

# *Reconstructing copyright exhaustion in the online world*

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### Reconstructing copyright exhaustion in the online world

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#### **\*I.P.Q. 307 Abstract**

*According to the principle of copyright exhaustion, once a copy of a work is placed on the market, the right holder's control over further distribution of that copy is exhausted. Unlike the distribution of hard copies of copyright works, however, the electronic dissemination of content is not subject to the exhaustion principle. This means that second-hand markets of digital goods cannot exist. Traditionally, exhaustion is premised on four assumptions that cannot be safely assumed in the online context: it applies to tangible copies only; it covers goods and not services; the goods should be sold but not licensed; and the property entitlement should be alienated upon transfer. After long jurisprudential silence, courts at worldwide level have revisited these normative impediments to affirm that exhaustion can apply online in specific instances. The article discusses the doctrinal norms that underpin exhaustion and determines the conditions under which online copyright exhaustion can apply.*

#### **Introduction**

On January 29, 2013, Amazon Inc was awarded a US patent for a "secondary market for digital objects", including e-books, audio, video, computer applications purchased from an original vendor.<sup>1</sup> The invention consists of a system of personalised data stores and envisages the creation of a second-hand market of digital goods. As acknowledged in the description of this invention, while physical objects—such as hard copies of works—only exist in one place at a time, digital goods can be reproduced easily and inexpensively with no loss of fidelity. Because repeated copying represents a threat in maintaining the scarcity of digital goods, their transfer may pose copyright problems, in particular with respect to the first sale doctrine<sup>2</sup> or licence obligations. What Amazon's patented system does is to challenge possible copyright restrictions on the online resale of digital copies by creating conditions resembling the transfer of hard copies. This is achieved through personalised data stores that enable:

"storage of the digital object at the receiving storage location or computing device and deletion of the digital object from the sending storage location or computing device".<sup>3</sup>

Promising to create the conditions for a second-hand market for digital goods, the invention is specifically designed with a view to overcome the legal norms arising from the first sale doctrine, what in the European **\*I.P.Q. 308** vernacular is referred to as copyright exhaustion.<sup>4</sup> Exhaustion is a legal principle according to which, once a copy of a copyright work is distributed to the public by a sale or otherwise, the right holder's exclusive right to control further distribution of that copy is exhausted, and the purchaser is free to use or resell it without further copyright restraints. As opposed to the distribution of hard copies of works, however, the electronic dissemination of copyright content is not "exhausted" after the work has been first put on the market with the consent of the right holders. In practice, this means that the right holders remain in control of every subsequent communication of works to the public. This is a clearly established position of European copyright law. However, legal uncertainty remains regarding the precise limits of the exhaustion doctrine in online communications. For instance, it is not clear whether users can resell digital files they have lawfully acquired or simply retransmit content that is freely available online under authorial consent through hyperlinks or by embedding the copyright content in another website, such as their Facebook page. A recent ruling of the Court of Justice of the European Union (CJEU) found that it is permissible to resell software licences even if the digital good has been downloaded directly from the internet. While the court affirmed that exhaustion can apply to digital distribution, it moved on to state that this is a *lex specialis* covering computer programs only but does not apply to other categories of copyright content.<sup>5</sup> Recent

cases from national courts have upheld the limited application of the CJEU ruling to software only.<sup>6</sup>

The exhaustion principle has traditionally been justified through the lens of property law in the sense that it marked the dividing line between two distinct, yet colliding, forms of property: the intellectual property rights on the "intellectual creation" (work, invention, brand) and the right of ownership over the embodiment thereof, i.e. the tangible medium (copy, product). In copyright law, the observation that the work is distinct from its physical embodiment made its way very early into case law, and features in rulings of the mid-18th century, such as the UK case *Millar v Taylor*.<sup>7</sup> A normative explanation of exhaustion was originally developed in German scholarship, such as the work of Kohler,<sup>8</sup> and it also finds roots in the common law doctrine on the alienation of property.<sup>9</sup> Albeit conceptually implicit, the central hypothesis behind the property justification for the exhaustion principle is the "tangibility" of the medium in which the intellectual creation has been incorporated. The hard copy is a "chattel" that can be distributed in hand-to-hand transactions and can hence qualify as an object of property. It is not easy to assume this property rationale when it comes to electronic copies of works, however. This is not only because they lack tangibility, but also because they are usually licensed under terms and conditions that exclude any transfer of property.<sup>10</sup>

However, if exhaustion used to apply to hard copies because of their very nature as tangible embodiments of the work—and hence their capacity of being objects of property—the question inevitably arises as to whether an artificial recreation of the central constituents of tangibility in the online world could give rise **\*I.P.Q. 309** to exhaustion. What are these constitutive elements of tangibility that are capable of generating exhaustion? How, and on what conditions, can these elements be replicated in an intangible context?

The article responds to these questions by attacking the four normative impediments to the application of the exhaustion principle in the online context, all of which relate to tangibility. First, exhaustion applies to tangible goods, i.e. the copies of copyright works, and not to the work as such. What is exhausted is the right holders' entitlement over the further distribution of the "copies" after they have been placed on the market under authorial consent,<sup>11</sup> but any further communication of the "work" as such is still subject to the right holder's authorisation.<sup>12</sup> The second interrelated premise is that exhaustion applies to goods and not to services. This is the clearest manifestation of the property rationale of this doctrine. While it is easy to see how the physical copy of a work qualifies as good, electronic copies are commonly accessed as part of services, like TV licences or online digital media stores. In these cases, end-users cannot have claims of property entitlement over the content. It is for this reason that the nature of the transaction, which may be either a sale or a licence, becomes a pivotal factor in determining the scope of exhaustion and functions as its third premise. Finally, exhaustion applies only to the exact same copy that has been lawfully placed on the market. Each new copy is subject to a new distribution right. This latter condition excludes "second generation copies", even those that are lawfully made, from the benefit of exhaustion. For instance, copies made by users under the exception for private copying<sup>13</sup> cannot be placed on the market without the right holder's consent.

All four premises for the applicability of exhaustion with regard to the analogue distribution of copies do not apply squarely in the online environment, mainly because the nature of electronic copies and the modalities of their dissemination are substantially different. This article investigates the normative roots of these obstacles with a view to determine whether, and under what conditions, exhaustion can also cover the electronic dissemination of copyright works.

### **Does exhaustion apply online? The emphasis on tangibility**

The central proposition behind the application of the exhaustion principle is that it applies to the embodiment rather than to the work as such. This proposition has been frequently—although implicitly—understood as requiring that the work is embodied in some kind of tangible medium. This was clearly stated in the US case *Capitol Records v ReDigi*,<sup>14</sup> for instance, where a distinction was made between the copyright work and the tangible medium of fixation. Citing the House Report on the Copyright Act, the District Court for the Southern District of New York stressed that "'sound recordings' as copyrightable subject matter are distinguished from 'phonorecords[,] the latter being physical objects in which sounds are fixed'.<sup>15</sup> The issue was also discussed in light of rulings on file sharing, such as *London-Sire Records v John Doe*,<sup>16</sup> where the question turned as to whether peer-to-peer software violated copyright owners' distribution rights. In that case, the District Court for the District of Massachusetts made an express distinction between the copyright work—or digital music file—and the phonorecord—or "appropriate segment of the hard disk" in which the file would be

embodied following its transfer.<sup>17</sup> On the basis of these findings, the court in *ReDigi* found that: **\*I.P.Q. 310**

"when a user downloads a digital music file or 'digital sequence' to his 'hard disk,' the file is 'reproduce[d]' on a new phonorecord within the meaning of the Copyright Act",

an understanding that is confirmed by the laws of physics.<sup>18</sup>

In Europe too, there are a number of Directives that rely on the presence of a physical medium to determine whether the copies of works are goods or not, and whether the exhaustion principle should apply. It will be shown that this emphasis on tangibility is mainly instrumental. Tangible copies of works can classify as goods on which full property transfers can subsist. The nature of the copy essentially impacts on the nature of the transaction. The application of exhaustion to "physical" copies of works only, like those that can be exchanged in hand-to-hand transactions, first appeared in the Computer Programs Directive.<sup>19</sup> In its report on the implementation of this Directive, the Commission clarified that exhaustion "only applies to the sale of copies i.e. goods, whereas supply through on-line services does not entail exhaustion".<sup>20</sup>

It is expressly stated in art.3(3) of the Directive that the exhaustion principle does not cover the communication or otherwise making available works to the public<sup>21</sup>; exhaustion can only apply to the distribution of tangible copies subject to the conditions set in art.4(2).<sup>22</sup> This restrictive position echoes the preparatory work made before the adoption of this Directive, where it was systematically repeated that exhaustion applies to tangible copies only. Reliance on tangibility was mainly meant to exemplify the method in which the content is delivered to the public, i.e. to draw a distinction between hand-to-hand transactions and services. It first featured in the *Follow-up to the Copyright Green Paper*, according to which: "a large consensus exists that no exhaustion of rights occurs in respect of works and other subject matter exploited on-line, as this qualifies as a service".<sup>23</sup> This restriction, which results from the distinction between hard copies and content disseminated via online services, became more concrete in the Proposal to the Information Society Directive,<sup>24</sup> which allowed exhaustion to the distribution of the "object",<sup>25</sup> elsewhere referred to as "tangible article", "material copy" or "material medium, namely an item of goods".<sup>26</sup> Although this statutory language could reflect early, and perhaps out-dated, models of online distribution, Recital 29 of the Information Society Directive expressly draws a line between material copies, the dissemination of which is subject to the exhaustion principle, and the delivery of content through services, where dissemination is not exhausted and where any subsequent redistribution of those works is subject to the exclusive control of right holders.<sup>27</sup> It reads: **\*I.P.Q. 311**

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

The use of tangibility as the distinguishing factor of the nature of the transaction was based on an expansive interpretation of art.6(1) of the WIPO Copyright Treaty and art.8 of the WIPO Performances and Phonograms Treaty that allegedly apply to tangible copies only.<sup>28</sup> The substantive minima imposed by these provisions state that signatories should confer a distribution right that will include "the making available to the public of the original and copies of their works through sale or other transfer of ownership". The signatory countries are left with the discretion to apply the principle of exhaustion "after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author".<sup>29</sup> It is specified in the agreed statements that copies that are subject to the distribution right be "fixed copies that can be put into circulation as tangible objects".<sup>30</sup> While explicitly leaving signatory states the freedom to determine whether and how to enact exhaustion regarding the physical distribution of works, the WIPO Treaties remain silent as to the application of the exhaustion rule in online transactions; it is only implicitly assumed that the question of exhaustion does not arise with regard to the online sale and delivery of content.

