Exhaustion, Distribution and Communication to the Public – The CJEU’s Decision C-263/18 – Tom Kabinet on E-Books and Beyond

I. The issue at stake

Basically, the judgment was expected to answer the question whether the exhaustion rule – traditionally applied to analogue copies of a work – can be extended to cover acts of transmission as regards digital copies, enabling a permanent use of traditional works.

From a practical point of view, the outcome certainly has economic consequences since the existence of second-hand markets for e-books (as well as for other digital works) is at stake.

Upon closer inspection, the impact from a legal point of view is great on more than one level.

Obviously, there is the question whether a doctrine elaborated in the late 19th century1 can cope with digital facts. In this case, it is especially questionable if the act of handing over a physical carrier and downloading can be treated equally.

Dealing with digital facts brings up another issue in the context of exhaustion: the natural use of the work after a potentially exhausted distribution. Since the enjoyment of a digital work – in contrast to the enjoyment of an analogue work – requires reproductions most of the time, which fall under Art. 2 InfoSoc Directive, a potential user needs permission for these technically necessary reproductions. If law cannot grant such permission,2 the question arises if the permission of the first user could be transferred to the second user.3

Broadening the picture, the issue of ‘digital exhaustion’ has arisen before with regard to the suitable exploitation right. Since at least de lege lata the exhaustion rule in Art. 4(2) InfoSoc Directive only applies to the limitation of the distribution right in Art. 4(1) InfoSoc Directive, the capacity of the distribution right regarding transfers without any physical carrier involved is already in question.4

Taking into consideration an even wider perspective, the issue is not only related to copyright law. Since the exploitation of a work is essentially always based on contracts, rules enabling contractual positions can easily conflict with restrictions set by copyright law. It is especially doubtful if a granted possibility to resell5 can be

1 The exhaustion doctrine is referred to by Josef Kohler, who first came up with this idea in patent law: Josef Kohler, Handbuch des deutschen Patentrechts in rechtssvergleichender Darstellung (Bensheimer 1900), 452 ff; Josef Kohler, Lehrbuch des Patentrechts (Bensheimer 1908) 131. He also extended the doctrine to copyright law: Josef Kohler, ‘Neuerliche Auswüchse der Urheberrechtslehre’ GRUR 1906, 269, 272; Josef Kohler, Kunstwerkrecht (Enke 1908) 103. The doctrine was first applied by German courts in 1906; RGZ 63, 394 – Koening Kurbuch. It was first applied in the USA in 1908: Supreme Court, Bobbs-Merrill Co. v. Straus 210 U.S. 339, 349.

2 Regarding software, such permission is regulated in art 5(1) Software Directive (see n 8). Regarding traditional works, the existence of a permission granted by law is controversially discussed, see n 68.

3 Retro M Hilty, ‘„Exhaustion“ in the digital age’ in Irene Calboli and Edward Lee, Research Handbook on Intellectual Property Exhaustion and Parallel Imports (Edward Elgar 2016) 64, 72 ff; Retro M Hilty, ‘Kontrolle der digitalen Werknutzung zwischen Vertrag und Erschopfung’ GRUR 2018, 865, 873, 876; Sebastian Pech, ‘On-Demand-Streaming-Plattformen’ (Nomos 2018) 211 ff, 242 with further references.

4 Whereas at least the German legislator has aimed only to cover the transfer of analogue copies (BT-Drs. IV/270, 47), some scholars are less reluctant: Ansgar Ohly, ‘UsedSoft/Oracle’ JZ 2013, 42, 43 (note); Louisa Specht, ‘Auswirkungen einer zunehmenden Technologieneutralität der Verwertungsrechte auf den Einsatz technischer Schutzaufnahmen’ in Thomas Dreier, Karl-Nikolaus Petter and Louisa Specht (eds), Anwalt des Urheberrechts. Festschrift für Gernot Schulze (CH Beck 2017) 413, 415 ff.
limited by copyright law – which could be the case if exhaustion is not applicable.5  

II. Context of the case

The CJEU’s Tom Kabinet decision was expected to constitute a preliminary highlight in a row of decisions regarding the application of the exhaustion rule in the digital context. When talking about this issue, one must distinguish between software and traditional works. This formal distinction7 results from the fact that software is regulated in the Software Directive8 and traditional works in the InfoSoc Directive.9

Whereas after a while it became clear that the exhaustion rule can be applied when works (be they software or traditional works) are embedded in a physical data carrier that is handed over like a tangible book,10 the question arose how to assess the situation when no such carrier is involved.

