Act or from the analogous application of sections 1004, 823 Civil Code. It can be made when a disturber — without being a perpetrator or collaborator — has contributed to the damage deliberately and causatively.

Furthermore, section 97(2) sentence 1 Copyright Act contains a fault-based damage claim; section 97(2) sentence 2 Copyright Act covers damage claims with regard to intangible damage. Following section 102a Copyright Act, these bases of claims are not exclusive so that other bases of claims are applicable as well. In this regard, sections 823, 1004, 812 ff. Civil Code should be named; among others, section 9 of the German unfair competition law is a good example.

These claims can be pursued by interlocutory proceedings as long as urgency can be proved.

When pursuing any claim, the claimant can also avail himself of a notice following section 97a Copyright Act. Later on, the claimant can claim reimbursement of expenses provided that a legitimate warning was given in accordance with section 97a Copyright Act (see section 97a(3) in conjunction with section 97a(1), (2) Copyright Act. However, the warning is not mandatory. The claimant is rather supposed to make use of this possibility in order to claim his rights. If the claimant does not provide a notice, he is at risk of bearing the court fees provided that the opponent acknowledges the claim following section 93 of civil procedure.

The claims have to be asserted at ordinary courts (section 104 sentence 1 Copyright Act).

In other IP fields of law, there are similar duties to refrain from infringements as well as damage claims (see section 14(2) and (6) Trademark Act, section 139(1) and (2) Patent Act, section 42(1) and (2) Design Act).

25.5 Conclusion and Recommendations

The above remarks are supposed to describe the crucial role of the principle of exhaustion in German and European IP rights sector. Essentially, the principle of exhaustion is aiming to facilitate the free movement of digital goods by prohibiting the foreclosure of downstream markets as well as ensuring the initial rights of the right holder.

Our society faces the extraordinary yet familiar problem that the information technology and the Internet raise legal questions almost every day.

In this context, the jurisprudence is troubled by the fact that the European and also the German legislators (and most likely the other EU Member States' legislators) are not able to cope with the relevant legal issues within a reasonable time. Hence, the courts have to deal with legal issues and fact situations that are always different. At the same time, these legal issues are normally little researched and/or not codified by law.

It should be recalled that Directive 2001/29/EC is more than 13 years old. Bearing this in mind, it becomes more obvious that this Directive can only address problems and topics that were familiar at that time. Needless to say, Directive 2001/29/EC obviously did not deal with the problem of the principle of exhaustion with regard to the online industry because the legislator considered it to be harmless (see recital (29)).

However, the legislator should beware of becoming overzealous and react to or regulate every business model that arises. First, the ordinary legislative procedures take too long in order to handle the problems that come up almost daily. One of my students recently addressed me with the foreword to my textbook where I gave props to the publisher for a possibly record-breaking publishing period of only 6 weeks stating that even "only" 6 weeks could be sufficient to make the textbook outdated. I still believe that the rapid pace of change is one of the key points when analysing the problems with regard to the IT sector and the legal system.

Furthermore, the problems can be faced in a different manner: in this regard, it is crucial that both the CJEU and the courts of the Members States practically use their legal know-how. The principle of exhaustion is one of the most crucial principles in copyright law and IP rights and should therefore not be questioned just because a rather unknown distribution channel occurs. As said earlier, the principle of exhaustion is not about the distribution channel but about free distribution of a good. I certainly agree that the discussion on the principle of exhaustion is justified because when the law says that a principle only applies to the distribution of tangible goods and all of a sudden some writers want to apply the same principle to the distribution of intangible goods, there surely is a reason for controversy. However, this controversy with regard to a topic of such practical relevance cannot be subject to legal pernicketiness. The principle of exhaustion is of huge economic importance and is therefore to be discussed against this background. At this point, the question follows up why an intellectual work should be treated differently just because of its (in-)tangibility. In this context, it is often omitted that copyright law
is not only about manifestation of the intellectual good but also about the intellectual property that inheres to the good—and poetically said this intellectual property cannot be subject to a distribution channel.

Having said this, I think it is most crucial that from now on the involved parties make use of well-known and well-tried principles. There is no doubt that the future entails even more problems that are subject to the complexity of the Internet and media law. Once again, the legislators will not be able to tackle these problems adequately. Likewise, the courts will be facing the same problems and needlessly to say they are already troubled with the challenges they face. For example, the UsedSoft case was first pending with the LG München I in 2006; now in 2014, the case is still not over. The consequences of this sluggish pace can be perfectly shown using the UsedSoft example. Ultimately, UsedSoft was forced to file for insolvency.178 This may be called business risk, but it was an avoidable one.

It seems most promising to tackle future problems by the development of law in courts. For this purpose, the courts and judges must widen their perspective and really take into account the circumstances of the respective matter. Hence, the judges will be left with the recourse to well-known legal principles.

Besides, one should be wary of over-regulating the Internet and the IT sector: regulating a certain matter usually creates loopholes on a different level. This statement is not supposed to be understood as a general refusal of regulation. It is rather a thought-provoking impulse, as well as a warning to be very aware of possible negative outcomes of future regulations. Sometimes less is more.

Ultimately, it shall once again be stressed that the principle of exhaustion must be applied to other digital goods. It is crucial to achieve a balance between the copyrights on the one hand and the target of single digital market on the other hand. Especially from an economic point of view, it is by no means acceptable to treat a normal book and an eBook in a different way.

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