## Demystifying tangibility

The Information Society Directive has moved a step forward from the minima imposed by the WIPO Internet Treaties by assimilating the copies distributed online to services, without, however, offering a

justification as to why this ought to be the case. Because the online sale and delivery of content are considered to fall under online services, exhaustion does not apply.<sup>31</sup> This has important legal ramifications: consumers of electronic content that has been made available through an online licensing scheme cannot resell these copies without infringing copyright. This applies for instance to TV licences, electronic content available for download, or subscriptions to online streaming services. It also covers content that has been bought independently and not as part of a subscription in cases where access to the content is not autonomous—e.g. by having a lawfully downloaded copy on the computer memory or portable media for an indefinite period of time—but depends on authorisation from an online service. This is because consumers cannot exercise autonomous control over this content in a way that would amount to property rights over it. This inconsistent treatment of hard copies and online content becomes source of legal uncertainty, as consumers gain a lesser entitlement over electronically disseminated content than on tangible copies of works, either analogue or digital.

This emphasis on tangibility has also been recently repeated in the Consumer Directive, which—subject to limited exceptions—defines goods as any "tangible" movable item,<sup>32</sup> even though no definition of services is offered.<sup>33</sup> With regard to copies of copyright works (digital content), Recital 19 of this Directive **\*I.P.Q. 312** specifies that copies supported by a physical medium that is capable of being exchanged from hand to hand, such as a CD or a DVD, fall under the definition of "goods".<sup>34</sup> On the contrary, copies distributed online with no physical supporting medium can qualify neither as goods nor as services<sup>35</sup>: they are of a sui generis nature. This marks a departure from the position of the Information Society Directive, which deals with these copies as part of an online service. It is not yet clear however what the impact of the Consumer Directive will be as to the application of the exhaustion principle, and there is room to assume that these copies may be subject to exhaustion if they do not clearly fall under the definition of services.

Services, however, are not often defined in statutes and the few available definitions do not serve well in identifying their scope and nature.<sup>36</sup> Statutes attach emphasis on tangibility to draw the distinction between goods and services, and on this ground they may not be particularly enlightening in considerations over the legal nature of electronic content. In various jurisdictions, for instance, the definition of goods is linked to tangible "personal property" or "movable property",<sup>37</sup> and the concept of "choses in action", which could include electronic content, is often excluded from its scope.<sup>38</sup> This is also reflected in case law, where the determination of whether copies qualify as goods depends on the existence of a physical medium. In *St Alban's* for instance, the judge stated that—in the determination of whether a computer program is a good or not—the decisive factor is the presence of a physical medium to supply the copy of the computer software.<sup>39</sup> This can be inferred by references to the program as "the intangible instructions or commands" and to "the (intangible) program itself".<sup>40</sup> There are a number of cases that have followed a similar approach from the perspective of various legal disciplines, such as sales of goods, tax law or consumer protection.<sup>41</sup>

### **Separating works from their tangible embodiment**

Considerations of tangibility in the context of copyright exhaustion have been taken into account by the Court of Justice in a number of cases with a view to determine whether the work can be separable from its tangible embodiment. The focus in these cases was placed on the nature of the legal transaction and **\*I.P.Q. 313** the way in which tangibility impacts on the modalities of dissemination. In *Coditel v Cine-Vog*,<sup>42</sup> the European Court of Justice found that even though films belong to the category of literary and artistic works, the way in which they are disseminated to the public is different in nature. Films are made available to the public through performances, which can be infinitely repeated. This is not the case with other categories of works, such as books and records where distribution is "inseparable from the circulation of the material form of the works".<sup>43</sup> This has a practical implication in the sense that distribution through performance results in a legitimate interest of the right holders in being entitled to charge fees for the authorised performance of films on basis of the actual or probable number of performances.<sup>44</sup> It can hence be said that the dissemination of films is more likely to fall under a broader definition of services, which remains under authorial control. This position was reiterated in the second instance where *Coditel v Cine-Vog* was heard by the Court of Justice.<sup>45</sup> The commercial exploitation of films was found to come under the movement of services as the performance of films can indefinitely be repeated and hence the right holder's entitlement to require fees "is part of the essential function of copyright".<sup>46</sup>

The same rationale was upheld in cases dealing with the exercise of public performance or rental rights.<sup>47</sup> The application of exhaustion ultimately depends on whether the issue of the work to the

public is separate from its tangible embodiment or not. Where the nature of the public dissemination is such that the work and the copy are inseparable, as is the case with public performance, exhaustion cannot apply. In *Tournier*, for instance,<sup>48</sup> it was held that exhaustion does not apply:

"where the act of making a work available to the public is inseparable from the circulation of the physical medium on which it is recorded".<sup>49</sup>

Albeit not expressly stated, the reason for this exclusion rests on the very nature of public dissemination and the way in which property rights on the copy and the intellectual property rights on the work can be "split" for legal purposes. If this distinction cannot be clearly ascertained through the presence of a hard copy, exhaustion cannot apply. This is also the case in instances where there is a tangible copy but the mode of its public dissemination does not involve a permanent transfer of property rights on the copy, as with rental and lending.<sup>50</sup>

### ***Rights subsisting in works and rights subsisting in copies***

It follows that not all authorial rights under copyright subsist in the same object of protection, technically speaking: some rights subsist in the work and others in the commercial copies thereof. The reproduction or the adaptation right, as well as the rights of public performance, are paradigmatic examples of the first category. What can be copied, modified or performed is the work per se, namely the author's intellectual creation. Rights of dissemination, however, including the distribution right, the electronic communication right and the rental and lending rights, are all instances where the object of protection is the copy rather **\*I.P.Q. 314** than the work per se.<sup>51</sup> Even if public communication normally implies reproduction—since the making of intermediate copies is technically necessary in most acts of electronic communication—the object of protection remains distinct.<sup>52</sup> To borrow the terminology used in property law, in this latter category of rights, both "choses in action" (the intellectual property right in the work) and "choses in possession" (the property right in the copy) may subsist in the same copy of a copyright work at the same time, with the ownership belonging to different parties (i.e. the author of the work and the owner of the copy). With distribution, this dichotomy can safely be assumed, as—with the first sale or other issue of copies to the public—the two property entitlements are split, with this schism giving rise to exhaustion of the rights on the copy through property alienation.

This is not the case with rental and lending, and also with the electronic communication of works. With regard to rental and lending rights, there are three layers of property entitlements: the intellectual property rights on the work, the property right on the copy that is lent, and rights to possess the rented copy for a specified amount of time. Even though exhaustion covers the first sale of the copy to a library or a DVD rental store, for instance, it does not apply to the act of rental or lending of the copy.<sup>53</sup> This restriction can be justified on the ground that rights over the copies as "choses in possession" do not subsist for an indefinite amount of time. Such rights could be those created by a full transfer of property right on the copies, for instance, through sale.<sup>54</sup> Rights of ownership for an indefinite amount of time on behalf of content consumers cannot also be clearly ascertained with regard to the electronic communication of works. This is because content disseminated online possesses characteristics of both "choses in action" and "choses in possession". It is unclear how in electronic content, such as e-books and MP3 files, the various layers of ownership may be split between right holders and consumers, most notably because of the vague legal nature of the digital copy, which is difficult to fall under the definition of goods.

### ***When works and copies coincide***

This is why the classification of copies of copyright works as goods becomes prominent. Such a classification does not only depend on the way in which public dissemination takes place but also on the category of the work as such. For certain categories of works the tangibility/intangibility distinction may be redundant as the copy and the work coincide. This is, for instance, the case with artistic works, especially the ones of unique materialisation. A sculpture or a painting is both an original creation and an object.<sup>55</sup> Even though the requirement of fixation for artistic works may not be statutorily provided, tangibility is an implicit prerequisite for copyright subsistence, usually referred to as lack of ephemeral character.<sup>56</sup> This is not the case with other categories of works, however, where the work as subject-matter of copyright protection and the copy as the product embodying a work are separable, although often not in a straightforward sense, mainly because of the various ways in which works can be publicly disseminated. **\*I.P.Q. 315** In these cases, which could in principle include all

other categories of protected subject-matter, the classification of a work as a good cannot safely be ascertained. The determinant factor is the mode of public dissemination and the way in which property rights in the work and its tangible embodiment may be distinguished, a determination that relies heavily on tangibility considerations.<sup>57</sup>

### **Why do computer programs differ?**

With certain categories of works, however, this test may work better. For instance, unlike films, sound recordings and literary works, computer programs may be seen as separable from the disk, because the substance of the transaction is the information, which may be transferred by means other than the disk.<sup>58</sup> The same applies to some other "functional" works, such as ringtones or mobile applications of dictionaries and encyclopaedias. Contrary to other copyright-protected works, in these cases the copy of the work is merely a support of the final product and the distinction between the work and its copy cannot be safely ascertained. This was flagged in the UK case *Beta Computers v Adobe Systems*,<sup>59</sup> where the coincidence of a physical supporting medium, such as a disk, with the copy of a copyright work, e.g. software, was found artificial in determining the nature of the work as a good.