1. Software

Following a series of judgments that have paved the way regarding software,11 the CJEU’s renowned UsedSoft decision was a cornerstone for the application of the exhaustion doctrine in the digital context. In short, the CJEU ruled that the exhaustion doctrine can be applied to situations where a computer programme is lawfully put in circulation via download.12 Since downloading and transferring a physical carrier were therefore treated in the same way,13 the judgment was considered a paradigm shift14 and of course heavily discussed.15

It is by no means surprising that the idea to transfer this finding to the exhaustion (and also to the distribution) of traditional works became attractive.16

2. Traditional works

a) Download for temporary use (in the case of lending)

In 2016, the CJEU was asked if lending e-books follows the same rules as lending analogue books. After stating that no binding law on a contrary view exists, the CJEU held in its Stichting decision that in the case of public lending, the transmission of digital and the transfer of analogue copies are comparable and should therefore be assessed in the same way.17

This decision caused problems, at least for German law, according to which the right to lend is covered by the distribution right (Sec. 17 German Copyright Act) and the limitation of Art. 6(1) Rental and Lending Directive18 regarding public lending is expressed inter alia in the exhaustion rule in Sec. 17(2) German Copyright Act.19 Although the decision dealt with the special exploitation right of public lending, it raised expectations that the same technology-neutral approach would be applied to traditional works under the InfoSoc Directive.20

b) Download for permanent use

The application of the exhaustion rule to downloading of traditional works for permanent use has not yet been decided finally on a European level.21 The existing decisions by lower instances on a national level had different results:22 whilst it seemed to be clear for German courts that the exhaustion rule cannot be applied to traditional works in the case of downloading,23 the courts in the Netherlands tended to see it differently. Since the present dispute has a longstanding history which includes a previous lawsuit, not only all instances in that lawsuit24 but

Cloud Computing (Nosom 2017) 182. Regarding distribution, see Ohly (n 4); Specht (n 4) 416.
17 Case C-174/15 VO B v Stichting EU:C:2016:856 = GRUR Int 2017, 76, para 51 f.
18 Directive 2006/11/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property.
19 Lothar Determann, ‘Digital Exhaustion: new law from the old world’ Berkeley Technology Law Journal 185, 193 (2018); Malte Steiper, ‘From the Verbreitung „unkörperlicher“ Vervielfältigungsstücke zum Recht auf Weitergabe in elektronischer Form’ in Dreiser, Peifer and Specht (n 4) 107, 108 f; Malte Steiper, ‘Vereniging Openbare Bibliotheken/Stichting Leenrecht’ GRUR 2016, 1270, 1270 f (note).
20 Peter (n 14) 499; Lothar Determann and Louisa Specht, ‘Online-Erschopfung in Europa und den USA’ GRUR Int 2018, 731, 733; also mentioned by Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet (2019), para 68.
21 As regards EU law, the application of the exhaustion rule (also referred to as the first sale doctrine) was considered as the first sale doctrine, see Michael Sardina, ‘First Sale in Intellectual Property’ Santa Clara L. Rev. 1055 (2011) n 1, 248. For further differences see n 59.
22 Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs.
23 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society.
24 Case C-128/11 UsedSoft v Oracle EU:C:2012:407 = GRUR Int 2012, 739, para 47.
25 Case C-128/11 UsedSoft v Oracle EU:C:2012:407, para 61.
26 See eg: Christof Peter, ‘Urheberrechtsökonomie bei digitalen Gütern’ ZUM 2019, 490, 491.
27 For an overview, see Maia Savić, ‘The Legality of Resale Digital Content after UsedSoft in Subsequent German and CJEU Case Law’ EIPR 2015, 414; Hilty (n 4) 868.
28 Case C-128/11 UsedSoft v Oracle EU:C:2012:407 = GRUR Int 2012, 739, para 47.
29 Case C-128/11 UsedSoft v Oracle EU:C:2012:407, para 61.
30 Ibid. See eg: Christof Peter, ‘Urheberrechtsökonomie bei digitalen Gütern’ ZUM 2019, 490, 491.
31 For an overview, see <https://eurex.lex.europa.eu/legal-content/DE/ALL/?uri=CELEX:3%3A62011JC0128> accessed 31 January 2020.
32 See George Andriotatos, ‘Online Exhaustion and the Boundaries of Interpretation’ in Roberto Caso and Federica Giovanella (eds), Balancing Copyright Law in the Digital Age (Springer 2015) 27, 49; Ohly (n 4) 43; Angela Konouzie, ‘Die Erschöpfung im digitalen Werkvertrieb aber
also the referring court in the present case were not averse to applying the exhaustion rule.\textsuperscript{25}

To finally raise the tension, it seems that the academic discussion\textsuperscript{26} is more or less equally divided between proponents of each side – pro and contra application of the exhaustion rule.\textsuperscript{27}

Unsurprisingly, when the Rechtbank Den Haag (District Court, The Hague) referred \textit{inter alia} the second question to the CJEU – the application of the exhaustion rule to downloads – it was greeted with much anticipation.\textsuperscript{28}

\section*{III. The Tom Kabinet case}

The Tom Kabinet decision deals on the surface with two related issues. One is the extension of exhaustion, as discussed above. The other is the differentiation between distribution and communication to the public.

