

Is a “non-transferable” software  
licence transferable?

# Usedsoft GmbH v Oracle Case C-128/11

## Oracle's licence

“With the payment for services you receive, exclusively for **your** internal business purposes and for an **unlimited period**, a non-exclusive, **non-transferable** user right, free of charge, in respect of everything which Oracle develops and makes available to you on the basis of this agreement.”

Can a company which is licensed under those terms transfer its license to another company?

# The key to the court's approach: exhaustion

- Art. 4(2), 2009/24/EC:
- “The first **sale** in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy...”

# It's a "sale," Jim, but not as you know it!

- Court gave wide meaning to definition of "sale" in the context of a copy of software
  - "sale" was defined as "an agreement by which a person, in return for payment, transfers to another person his rights of ownership in an item of **tangible or intangible** property belonging to him"
  - Downloading of software was a sale

# It's not just the original software

- Where there is a maintenance contract which leads to an update or correction of the software, the exhaustion right extends to the corrected version of the software

**BUT NOTE** original acquirer has to make its own copy of the software unusable before it can resell it otherwise it would be in breach of copyright under the Software Directive

So the licensee can resell —  
but what's the status of the  
person who buys?

# A purchaser of “exhausted” software is a lawful acquirer

- Must be, else the exhaustion means nothing in practice?



# And they can download copies from the licensor?

- Court held that it was not only transfer of physical media that was not an infringement but also a second user's act of downloading software that was not an infringement because:
- “Such a download must be regarded as a reproduction of a computer program that is necessary to enable the new acquirer to use the program in accordance with its intended purpose.”

# Where does that leave us?

- A licence may not be as personal as previously thought, since, under some conditions, it can be freely transferred, even if the licence says it cannot
- Not authorised to split blocks of licences (if first acquirer had more licences for users that it needed, it could not separate those licences and re-sell the ones it did not need as that would infringe licensor's rights under Software Directive)
- A secondhand purchaser can lawfully download a copy from the supplier's servers

# What's the impact?

# As a licensee

- In cash-strapped times, see if you have any unused individual licences, or whole blocks
- Must fully uninstall / delete the software to be able to sell it
- Situation is unclear where licences have temporal limitations
- Could you use a potential sale as a lever to sell back licences to licensor for more useful products to you?

# As a secondhand purchaser

- Seems that purchasing licences secondhand is lawful
- Be careful not to buy “split” bulk licences
- Check for DRM / registration mechanisms — ruling might not extend to forcing licensor to help you install / run their software
- What if licensor’s website terms prohibit downloads by secondhand purchasers - may be permitted by copyright, but can cybertrespass / computer misuse powers prevail? Get original licensee to provide you with installation media / download fresh copies for you before sale

# As a licensor (1)

- Resales may mean licence fee decrease
- Consider whether only bulk sales should be permitted
  - Not all customers need more than one licence
- Back to DRM? — a secondhand purchaser may be a lawful acquirer, but is there a duty to make their life easy?
- Can you avoid “selling” software?
  - Consider only granting licences with a limited term or a requirement to pay subscriptions to renew
    - Will not help with already granted licences
  - Online service rather than run on client – exhaustion does not apply to services or on-line services (Copyright Directive) so maintenance contracts cannot be transferred

# As a licensor (2)

- Separate payments for software licence and for provision of updates
  - secondhand purchaser might get rights to anything downloaded by original licensee, but no need to make it easy / free for them to download new updates

# Usedsoft

Any Questions?

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