For software, however, online exhaustion does apply. In *UsedSoft v Oracle*,<sup>60</sup> the court was asked to determine whether the distribution right applied only to "tangible property" or whether it also applied to "intangible copies", such as copies of computer programs.<sup>61</sup> The court found that intangible copies of software are also covered by the exhaustion principle. To reach this conclusion, it delved into an interpretation of art.4(2) of the Computer Programs Directive in conjunction with art.1(2) and Recital 7 of the Preamble. Article 4(2) refers to the "sale ... of a copy of a program" and the protection afforded by the Directive is expanded through art.1(2) to the expression "in any form of a computer program", as also indicated in the seventh Recital.<sup>62</sup> The court stressed that the Computer Programs Directive is a *lex specialis* in relation to the broader framework of copyright protection laid down by the Information Society Directive.<sup>63</sup> It did not, however, offer an explanation as to how computer programs differ from other copyright works and whether the same position would have been reached should the case be examined under the spectrum of the Information Society Directive.<sup>64</sup> Albeit limited in its capacity, this decision develops an important normative interpretation of the distribution right by waiving its artificial premise on the tangibility requirement.<sup>65</sup>

### **Beyond tangibility**

The question remains, however, as to whether exhaustion should also cover the online dissemination of copyright works. With tangibility considerations being only peripheral to the determination of the nature of goods and the legal transaction, further to the rulings of the Court of Justice, other factors may be put into the equation and lead to safer conclusions. As early as in 1985, Bonna Lynn Horovitz had suggested **\*I.P.Q. 316** that in discussions on the tangibility v intangibility divide, prominence should be given to the element of "movability".<sup>66</sup> According to Horovitz:

"A program is intangible in the sense that it cannot be touched or felt, but not in the sense that it cannot be moved and identified to a contract."<sup>67</sup>

Adopting a purposive approach, Horovitz concluded that the decisive factor for classifying a thing as a good is not tangibility in a narrow construal of the term but it is "movability, transferability, and identification at the time of sale",<sup>68</sup> understood as the underlying condition for the transfer of ownership. This element of movability as a determinant of the nature of a good is also repeated by BEUC, the European Consumers' organisation. In their position paper on the regulation of digital products in the European Union, they argue in favour of the nature as a good of digital content in cases where consumers can access digital products on a permanent basis and to store them.<sup>69</sup> A tangibility-free definition of digital content is also offered by international classifications, such as the Nice Agreement on trade marks, according to which software qualifies as a good, irrespective of its embodiment in a physical medium.<sup>70</sup> The adoption of such a broader definition of "tangibility" could remedy the artificial barrier created by the requirement of a physical supporting medium, especially where this is a statutory prerequisite for the definition of "goods", as is the case for instance in Directive 1999 on consumer guarantees.

Whereas in Europe the general rule is that exhaustion does not cover the public communication of a work through an electronic network, there are various ways in which consumers may gain lawful access to content online. Sometimes they may acquire a general licence to access a website, such as through a streaming service, and in other cases they may purchase a licence to an identifiable work in

electronic form for an indefinite amount of time. Statutes do not make a distinction between these two ways of lawful access to content in terms of whether the content falls under the definition of goods or services. Yet, there is enough room to interpret the Consumer Directive as allowing for such a distinction, in the sense that when consumers buy access to specific content they buy goods covered by a sales and not a services contract. Works that are disseminated under a licensing agreement are more likely to fall under the definition of services, upon which no property entitlement on behalf of the consumer can arise. It is hence important to clarify the legal nature of the digital copy, which may qualify as a good, service, or even be of a sui generis nature. This classification impacts largely on the way in which ownership rights may subsist on a digital good and on the way in which the property alienation basis of analogue exhaustion cannot work in the online world.

### Determining ownership over digital content

The absence of a physical carrier, such as a book, a CD or a DVD, in online transactions has generated controversy as to whether the dissemination of content is a sale or a licence. Being less popular in the analogue world where the physical hand-to-hand exchange of tangible embodiments of works has long **\*I.P.Q. 317** been defined as sales of goods,<sup>71</sup> this commercial practice has been in use since the early days of the internet. Non-negotiated standard terms and conditions in the dissemination of other kinds of copyright works have gained popularity in recent times, however, and the Information Society Directive strongly supports the application of licensing terms in content dissemination.<sup>72</sup> As the online dissemination of content often requires a service such as internet access or cloud storage to access works, it is not clear how to legally characterise such a transaction as a whole.<sup>73</sup>

The legal classification of this kind of online distribution remains uncertain for various reasons. Most of the ongoing debate is in the area of software licences, as it is not clear whether these agreements qualify as sale, rental or sui generis contracts. In France, for instance, this remains an open question,<sup>74</sup> whereas in the United Kingdom, Lord Penrose found licence agreements to be of a sui generis nature in *Beta Computers v Adobe Systems*.<sup>75</sup> Most of the controversy as to the characterisation of the legal transaction has to do with the very nature of exclusive rights. It is assumed—in the absence of a physical supporting medium—that the licensing agreement does not also include a transfer of ownership, i.e. a sale, of the copy.

### When does a transaction qualify as a sale?

Reverting to property law to determine the limits of ownership via sale or licence, could, however, offer some answers.<sup>76</sup> In property law, the concept of sale includes the transfer of title, and hence the object of a sale should be capable of "transfer of ownership".<sup>77</sup> Fiona Smith and Lorna Woods have combined the requirement of "tradability", as featuring in property law, with the one of "tangibility" to offer a viable classification between goods and services.<sup>78</sup> This aligns with the "movability" element, discussed earlier. Smith and Woods explain that

"Tradability and tangibility serve as a series of filters, containing both objective and subjective criteria... Tangibility then constitutes a rebuttable presumption that intangible items are services while tangible items constitute goods. The product's function, in combination with tradability, then acts as the determining factor."<sup>79</sup>

This point is reflected in the reasoning developed in *UsedSoft* in the sense that tangibility is a filter in classifying the legal nature of the object of the transaction but it is the kind of the transaction per se that becomes the central distinguishing factor. In *UsedSoft*, the Court of Justice gave a broad interpretation to the requirement of a sale in art.4(2) of the Computer Programs Directive. Embracing the Opinion of A.G. Bot, the court held that if sale was not interpreted: **\*I.P.Q. 318**

"[A]s encompassing all forms of product marketing characterised by the grant of a right to use a copy of a computer program, 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 the copy of the work of which he is the proprietor, the effectiveness of that provision would be undermined, since suppliers would merely have to call the contract a 'licence' rather than a 'sale' in order to circumvent the rule of exhaustion and divest it of all scope."<sup>80</sup>

The court hence found that downloading a copy of a computer program amounted to a transfer of its ownership.<sup>81</sup> According to the decision, the download of the copy of the computer program in

combination with the conclusion of a user licence were a whole for purposes of legal classification.<sup>82</sup> There were two main elements in the commercial transaction that weighted in this decision: there was a one-time fee payment and the user gained access to the copy for an indefinite amount of time.<sup>83</sup> Emphasising the distinction between the distribution right and the right of public communication, the court rejected Oracle's argument that it had "made available to the public" the copy of the computer program on its website within the meaning of art.3(1) of the Information Society Directive, which does not give rise to exhaustion.<sup>84</sup> Highlighting that the Computer Programs Directive is *lex specialis* in relation to the Information Society Directive, the court found that an online transmission is "the functional equivalent of the supply of a material medium".<sup>85</sup>

Whereas on the basis of this dictum online exhaustion cannot apply to other copyright content outside computer programs, the reasoning developed in *UsedSoft* regarding the nature of the commercial transaction as the distinguishing factor between sales and licences is helpful in drawing the line with regards to all kinds of digital goods. According to *UsedSoft*, it is the nature of the transaction that can lead to a viable classification as to whether the electronic content qualifies as goods or services. Once there is a one-off payment and the transaction grants possession to the copy for an indefinite duration, it is more likely for the transaction to qualify as a sale.<sup>86</sup> The way in which content is transferred may give rise to various levels of consumer entitlement over the content, not all of which clearly fall under the broader category of services. Where the transaction involves transfer of possession, it is no longer covered by the broader notion of services. This is also the approach followed by US courts that also take into account these criteria to classify a transaction as a sale, although there is no judicial trend to be assumed.<sup>87</sup>

In Canada too, the Supreme Court recently reached a similar conclusion in *Entertainment Software Association*.<sup>88</sup> The court was called to determine whether transmission of musical works contained in a video game through an internet download is a communication to the public, and can therefore be the object of a separate tariff submitted by the respondent society to the Canadian Copyright Board for approval. The court found that it is not. According to Abella and Moldaver JJ, downloading copies of copyright works from the internet is just another way of getting access to content.<sup>89</sup> Not all ways in which content is disseminated online amount to a communication to the public however, despite the fact that an electronic transmission is involved. The court made a distinction between downloading and streaming in terms of the way in which the content is made available. This is the insight that is offered: **\*I.P.Q. 319**