At first glance, the judgment gives the impression that some exhaustion enthusiasts, longing for a detailed elaboration on this doctrine, will be disappointed. The CJEU only answered the first out of four referred questions, which was directed to the issue of applying the distribution right.

The Court decided that the supply of e-books via download for permanent use does not affect the distribution right (Art. 4(1) InfoSoc Directive), but rather the right of making available to the public as a subset of communication to the public (Art. 3(1) InfoSoc Directive).\textsuperscript{29} Under this premise, the CJEU did not answer questions two to four, including the question regarding an application of the exhaustion rule in Art. 4(2) InfoSoc Directive.

However, this decision has a major impact not only on the distinction between the distribution right and the right of communication to the public but also on the exhaustion doctrine and beyond, which will be set out in the following part.

\section*{1. Facts}

Tom Kabinet was operating an online platform called ‘Tom reading club’. Tom Kabinet obtained e-books either from official distributors or from private persons and offered these e-books to its members via download for potentially permanent use.\textsuperscript{30} The e-books on this platform could therefore be referred to as ‘used’ or ‘second-hand’ e-books,\textsuperscript{31} though these terms are not without contradictions if one takes into account the nature of digital copies.

Tom Kabinet was aiming only to offer legally obtained e-books. Thus, the company attached a digital watermark to the e-books either when they were originally acquired by Tom Kabinet itself or when the members providing e-books declared not to have kept a copy of the book.\textsuperscript{32}

A fact that is not explicitly provided by the CJEU but crucial to understand the questions referred is that Tom Kabinet kept 50 cents for each traded book to forward to the authors and publishers, at the same time stating that they were not obliged to do so.\textsuperscript{33}

The CJEU not only answered one of the four questions referred but also reformulated this question. The reason for this approach in the view of the CJEU was to provide better grounds for the national court’s decision.\textsuperscript{34} Whilst this is not the first time the CJEU has applied this procedure,\textsuperscript{35} it is not as simple as it seems at first glance.\textsuperscript{36}

\section*{2. The differentiation between the distribution right and the communication to the public}

Before answering the question whether an exploitation right can be limited, it seems logical to first clarify which exploitation right, if any, could have been infringed by the defendant.\textsuperscript{37}

After emphasising that the question whether providing a download that enables a permanent use for one user\textsuperscript{38} falls under the right of distribution\textsuperscript{39} cannot be answered from the wording of the InfoSoc Directive, the CJEU begins with a systematic, historical and teleological interpretation of the InfoSoc Directive.\textsuperscript{40} Finally, the Court denies the application of the distribution right but rules that the right of communication to the public is applicable.