"Although a download and a stream are both 'transmissions' in technical terms (they both use 'data packet technology'), they are not both 'communications' for purposes of the Copyright Act. This is clear from the Board's definition of a stream as 'a transmission of data that allows the user to listen or view the content at the time of transmission and that is not meant to be reproduced'... Unlike a download, the experience of a stream is much more akin to a broadcast or performance."<sup>90</sup>

As we have already seen, the rule of exhaustion does not apply when no sale or other transfer of ownership takes place. Performances, lending or rental are more likely to qualify as services and hence will not be subject to exhaustion.<sup>91</sup>

### ***Power of control over the accessed content***

Applying these principles to copyright protected electronic content suggests that not all online content provision undisputedly qualifies as a service. The essential distinguishing factor hence becomes the nature of the transaction, irrespective of tangibility considerations. Whereas through streaming consumers are not in a position to exercise control over the content besides accessing it, this is not the case with content that has been lawfully downloaded from an online service for an indefinite amount of time. Critical in the understanding of a possible distinction between goods and services in content offered online is the way in which the transfer takes place, despite the fact that Recital 29 of the Information Society Directive seems to suggest otherwise. Unless the right holders are still in a position to exercise control over the downloaded file, for instance by offering it for user possession for a certain period of time, the content is goods and the users have a property entitlement over it. Several online TV channels, which offer the content—mainly news reports—for downloading, can set time-limits on its access, by deleting the content automatically from the user's computer after a given period of time.<sup>92</sup> Whereas this content can be subject to the possession of the lawful user, no transfer of ownership has taken place, as the right holders are still in position to exercise control over it.

It would only be in cases where consumers have the ability to exercise autonomous control and

power over the protected works that a sale is likely to be assumed. The criterion is hence the very nature of the transaction, which no longer qualifies as a service once transfer of possession for an indefinite amount of time has taken place. This criterion largely depends on the notion of the alienation of property, which is one of the normative barriers embedded in the theoretical justification of the exhaustion doctrine.<sup>93</sup>

Property alienating distribution cannot be safely assumed for electronic content owing to the fact that there is nothing to ensure that the transferor's entitlement over the file is exhausted, for instance, by deleting it upon transfer. Amazon's patent challenges this normative impediment by recreating the conditions that could lead to property alienation in the online context.

## Property alienation and "viral" copies

In cases where users have the possibility of exercising control over the copy, which could for instance take place through deletion, they should lose this power of control upon transfer of the copy to another party. This is an inherent component of tangibility: transfer of ownership results in property alienation. Whereas hard copies of works may pass on from one owner to another—with the proprietary rights of the first owner on the copy being alienated upon transfer of ownership—the dissemination of electronic content *\*I.P.Q. 320* is not followed by the assumption that the user deletes his copy upon transfer. Technological protection mechanisms most commonly restrict the reproduction of the digital copy or access to it, but they do not control distribution. Even though it is an express statutory mandate that exhaustion does not apply to digital copies disseminated online, such copies are easily transferable objects and ownership may be duplicated or even multiplied upon transfer, as there is nothing to ensure that the first owner loses possession of the file.

## Loss of possession upon transfer

The requirement of property alienating transfers of ownership for the distribution right to take effect made its way into European copyright in *Peek & Cloppenburg*.<sup>94</sup> Exposition of copyright works in a warehouse and their use on the spot by customers was not found to qualify as an act of distribution as it did not entail transfer of ownership.<sup>95</sup> With this definition of distribution from the Court of Justice, authors and the relevant right holders distribute works, and hence lose control over them, only if they have passed along the ownership of the copies to another party by alienating any entitlement they may have on the distributed tangible copy. This ruling clarified the scope of the broad definition of the distribution right, which according to art.4(1) of the Information Society Directive covers "any form of distribution to the public by sale or otherwise", such as for instance barter, donation endowment or exchange, i.e. activities that involve sales or other alienation transferring ownership.

The application of exhaustion online would arguably impact on the scope of exploitative rights of the right holders in a way that exceeds the risks associated to the transfer of hard copies. It is for this reason that some scholars argue against the application of exhaustion online owing to the lack of a physical supporting medium.<sup>96</sup> Although this position is not supported by everyone,<sup>97</sup> alienation resulting from the transfer of ownership of tangible goods comes with an intrinsic, yet not explicit, attribute that immaterial copies do not possess: any transfer of ownership "exhausts" the entitlement of the previous owner of the copy—going back to the original right holder—as transfer alienates any earlier title of possession. By excluding exhaustion from the public communication right, the Information Society Directive adopts a narrow position, according to which the right holders remain in control of every act of electronic dissemination of their works. In the explanatory note to the Regulations on personal copies for private use in the United Kingdom, the following interpretational guidance is offered:

"Any personal copies must be destroyed if the individual transfers the work from which they were made to another person, unless the copyright owner authorises the transfer of the personal copies to that person. Any personal copy which is not so destroyed or is transferred to another person without the authorisation of the copyright owner shall be treated as an infringing copy for the purposes of the Act. *\*I.P.Q. 321* " <sup>98</sup>

This exhaustion rule that features in the explanatory note to the private copying exception means to preserve the alienation effect that subsequent transfers of ownership ought to have. It can also be read in a broad sense as covering transfers of ownership of digital files, on condition that the transferor deletes his copy upon transfer.

Exhaustion applies if it conforms to this inherent attribute of tangibility that transfers of ownership alienate the entitlement of the transferor on the copy. This element impacts on, and shapes, the rule of exhaustion in what I call a "viral" effect: it is not only the authorial distribution right that is exhausted post-first sale but any rights of possession over the copy should also be "exhausted" with the possible redistribution of the copy through sale or otherwise, e.g. by donation or other exchange. The viral effect as a justification for analogue exhaustion heavily relies on the concept of tangibility. Unless the copy comes in a tangible form, a subsequent ownership or possession does not by default erase the entitlements of the previous owner or possessor.

### ***Exhaustion applies to the exact same copies that were placed on the market with authorial consent***

This element could be rectified with regards to digital copies, if the conditions of property alienating transfers of ownership were artificially recreated. The report on the US Digital Millennium Copyright Act makes a reference to "forward and delete" mechanisms, i.e. mechanisms that are functionally equivalent to the transfer of tangible copies because they enable the deletion of the source copy upon its successful transfer. According to the report, these technologies may become a source of legal uncertainty as they do not correspond to the typical use of digital copies<sup>99</sup> and it is also difficult to monitor if users have erased their copy post-transfer.<sup>100</sup> Amazon's patent attempts to overcome this technical difficulty by artificially generating the property alienation effect of transfers of hard copies.<sup>101</sup>

Because communication entails reproduction to an extent that scarcity of the work is endangered, it cannot be assumed that there is implicit authorial consent for this communicative act. This is supported by the construal of the concept of consent in the context of trade mark exhaustion. There, consent for distribution covers only the exact same copies that have been placed on the market. In *Sebago v G-B Unic*, the Court of Justice found that "consent must relate to each individual item of the product in respect of which exhaustion is pleaded".<sup>102</sup> Although this case was determining the meaning of consent under art.7(1) of the Trade Marks Directive,<sup>103</sup> it has developed a doctrinal understanding of consent in the context of exhaustion of intellectual property rights. Exhaustion cannot apply where individual items of the product have been placed on the market within the EEA without the right holders' consent.<sup>104</sup> As the court explained, the purpose is to ensure the further marketing of individual items that have placed on the market consensually and to prevent right holders from opposing to such marketing.<sup>105</sup> The same interpretation of the impact of consent on the scope of the rule of exhaustion ought to apply also in the area of copyright law, in the sense that copies subject to exhaustion are only those that have been placed on the market by \*I.P.Q. 322 the right holders or upon their consent.<sup>106</sup> Beyond a purely grammatical reading of art.4(2) of the Information Society Directive,<sup>107</sup> a purposive interpretation leads to the same conclusion, i.e. that exhaustion applies to those exact copies that were put on the market with the right holders' consent.

In the United States, there have been a number of cases examining the "repackaging" of copyright works after these have been put on the market with the right holders' consent, including but not limited to the rebinding of copies of literary works for purposes of restoration,<sup>108</sup> the recompilation of journals,<sup>109</sup> or the use of hard copies of works with a view to produce derivatives.<sup>110</sup> It is an established principle under US copyright too, however, that the first sale doctrine applies to the exact same copies that have been placed on the market or upon the right holders' consent. In *American International Pictures Inc v Evan Foreman*,<sup>111</sup> it was clearly stated that:

"for purposes of the first sale doctrine, each copy is unique; if the copyright holder possesses 100 copies and sells 99 of them, the final copy nonetheless remains protected from infringement".<sup>112</sup>

### ***Reproduction v communication***

A very restrictive explication of this inherent condition of exhaustion was expressed in *ReDigi*.<sup>113</sup> In this case, the District Court of New York explicitly stated that the first sale doctrine covers only distribution but cannot involve reproduction. ReDigi's first sale question turned on whether a digital music file could be lawfully resold, same as a used record would. The leading argument of ReDigi in support of its first sale claims was that the only remaining copy at the end of the transaction was the one with the buyer. The court found that because the transfer of the electronic file—as opposed to the physical embodiment of the \*I.P.Q. 323 work—could not be realised without making a copy, it was infringing the copyright owner's reproduction right, which is not covered by the first sale doctrine. Fair use could also not be substantiated in this regard. This was the case irrespective of the fact that it

was technically feasible to have only one file available before and after the transfer.<sup>114</sup> To the court, "it is the creation of a *new* material object and not an *additional* material object that defines the reproduction right",<sup>115</sup> and, given this finding, the court concluded that the plaintiff's reproduction right was infringed.

This sharp insight into the nature of digital reproductions was sufficient to outweigh ReDigi's defence that was based on earlier decisions, such as *Paula v Logan*,<sup>116</sup> where an obiter justification for exhaustion was developed. The defendant in this case used a "transfer medium" to remove in-copyright designs from greeting cards and notepads and affixed the removed images to ceramic plaques. This was found not to be infringement on the grounds that the redistribution of the artistic works featuring in greeting cards and notepads did not involve copying.<sup>117</sup> This reasoning could not apply in *ReDigi*, however, where new copies were made through the resale software, irrespective of the fact that scarcity was maintained by deleting copies upon transfer of ownership.

### ***Introducing exhaustion by the back door?***

It is not clear whether the European courts would adopt the same position. The public communication right is not independent from copying as it technically involves an act of reproduction. In the very few cases where it does not, as with the provision of mere hyperlinks, the Court of Justice found that internal limits to the communication right "exhaust" authorial entitlement—although not expressly affirming copyright exhaustion, which would in any case be obiter. In *Svensson*, for instance, the court found that where the communication takes place through the same technical means as those used by the right holder, it amounts to infringement only when it is directed at a "new public", that is to say, at a public that was not taken into account by the copyright holders when they authorised the initial communication to the public.<sup>118</sup> It follows that when the communication is addressed with the same technical means to the "same old" public that the right holders had in mind when authorising the initial communication, there is no infringement. This is an important clarification as to the internal limits of the public communication right. Although this right is meant to be understood in a broad sense,<sup>119</sup> once the right holders have authorised the initial communication, their entitlement to control the retransmission of the same content through the same technical means and to the same audience ceases to exist. This takes us back to the very core of the exhaustion doctrine, which is here reintroduced by the back door. It has to be acknowledged that this precedent is bound by the limitations of the subject-matter in question. The application of this form of exhaustion remains therefore limited.

In other cases on the public communication right, the Court of Justice did not reach the same conclusion. In particular, in *TV Catchup*, the Court of Justice found that the live internet streaming of TV broadcasts ought to be covered by a separate licence and was hence not exempt from infringement. It held that the *\*I.P.Q. 324* requirement that there ought to be a new public needed not be examined, as the main proceedings concerned the transmission of works included in a terrestrial broadcast and the making available of those works on the internet. In this light, the mode of communication of the works differed from the one originally licensed by the right holders concerned and it had to be subject to a separate licence.<sup>120</sup> Had this not been the case, and if the content was not addressed to a new public, it is likely that the use would not amount to infringement.<sup>121</sup> Even though considerations of a new public are not an express affirmation of copyright exhaustion, they could be seen as the doctrinal equivalent of copyright exhaustion through the construal of internal limits to the communication right, which is otherwise to be understood in a broad sense.

A central difference between *Svensson* and *TV Catchup*, however, rests within the very nature of the retransmission of the work. Mere hyperlinks, as in *Svensson*, fall under the public communication right but do not involve copying. This is not the case with live streaming services or with hyperlinks that embed content, which entail an act of reproduction.<sup>122</sup> The broad construal of the public communication right, coupled by the fact that the default rule is that online exhaustion is statutorily excluded by virtue of art.3(3) of the Information Society Directive, has become an issue of concern. In its recently issued Public Consultation on the Review of the EU copyright rules, the Commission expressly addresses this issue.<sup>123</sup> Because two rights are involved in a single act of exploitation, online licensing of works can be complicated, especially in cases where different parties hold the two rights. Clarity could be achieved if the communication right was viewed holistically and acts of reproduction that are an integral and essential part of this technical process were exempt from infringement.<sup>124</sup> This would have to take place in instances where no additional copies are made, no "new public" is reached, and scarcity is ensured.

## Conclusion

Reliance on tangibility and its various facets cannot viably negate exhaustion in the online context as this would set aside the rich and longstanding benefits resulting from the rule of exhaustion, which means ensuring access and autonomy, and also enhancing competition and transactional freedom.

Online exhaustion is neither legally foreclosed nor technically impossible. The WIPO Treaties, which first introduced the public communication right, do not exclude the possibility of online exhaustion. It is only implied that exhaustion covers the distribution right only. The position adopted by the Information Society Directive goes beyond these substantive minima and excludes the application of exhaustion from the electronic dissemination of works. There have been, however, limited instances where exhaustion or doctrinal equivalents made their way into case law, as was the case in *UsedSoft* and *Svensson*. *UsedSoft* affirmed that the electronic dissemination of software is covered by the exhaustion principle and *Svensson* developed a doctrinal equivalent to exhaustion, according to which public communications that do not reach a "new public", as is the case with hyperlinks, do not amount to infringement. From a technical perspective too, new software, such as those owned by ReDigi and Amazon, envisage the recreation in the online environment of those conditions of tangibility upon which copyright exhaustion is premised. \*I.P.Q. 325

Even though statutes and case law place a lot of emphasis on the presence of a physical copy for exhaustion to apply, this emphasis is mainly instrumental. Tangibility means to serve as a distinguishing attribute of goods as opposed to services and thereafter as a criterion of determining the nature of the legal transaction, i.e. whether it is a sale or a licence. It is not, however, the only condition in drawing the line. Movability and transferability are two additional parameters to be taken into consideration in determining whether a copy of a copyright work qualifies as a good, irrespective of whether it is embodied in a physical carrier or not. What is more, various kinds of entitlements to a digital copy may arise in online transactions, and the electronic dissemination of copyright content should not be assumed to qualify as a service. *UsedSoft* instructs that a transaction is more likely to qualify as a sales contract and hence generate an ownership title over the content where the copy is bought with a one-off payment for an indefinite amount of time. This is more likely to afford consumers with the power to exercise autonomous control over the content. In sales performed under such conditions, the exhaustion principle can apply.

Because, however, ownership often requires property alienation, the technical recreation of this attribute of tangibility can lead to this effect by ensuring scarcity upon transfer. Much of the debate over whether exhaustion can apply online rests on this property alienation effect that is inherent in the dissemination of tangible goods, and the fact that the scope of the public communication right is overly broad. Through the newly developed doctrine of the "new public", the Court of Justice seems to have found a way of imposing an equivalent limit to exhaustion on the communication right, although not by applying exhaustion. In practice, this means that where content is retransmitted through technical means same with those originally authorised by the right holders there is no infringement, insofar as the communication did not reach a new public, that is, a public which was not envisaged by the right holders when authorising the initial communication. The ambit of this newly developed legal doctrine, however, is limited and it is not certain whether it could also cover acts of communication that technically involve an act of reproduction. That would be for instance the case of embedding copyright content freely available online or reposting news items on blogs. Because of the controversy generated by the involvement of two rights in a single act of exploitation, a holistic interpretation of the public communication right is recommended: acts of reproduction that are a technical and integral part of the communication right should be exempt from infringement, insofar as there are technical safeguards ensuring that the retransmission of electronic content does not involve the creation of additional copies.

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1. US Patent No.8,364,595 of January 29, 2013.