\footnotesize{More information in English: Savic (n 11) 429; Reis (n 21) 187 f; Dëtermin (n 19) 218 f.
\textsuperscript{25} Rechtbank Den Haag, 12 July 2017, para 5.23 ff <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBDHA:2017:7543> accessed 31 January 2020.
\textsuperscript{26} For an overview of the arguments, see: Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 80 ff.
\textsuperscript{27} For an overview, see: Hilty 2018 (n 10) 172; Peter (n 14) 497 f.
\textsuperscript{28} See eg Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet [2019], para 7; Caterina Sganga, ‘A Plea for Digital Extrahion in EU Copyright Law’ [2018] Jippeit 211; savic (n 11) 429; Hilty 2018 (n 3) 868.
\textsuperscript{29} Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 72.
\textsuperscript{30} It should be mentioned that the business model in the present case was not designed for customers to keep the e-books permanently. Tom Kabinet incentivised a temporary use \textit{inter alia} via a price reduction for customers who resold/donated the e-book back to Tom Kabinet after reading, Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 25. See also Linda Kuschel, ‘Zur urheberrechtlichen Einordnung des Weiterverkaufs digitaler Werkexemplare Anmerkung zu ErG, Urteil vom 19.12.2019 – C-263/18 – NUV u. a./Tom Kabinet Internet u. a.’ ZUM 2020, 138, 140, who highlights the monthly payment as an indicator.
\textsuperscript{31} This is also what also the CJEU did: Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 24.
\textsuperscript{32} Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 20 ff; Rechtbank Den Haag, 12 July 2017, para 2.1 ff <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBDHA:2017:7543> accessed 31 January 2020.
\textsuperscript{33} This becomes clear from the facts provided by the referring court: Rechtbank Den Haag, 12 July 2017, para 2.16 <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBDHA:2017:7543> accessed 31 January 2020.
\textsuperscript{34} Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 31 f.
\textsuperscript{35} See: Case C-163/14 Rendorlin Marin v Administracion del Estado EU:C:2016:675, para 33 f; Case C-230/18 PI v Landespolizeidirektion Tirol EU:C:2019:583, para 42.
\textsuperscript{36} The question referred in the disputed case could have been answered abstractly. By changing the question in the way the CJEU did, this was not possible anymore. Instead of a question about the scope of art 4 InfoSoc Directive, the question now regarded a fact (the supply of an e-book via download for permanent use) and asked for one of two possibly fitting exclusive rights. In theory, the CJEU therefore no longer needed to determine the exact requirements of art 4 InfoSoc Directive.
\textsuperscript{37} In the present case, uncertainties also arise. Since different transmissions of e-books were carried out (from Tom Kabinet to members but also from members to Tom Kabinet), the reformulated question creates uncertainty as to which particular transfer is under examination by the CJEU (see Kuschel (n 30) 138 f). It is not the reformulated question but the procedural constellation, the facts of the referring court and the answer the CJEU provided that make it clear that only the e-book transfer from Tom Kabinet to customers could be the subject of both the referring and the reformulated question.
\textsuperscript{38} In contrast, for a global assessment: Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 24.
\textsuperscript{39} This is called the ‘one copy one user’ model.
\textsuperscript{40} Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 37 f.
a) The grounding of the CJEU’s reasoning

The CJEU based its decision to a large extent on its understanding of certain terms of the InfoSoc Directive, the WCT, and the explanatory memorandum of the European Commission. It should be mentioned that the terminology ‘tangible and intangible copies’ that the CJEU uses as a key element in its line of argument is (once again) controversial. A copy seems by its very nature to always be tangible. It makes no difference if a work is incorporated in paper or in an electronic device – since only a material fixation is necessary, both are referred to and treated as tangible copies. Therefore, one should rather differentiate the ways of dissemination: if an analogue copy (e.g. a normal book) is handed over from one person to another, the copy itself is in circulation. On the other hand, if a digital copy that is embodied in an electronic device (e.g. an e-book in a tablet) should be transmitted to a second user, the copy remains tangible but is not in circulation – it is the data (in a transmittable form) of the e-book file, e.g. via download, that is being circulated.

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b) The Court’s decision

The Court comes to its conclusion by stating that the term ‘original and copies’ in Art. 4 InfoSoc Directive (the distribution right) only refers to copies that are put into circulation as physical objects. The CJEU derives this finding from the requirements of international law (Agreed Statements concerning Arts. 6 and 7 of the WCT).

Further, electronic and tangible dissemination should be treated differently. The Court refers here to the explanatory memorandum of the European Commission and a variety of recitals in the InfoSoc Directive. Whereas the citation of some recitals might be part of a regular repetition the Court routinely uses to back its arguments (e.g. recitals 2, 5, 4, 9 and 10, in which the Directive aims to respond to technical progress and strengthen the right of the author), recitals 28 and 29 in particular more specifically regard the issue at stake since they assess the exhaustion rule.

The CJEU provides another argument on the interpretation of the distribution right according to its understanding of the exhaustion rule in Art. 4(2) InfoSoc Directive, which is that the distribution right should control the initial circulation of only a physical carrier. These arguments, mainly based on the assumed intention of the legislator, are already known but not substantial for everybody. However, the result, which is applicable to all other traditional works (such as music or movies) regulated under the same directive, is convincing as such. It confirms the systematic understanding of the distribution right and the right of communication to the public as partly practiced at the national level.

Moreover, the finding is not very surprising considering that, in its previous decisions, the CJEU had already explicitly highlighted the distinctive nature of the InfoSoc Directive at least in relation to the Software Directive. The Court even indicated its intention to decide in a different manner than in its previous decisions regarding software. Beyond analysing the wording of the InfoSoc Directive, the WCT and the explanatory memorandum of the European Commission (rules which were not initially intended to grapple with the great impact of digitalisation), the CJEU at one point takes into account the values involved: rightly, the Court points out that the transfer of a book and the transmission of an e-book are not comparable. If a teleologically balanced interpretation is considered the goal, this finding constitutes a sound argument. But since the CJEU only argues that e-books do not lose quality and therefore that second-hand markets deal with perfect substitutes, such feared economic consequences could merely be the starting point of further distinctions.