2. 17 USC §109.
3. US Patent No.8,364,595 of January 29, 2013.
4. e.g. Directive 2001/29 on the harmonisation of certain aspects of copyright and related rights in the Information Society [2001] OJ L167 art.3(3) and Recital 29.
5. *Usedsoft GmbH v Oracle International Corp (C-128/11) [2013] Bus. L.R. 911.*
6. See Landgericht Bielefeld, 4 O 191/11, March 5, 2013; Oberlandesgericht Hamm, 22 U 60/13, May 15, 2014.
7. *Millar v Taylor (1769) 4 Burr. 2303 at 2396–2397*: "the copy thus abridged is equally a property in notion, and has no corporeal tangible substance. No disposition, no transfer of paper upon which the composition is written, marked, or impressed, (though it gives the power to print and publish,) can be construed a conveyance of the copy, without the author's express consent 'to print and publish;' much less, against his will. The property of the copy, thus narrowed, may equally go down from generation to generation, and possibly continue for ever; though neither the author nor his representatives should have any manuscript whatsoever of the work, original duplicate, or transcript."
8. *J. Kohler, Das Autorrecht: eine zivilistische Abhandlung; zugleich ein Beitrag zur Lehre vom Eigentum, vom Miteigentum, vom Rechtsgeschäft und vom Individualrecht (Jena: Fischer, 1880), p.267.*
9. This was exemplified in *Dickens v Hawksley [1935] Ch. 267 CA at 274*: "The common law, therefore, had this conception with regard to rights of property in a literary work written, marked or impressed or otherwise recorded upon some material thing namely, that the material thing might, as a subject of property, be separated from the literary work recorded on it and that the literary work might be regarded as an incorporeal subject of property and be owned separately from the material thing upon which it was recorded." See also *Parfums Givenchy, Inc v C & C Beauty Sales, Inc 832 F. Supp. 1378, 1388–1389 (C.D. Cal. 1993)*; also see in this regard J.M. Kernochan, "The Distribution Right in the United States of America: Review and Reflections" (1989) 42 Vand. L. Rev. 1407, 1412.
10. M. Borghi, M.L. Montagnani, M. Maggiolino, and M. Nuccio, "Determinants in the on-line distribution of digital content: an exploratory analysis" (2012) 3(2) European Journal of Law and Technology 1.
11. L. Bently and J. Phillips, "Copyright issues: the mysteries of section 18" [1999] E.I.P.R. 133, 133; also see pending referral *Dimensione Direct Sales and Labianca v Knoll International SpA (C-516/13)*.
12. Article 3 of the Information Society Directive does not provide for exhaustion, for instance. Regarding the controversy on reselling used software, see indicatively: Landgericht Dusseldorf, November 26, 2008; Landgericht München, November 28, 2007.
13. Information Society Directive art.5(2)(b). Also see *S. Karapapa, Private Copying: The Scope of User Rights in EU Digital Copyright (London: Routledge, 2011), p.109.*
14. *Capitol Records LLC v ReDigi Inc No.12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013)*.
15. *ReDigi No.12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013)* at [5], citing H.R. Rep. No.94-1476 at 56 (1976).
16. *London-Sire Records v John Doe 542 F. Supp. 2d 153, 166 and n.16 (D. Mass. 2008)*.
17. *London-Sire Records 542 F. Supp. 2d 153, 171 (D. Mass. 2008)*: "[w]hen a user on a [P2P] network downloads a song from another user, he receives into his computer a digital sequence representing the sound recording. That sequence is magnetically encoded on a segment of his hard disk (or likewise written on other media). With the right hardware and software, the downloader can use the magnetic sequence to reproduce the sound recording. The electronic file (or, perhaps more accurately, the appropriate segment of the hard disk) is therefore a 'phonorecord' within the meaning of the statute."
18. *ReDigi Inc No.12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013)* at [6].
19. Directive 91/250 [1991] OJ L122/42. Article 4(c) reads: "The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof."
20. *Report on the implementation of the Software Directive of April 10, 2000, COM(2000) 199, s.VII.1, p.17, fn.17* (referring to Commissioner Monti's answer to an oral question in the Parliamentary Debates of July 11, 1995). Exhaustion for software implies that the owner of the software has the right to make the "digital" copies necessary for its use, which cannot be restricted in the licence. For an example see Austrian OBG, May 23, 2000 [2000] G.R.U.R. Int. 1028.
21. Computer Programs Directive art.3(3) reads that: "The rights [of communication and making available to the public] shall not be exhausted by any act of communication to the public or making available to the public as set out in this Article."
22. Computer Programs Directive art.4(2) reads as follows: "[t]he distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent."

23. *Follow-up to the Green Paper on Copyright and Related Rights in the Information Society of November 20, 1996, COM(96) 568 final, Ch.2, p.19, at para.4.*
24. Proposal 98/C 108/03, COM(97) 628 final.
25. Proposal 98/C 108/03, COM(97) 628 final s.4.2.
26. Recitals 18 and 19.
27. This explains why the exhaustion doctrine does not apply to the rights of communicating and making works available to the public. See art.3(3) of Directive 2001/29. This position reflects consistent case law of the Court of Justice. See *SA Compagnie Générale pour la diffusion de la télévision, Coditel SA v CinéVog Films SA (C-62/79) [1980] E.C.R. 881.*
28. Proposal COM document of December 10, 1997, COM(97) 628 final, 97/0359 (COD), p.40, comment on art.4.
29. WIPO Copyright Treaty (WCT) 1996 art.6. See also WIPO Performances and Phonograms Treaty (WPPT) 1996 art.8.
30. *WCT, Agreed statement concerning arts 6 and 7.*
31. See A. Lucas, "International exhaustion" in L. Bently, U. Suthersanen and P. Torremans (eds), *Global Copyright Three Hundred Years Since the Statute of Anne, From 1709 to Cyberspace (Cheltenham: Edward Edgar Publishing, 2010), p.304 at pp.309 et seq.* See also P.-E. Moyse, *Le droit de distribution: Analyse historique et comparative en droit d'auteur (Cowansville, Québec: Les Editions Yvon Blais, 2007), pp.559–562.*
32. Consumer Goods Directive 1999/44 art.1(2)(b). See Directive 1999/44 on certain aspects of the sale of consumer goods and associated guarantees [1999] OJ L171–12–16.
33. Besides the importance of drawing the line between goods and services for the application of the exhaustion principle, there are other ramifications from the lack of certainty as to this distinction. For instance, the formality requirements featuring in certain Statutes of Frauds imposing that certain contracts should be in writing apply only with regard to the sale of goods and not to the offer of services. See, e.g., the US UCC §2-201, which imposes such a formal requirement for contracts of \$5,000 or more.
34. Directive 2011/83 on consumer rights, Recital 19. The UK Consumer Rights Bill, HL Bill 29, defines "digital content" as "data which are produced and supplied in digital form" (art.2).
35. Directive 2011/83 Recital 19.
36. The UK Consumer Rights Bill, HL Bill 29, does not offer a definition of services. Section 1(1) of the Canadian Business Practices and Consumer Protection Act (SBC 2004) defines services as "services, whether or not the services are together with or separate from goods, and includes a membership in a club or organization". Section 44B of the Australian Competition and Consumer Act 2010 defines services as "a service provided by means of a facility and includes: (a) the use of an infrastructure facility such as a road or railway line; (b) handling or transporting things such as goods or people; (c) a communications service or similar service; but does not include: (d) the supply of goods; or (e) the use of intellectual property; or (f) the use of a production process; except to the extent that it is an integral but subsidiary part of the service".
37. According to art.L211 of the French Code de la Consommation, the provisions on warranties of conformity are applicable with regard to movable property.
38. See e.g. UCC §2-103(k). Goods are there defined as "all things that are movable at the time of identification to a contract for sale". Whereas "manufactured goods" are included within this definition, "choses in action" are left out. The UK Sale of Goods Act s.61 defines "goods" as "personal chattels, excluding 'choses in action' and money".
39. *St Alban's City and DC v International Computers Ltd [1995] F.S.R. 686 QBD at 699:* "I am of the view that software probably is goods within the Act. Programs are, as has been pointed out, of necessity contained in some physical medium, otherwise they are useless. As Mr Mawrey put it, it is just as much a supply of goods as if paint were applied to a wall or printing ink to a blank page. It is not simply abstract information like information passed by word of mouth. Entering software alters the contents of the hardware." See also *St Albans City and DC v International Computers Ltd [1997] F.S.R. 251 CA (Civ Div)*. See also *Southwark LBC v IBM UK Ltd [2011] EWHC 549 (TCC); 135 Con. L.R. 136 at [96] et seq.* (software can constitute goods under the UK Sale of Goods Act in the context of the transfer of a physical medium).
40. *St Albans v International Computers [1997] F.S.R. 251 at [265].*
41. See, e.g., *District of Columbia v Universal Computer Associates 465 F. 2d 615 (D.C. 1972)* (where the Appellate Court for the District of Columbia Circuit found that programs are intangible, but acknowledged that the true object of the transaction was not the physical medium, and hence programs were exempt from sale tax); *Comptroller of the Treasury v Equitable Trust Co* and *Chittenden Trust Co v King* (where "canned" software, i.e. mass marketed object code, that was supplied on tapes was found to be tangible and hence subject to sales tax); *South Central Bell Telephone Co v Barthelemy* (physical recordings of computer software, according to the majority judgement "are not incorporeal rights to be comprehended by the understanding. Rather they are part of the physical world"); *Erris Promotions Ltd v Commissioner of Inland Revenue* (where the claims of the owners of software source code for a tax advantage on the basis of depreciation deductions were disallowed as the software was not found to fall under the definition of

"depreciable property" as mentioned in the Tax Administration Act 1994).

42. *Coditel* [1980] E.C.R. 881.
43. *Coditel* [1980] E.C.R. 881 at [12].
44. *Coditel* [1980] E.C.R. 881 at [13].
45. *Coditel SA v Ciné Vog Films SA* (262/81) [1982] E.C.R. 3381; [1983] 1 C.M.L.R. 49.
46. *Coditel* [1982] E.C.R. 3381; [1983] 1 C.M.L.R. 49 at [11] and [12].
47. See, e.g., *Metronome v Music Point* (C-200/96) [1998] E.C.R. I-1953, [1998] 3 C.M.L.R. 919 at [18]–[19]; *Videogramdistributoren v Laserdisken* (C-61/97) [1998] E.C.R. I-5171, [1999] 1 C.M.L.R. 1297 at [17]; *Ministère Public v Jean-Louis Tournier* (C-395/87) [1989] E.C.R. 2521, [1991] 4 C.M.L.R. 248 at [12]. National case law too has enriched the CJEU's stance. See, e.g., *Stemra v Free Record Shop* [1987] E.C.C. 223 Arrondissementsrechtbank (Rotterdam).
48. *Tournier* [1989] E.C.R. 2521; [1991] 4 C.M.L.R. 248.
49. *Tournier* [1989] E.C.R. 2521; [1991] 4 C.M.L.R. 248 at [12].
50. This was clearly stated in *Metronome v Music Point* [1998] E.C.R. I-1953, [1998] 3 C.M.L.R. 919 at [18]–[19]; and in *Videogramdistributoren v Laserdisken* [1998] E.C.R. I-5171, [1999] 1 C.M.L.R. 1297 at [17], where a distinction was made between the exhaustion that applies to sale but not to rentals, the latter not being exhausted by distribution.
51. The public performance rights are also rights of dissemination, or rights of "publicity", as they also involve the dissemination of a work to the public: *N. Stolfi, La proprietà intellettuale, Vol.2 (Turin: UTET, 1917, Vol. 2), p.144*. For the purposes of this discussion, however, they have to be distinguished from the other dissemination rights.
52. As discussed later, the fact that two rights (public communication and reproduction) are involved in a single act of exploitation is yet another normative impediment to the application of the exhaustion principle to copies disseminated online.
53. Rental and Lending Directive arts 1(2) and 9(2). See Directive 2006/115 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version) [2006] OJ L376/28–35.
54. Another example of a right that "survives" the first sale of the copy is the resale right enjoyed by authors of artistic works under Directive 2001/84 on the resale right for the benefit of the author of an original work of art [2001] OJ L272/32–36.
55. See, e.g. *Merchandising Corp of America v Harpbond* [1983] F.S.R. 32 CA (Civ Div) at 46. An interesting insight in this regard can be found in the opinion of AG Cruz Villalón in *Art & Allposters International BV v Stichting Pictoright*, Case C-419/13, 11 September 2014. AG Cruz Villalón found that "...the object in question is not the work as corpus mysticum, since copyright in the work thus intended is "exhausted" only with the transfer of ownership of that right, whereas exhaustion of the distribution right takes place with the transfer of ownership of something necessarily different and, in particular, of the ownership of the object on which the work has been reproduced. In short: once ownership of the object (material support) has been transferred, the right of distribution is exhausted, but not ownership of copyright, whose object continues to be the artistic creation" (paras 67 and 68).
56. CDPA s.1; *Creation Records Ltd v News Group Newspapers Ltd* (1997) 39 I.P.R. 1 Ch D.
57. See, e.g., *Coditel* [1982] E.C.R. 3381, [1983] 1 C.M.L.R. 49; *Tournier* [1989] E.C.R. 2521, [1991] 4 C.M.L.R. 248.
58. See, e.g. the US case *First National Bank of Springfield v Department of Revenue* 85 Ill. 2d 84, 51 Ill. Dec. 667, 421 N.E. 2d 175, 178 (1981) (where it was found that the purchaser is buying information itself, not tangible property transferring such information).
59. *Beta Computers (Europe) Ltd v Adobe Systems (Europe) Ltd* 1996 S.L.T. 604 CS(OH).
60. *Usedsoft v Oracle* [2013] Bus. L.R. 911.
61. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [53]–[61].
62. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [55] and [57].
63. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [56]. Also affirmed in Landgericht Bielefeld, 4 O 191/11, March 5, 2013; Oberlandesgericht Hamm, 22 U 60/13, May 15, 2014.
64. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [60]. In this light, the scope and impact of *UsedSoft* remains limited to field of computer programs only, irrespective of whether these are disseminated in tangible form or not.
65. Although this decision could be seen as a starting point for the need to revise legislation, two German decisions have affirmed the limited application of the *UsedSoft* ruling by upholding that the right of distribution is not subject to exhaustion when it comes to digital content other than software. See in this regard Landgericht Bielefeld, 4 O 191/11, March 5, 2013; Oberlandesgericht Hamm, 22 U 60/13, May 15, 2014.

66. B.L. Horovitz, "Computer Software as a Good under the Uniform Commercial Code: Taking a Byte out of the Intangibility Myth" (1985) 65 Boston U.L. Rev. 129.
67. Horovitz, "Computer Software as a Good under the Uniform Commercial Code" (1985) 65 Boston U.L. Rev. 129, 162.
68. Horovitz, "Computer Software as a Good under the Uniform Commercial Code" (1985) 65 Boston U.L. Rev. 129., 151.
69. BEUC, "Digital Products, How to include them in the Proposal for a Consumer Rights Directive", Position Paper (Brussels, 2010), p.3. Directive 2011/83 on consumer rights does not support this view, however, and according to this Directive digital content with no physical supporting medium is classified neither as a good nor as a service. See Directive 2011/83 on consumer rights, amending Directive 93/13 and Directive 1999/44 and repealing Directive 85/577 and Directive 97/7 [2011] OJ L304/64–88.
70. Under the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, June 15, 1957, as amended, where class 9 (goods) covers software. In the explanatory notes to class 9, it is stated that this class includes "all computer programs and software regardless of recording media or means of dissemination, that is, software recorded on magnetic media or downloaded from a remote computer network".
71. In the analogue world, it was mainly the software industry that had engaged in licensing—and not selling—copies of software, even where the programs were supplied through the transfer of a tangible medium, such as a CD or DVD.
72. See, e.g., Information Society Directive art.6. What is more, the indicative interpretation of art.3 that is offered in Recital 29 assimilates every act of electronic dissemination of content to services, irrespective of the particular way in which such dissemination takes place. This flat rule, however, may generate controversy in cases where content is sold through an online service in a way that consumers gain property entitlements over it. This is the case, for instance, when copyright content is available for consumers online to download for an indefinite amount of time, despite the fact that there is no accompanying physical carrier.
73. This is the case in the context of the World Trade Organization qualification of such products as goods or services. Voon proposes that in the context of the WTO Agreements, such products should be treated as services. T. Voon, "A New Approach to Audiovisual Products in the WTO: Rebalancing Gatt And Gats" (2007) 14 UCLA Ent. L. Rev. 1, 17–18.
74. M.B.M. Loos, N. Helberger, L. Guibault, C. Mak, L. Pessers, K.J. Cseres, B. van der Sloot and R. Tigner, "Analysis of the applicable legal frameworks and suggestions for the contours of a model system of consumer protection in relation to digital content contracts", Final Report, Comparative analysis, Law & Economics analysis, assessment and development of recommendations for possible future rules on digital content contracts (2012), p.33.
75. *Beta Computers v Adobe Systems* 1996 S.L.T. 604.
76. See A. Rodau, "Computer Software: Does Article 2 of the Uniform Commercial Code Apply?" (1986) 35 Emory L.J. 853.
77. This transfer is accompanied by property alienation, a parameter that is discussed in the following section.
78. F. Smith and L. Woods, "A Distinction Without a Difference: Exploring the Boundary Between Goods and Services in the World Trade Organization and the European Union" (2005–06) 12 Colum. J. Eur. L. 1, 50.
79. Smith and Woods, "A Distinction Without a Difference" (2005–06) 12 Colum. J. Eur. L. 1, 50. Property law hence instructs that while a good can be owned or possessed, a service cannot.
80. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [49].
81. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [44] to [49].
82. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [44].
83. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [45].
84. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [50].
85. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [61].
86. *Usedsoft v Oracle* [2013] Bus. L.R. 911 at [45].
87. See, e.g., *Softman Products Co LLC v Adobe Systems Inc* 71 F. Supp. 2d 1075 (C.D. Cal. 2001); *Vernor v Autodesk Inc* F. 3d 2010 WL 3516435 (9th Cir. 2010).
88. *Entertainment Software Association and Entertainment Software Association of Canada v Society of Composers, Authors and Music Publishers of Canada* 2012 SCC 34; [2012] 2 S.C.R. 231.
89. *Entertainment Software Association* 2012 SCC 34; [2012] 2 S.C.R. 231 at [5]: "In our view, there is no practical difference between buying a durable copy of the work in a store, receiving a copy in the mail, or downloading an identical copy using the Internet. The Internet is simply a technological taxi that delivers a durable copy of the same

work to the end user."

- [90.](#) *Entertainment Software Association 2012 SCC 34; [2012] 2 S.C.R. 231 at [28].*
- [91.](#) See discussion above. Also see Recitals 28 and 29 in the Information Society Directive and the relevant provisions of the Rental and Lending Directive. See also *Metronome v Music Point [1998] E.C.R. I-1953, [1998] 3 C.M.L.R. 919 at [18]–[19]; Videogramdistributörer v Laserdisken [1998] E.C.R. I-5171, [1999] 1 C.M.L.R. 1297 at [17].*
- [92.](#) See, e.g., the BBC.
- [93.](#) Some insight is offered in *Peek & Cloppenburg KG v Cassina SpA (C-456/06) [2008] E.C.R. I-2731; [2009] E.C.D.R. 9*, where the distribution right was approached in a restrictive fashion by being conditioned upon sale or alienation due to ownership transfer.
- [94.](#) *Peek & Cloppenburg v Cassina [2008] E.C.R. I-2731; [2009] E.C.D.R. 9*. Also see pending referral *Dimensione Direct Sales (C-516/13)*.
- [95.](#) This position of the court has been criticised on the basis that it overlooks the fact that the relevant provisions on distribution in the WIPO Internet Treaties lay down the substantive minima and that the Directive affords a broader scope than this to the distribution right. See in this regard: *M. Walker, "Article 4—The Distribution Right" in M. Walker and S. von Lewinski, European Copyright Law: A Commentary (Oxford: Oxford University Press, 2010), pp.994–995.*
- [96.](#) *A. Wiebe, "The economic perspective: exhaustion in the digital age" in L. Bently, U. Suthersanen and P. Torremans (eds), Global Copyright Three Hundred Years Since the Statute of Anne, From 1709 to Cyberspace (Cheltenham: Edward Edgar Publishing, 2010), p.321 at p.324.*
- [97.](#) *A. Perzanowski and J. Schultz, "Digital Exhaustion" (2011) 58 UCLA L. Rev. 889; S. Dusollier, "The Relations Between Copyright Law And Consumers' Rights From A European Perspective", European Parliament, DG for Internal Policies, Policies Department: Citizens' Rights and Constitutional Affairs (2010), pp.26–27.*
- [98.](#) The Copyright and Rights in Performances (Personal Copies for Private Use) Regulations 2014. An earlier version of this exception included a subsection where this exhaustion rule was expressly offered. It read: "Copyright is infringed where an individual who has made a further copy of a copyright work... permanently transfers the copy from which it is made without destroying the further copy and the further copy shall in those circumstances be treated as an infringing copy." See draft art.28B(2)(b), available at <http://www.ipo.gov.uk/techreview-private-copying.pdf> [Accessed September 25, 2014].
- [99.](#) *Digital Millennium Copyright Act, Section 104 Report: hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee on the Judiciary, House of Representatives, One Hundred Seventh Congress, first session (December 12 and 13, 2001) (DMCA Report), pp.83–85.*
- [100.](#) *DMCA Report (2001), pp.83, 97–98.*
- [101.](#) US Patent 8,364,595, granted on January 29, 2013. However, it is not likely this will suffice for exhaustion to apply in the online context in the aftermath of *ReDigi*, where the first sale doctrine could not apply as the reproduction right—which is not subject to exhaustion—was infringed: *ReDigi No.12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013)*.
- [102.](#) *Sebago Inc and Ancienne Maison Dubois & Fils SA v G-B Unic SA (C-173/98) [1999] E.C.R. I-4103; [1999] 2 C.M.L.R. 1317 at [22].*
- [103.](#) Directive 89/104 (repealed by Directive 2008/95), to approximate the laws of the Member States relating to trade marks [1989] OJ L 40/1–7.
- [104.](#) *Sebago v G-B Unic [1999] E.C.R. I-4103; [1999] 2 C.M.L.R. 1317 at [19].*
- [105.](#) *Sebago v G-B Unic [1999] E.C.R. I-4103; [1999] 2 C.M.L.R. 1317 at [21].* This principle has been affirmed in other cases of the court, of which mention is made in the judgment: *Parfums Christian Dior v Evora (C-337/95) [1997] E.C.R. I-6013, [1998] 1 C.M.L.R. 737 at [37] and [38]; BMW v Deenik (C-63/97) [1999] E.C.R. I-905; [1999] 1 C.M.L.R. 1099 at [57].*
- [106.](#) See, e.g., *S. Behtold in T. Drier and B. Hugenholtz (eds), Concise European Copyright Law (Alphen aan den Rijn: Kluwer Law International, 2006), p.366; S. von Lewinski, International Copyright Law and Policy (Oxford: Oxford University Press, 2008), para.17.66.* See also in this regard, however, the opinion of AG Cruz Villalón of 11 September 2014 in *Art & Allposters International BV v Stichting Pictoright*, Case C-419/13, where subject to examination was the unauthorised making and selling of altered versions of protected artworks. In this case, the images were transferred on canvas first and were then sold on the internet. The fact that there was an alteration in the material support was found to have a bearing in determining whether the distribution right has been exhausted, according to the AG. The AG expressed the view that in this case, which might also entail an infringement of the reproduction right, exhaustion cannot apply because *Art & Allposters* meant to distribute a "different object", through the alteration of the material support, and this is something that ought to be taken into account. In a case with similar facts that reached the Canadian Supreme Court, transferring the work from paper to canvas was not an infringement of the reproduction right, because no new copies were made. See *Théberge v. Galerie d'Art du Petit Champlain Inc.* [2002] 2 S.C.R. 336, 2002 SCC 34.

107. "The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of *that object* is made by the rightholder or with his consent" (emphasis added). A similar wording has been repeated in CJEU's ruling in *Laserdisken*, where it was stated that "[t]he first sale in the Community of the original of a work or copies thereof by the rightholder or with his consent exhausts the right to control resale of *that object* in the Community". See *Laserdisken AS v Kultuministeriet (C-479/04) [2006] E.C.R. I-8089; [2007] 1 C.M.L.R. 6* at [20]. In the US too, the way in which the first sale doctrine was statutorily drafted in the old statute places emphasis on the independence of distribution from copying. 17 USC §27 of the old statute read that the "first sale doctrine" provides that "nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained". The current statutory provision stresses—rightly perhaps—the way in which the transfer took place. It reads as follows: the distribution right is the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 USC §106(3).
108. *Harrison v Maynard, Merrill & Co* 61 F. 689 (2d Cir. 1894) (a second-hand book dealer did not infringe the copyright of the plaintiff by rebinding, for the purpose of resale, damaged copies of the plaintiff's books); also see *Doan v American Book Co* 105 F. 772 (7th Cir. 1901); Also see *Kipling v G.P. Putnam's Sons* 120 F. 631 (2d Cir. 1903).
109. *National Geographic Society v Classified Geographic* 27 F. Supp. 655 (D. Mass. 1939) (the defendant infringed the plaintiff's copyright by means of purchasing second-hand copies of the plaintiff's magazine, disassembling the magazines into separate articles, and binding like-category articles into book form); see contra, however, a case with very similar facts: *Fawcett Publications v Elliot Publishing Co* 46 F. Supp. 717 (S.D.N.Y. 1942) (where the defendant was not found to infringe copyright by purchasing second-hand copies of the plaintiff's comic book and subsequently binding them together with other comic publications that were not owned by the plaintiff). The central distinction in these cases was that the defendant in *National Geographic* recompiled only the plaintiff's works, whereas the defendant in *Fawcett Publications* recompiled the plaintiff's work with other works that were not subject to the plaintiff's copyright.
110. *C.M. Paula Co v Logan* 355 F. Supp. 189 (N.D. Tex. 1973) (where the defendant was not found to infringe by using a "transfer medium" to remove in-copyright designs from greeting cards and notepads and affixed the removed images to ceramic plaques). But see also *Mirage Editions, Inc v Albuquerque A.R.T. Co* (where the defendant was found to infringe the plaintiff's copyright through the creation of derivative works. The defendant in the present case purchased compilations of the plaintiff's works, removed selected pages from the books, mounted the removed pages on to ceramic tiles, and then offered the tiles for sale).
111. *American International Pictures Inc v Evan Foreman* 576 F. 2d 661, 198 U.S.P.Q. 580, 1978–81 (1978).
112. See also in this respect *Platt & Munk Co v Republic Graphics, Inc* 315 F. 2d 847 (2d Cir. 1963).
113. *ReDigi*, No. 12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013).
114. *ReDigi*, No. 12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013) at [5].
115. *ReDigi*, No. 12 Civ. 95 (RJS), 2013 WL 1286134 (S.D.N.Y. March 30, 2013) at [6].
116. *C.M. Paula Co v Logan* 355 F. Supp. 189 (N.D. Tex. 1973).
117. According to the court, "[e]ach ceramic plaque sold by defendant with a Paula print affixed thereto requires the purchase and use of an individual piece of artwork marketed by the plaintiff. For example, should defendant desire to make one hundred ceramic plaques using the identical Paula print, defendant would be required to purchase one hundred separate Paula prints. The Court finds that the process here in question does not constitute copying." *Paula Co v Logan* 355 F. Supp. 189, 191 (N.D. Tex. 1973).
118. See *Nils Svensson, Sten Sjögren, Madelaine Sahlman, Pia Gadd v Retriever Sverige AB (C-466/12) [2014] Bus. L.R. 259* at [24] (there are two more pending referrals before the Court of Justice on the legitimacy of hyperlinks: *C More Entertainment AB v Linus Sandberg (C-279/13)*, and *BestWater International GmbH v Michael Mebes, Stefan Potsch (C-348/13)*). See a *contrario* the application of the concept of the "new public" in other cases: *Airfield NV and Canal Digitaal BV v SABAM (C-431/09)* and *Airfield NV v Agicoa Belgium BVBA (C-432/09) [2011] E.C.R. I-9363, [2012] E.C.D.R. 3; Football Association Premier League Ltd v QC Leisure and (C-403/08)* and *Karen Murphy v Media Protection Services Ltd (C-429/08) [2011] E.C.R. I-9083, [2012] 1 C.M.L.R. 29*.
119. Information Society Directive 2001/29 Recital 23.
120. See *ITV Broadcasting Ltd v TV Catchup Ltd (C-607/11) [2013] Bus. L.R. 1020* at [39].
121. This is probably also the case with "embedding" videos from one website to another. For instance, this happens with content that has been made freely available online, such as on YouTube, which is afterwards embedded on other online platforms, such as Facebook.
122. Where the technical act of reproduction is merely functional to public communication, it can be exempt from infringement on the basis of the "temporary copying" exception, which is available under art.5(1) of the Information Society Directive and the relevant national provisions that implemented it. With regard to the doctrinal scope of this exception, see *Infopaq International A/S v Danske Dagblades Forening (C-5/08) [2009] E.C.R. I-6569, [2009] E.C.D.R. 16*; and *Infopaq International A/S v Danske Dagblades Forening (C-302/10), January 17, 2012*. See also in this regard *Public Relations Consultants Association Ltd v Newspaper Licensing Agency Ltd (C-360/13), June 5, 2014*. For a discussion on the scope of this exception and the ways in which it covers streaming, see M. Borghi, "Chasing copyright infringement in the streaming landscape" (2011) 42(3) I.I.C. 316.

123. *Public Consultation on the Review of the EU copyright rules (2013)*, p.11, [http://ec.europa.eu/internal\\_market/consultations/2013/copyright-rules/docs/consultation-document\\_en.pdf](http://ec.europa.eu/internal_market/consultations/2013/copyright-rules/docs/consultation-document_en.pdf) [Accessed September 25, 2014].
124. In the UK, for instance, this was affirmed by the Supreme Court in *Public Relations Consultants Association Ltd v Newspaper Licensing Agency Ltd* [2013] UKSC 18; [2013] 2 All E.R. 852.

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