It should also be mentioned that it could be far easier to transfer a digital copy than an analogue copy. This finding goes along with the idea that digital copies cover another public since recipients worldwide could at least in theory be supplied via download. Most notably, analogue copies are economically characterised by scarcity – digital copies are not. One option to reconfigure a digital form of scarcity is applying the ‘one copy one user’ model, which only enables one recipient to use a digital copy. This in turn causes considerable practical hurdles like proving the seller’s guarantee of incontestably deleting his or her copy. This was also a serious issue in the post-UsedSoft era regarding software.

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41 The WIPO Copyright Treaty.
42 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, paras 53, 55, 56.
43 Case C-128/11 UsedSoft v Oracle EU:C:2012:407, paras 55, 58, 59, 61, 78; Case C-174/13 VOB v Stichting EU:C:2016:836, paras 29, 44. See: Steper (n 19) 1270; Malte Steper, ‘UsedSoft/Oracle’ ZUM 2012, 668 (note).
44 Steper (n 19) 1270; Steper (n 43) 668. In this direction: Gernot Schulze, ‘s 16’ in Thomas Dreier and Gernot Schulze, German Copyright Act (6th ed, CH Beck 2018) para 66.
45 See also Steper (n 19) 1270 with further references.
46 These norms influence the InfoSoc Directive according to recital 15 InfoSoc Directive, Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 39 ff.
47 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 42 ff.
48 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 46 ff.
49 See: Case C-174/13 VOB v Stichting EU:C:2016:836, para 47.
50 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 52. See also below chapter III 3.
51 See: Spedicato (n 16) 46 ff; also pointed out by Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 35 ff.
52 At least from a German perspective, s 17(1) German Copyright Act (distribution right) traditionally refers only to the transfer of tangible goods; see the reasoning of the German legislator, BT-Drs. IV/270, 47.
53 Case C-128/11 UsedSoft v Oracle EU:C:2012:407, para 60; Case C-419/13 Art & Allposters v Stichting EU:C:2015:27 = GRUR Int 2015, 284, para 46.
54 Sganga (n 28) 213; Hilty 2018 (n 3) 367. Regarding the WCT: Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet [2019], para 35.
55 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 58.
56 Similar: Hofmann (n 5) 137.
57 Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet [2019], para 92 ff; U.S. Copyright Office, DMCA s 104 Report [2001] 97 f; Reis (n 21) 184; Hilty 2016 (n 3) 76.
58 Jochen Schneider and Gerald Spindler, ‘Der Erschöpfungsgrundsatz bei „gebrauchter“ Software im Praxistext’ CR 2014, 213, 219 ff.
Seeing that the differences seem convincing, one might ask why the same should not hold for software or lending? Sure, due to its special features software was and is a disputed exotic phenomenon in copyright protection, and lending (especially public lending) creates challenges of its own kind. But after all, software is awarded with protection just as a written work, and lending, like every other form of exploitation, must deal with the barriers this exploitation brings along.

One can already see here that the effects of the Tom Kabinett decision go beyond the answer to the first question.

3. The impact on the exhaustion doctrine

The direct effect on exhaustion is apparent. Stating that e-book supply via download enabling a permanent use falls only under the right of communication to the public entails that the exhaustion rule in Art. 4(2) InfoSoc Directive, which is linked to the distribution right, is not applicable. Moreover, Art. 3(3) InfoSoc Directive dictates that the right of communication to the public cannot be exhausted.

But that is not all. It is generally acknowledged that a copyright-protected work must be embedded in a perceivable form (be it on paper, sound waves, data or others) to be protected. Even if copyright protection by its very nature as an intellectual property right protects only intangible goods, the exploitation rights are more or less linked to the perceivable form. The CJEU itself stated that the exhaustion rule refers to an object and not to the work as such. As a logical consequence, the question arises what the object of reference as regards the exhaustion rule could be.

This issue was raised already before the digital transformation. In Germany, the Federal Court of Justice (BGH) applied exhaustion to retransmission in the broadcasting process. It was not until two decades later that the BGH slightly altered its view under the influence of international law. In the end, three relevant subjects of exhaustion are conceivable regarding the dissemination of a copyright-protected work.

• physical carrier,
• data,
• legal position.

When it comes to the transmission of digital copies via download like in the present case, no physical carrier is involved and the particular data set is unlikely to be transferred but rather reproduced. This brings the possible subject of exhaustion to a transfer of the legal position which enables the natural use of the work. The same is even more apparent concerning the streaming technology where data is only temporarily reproduced.

The CJEU’s decision on the distribution right also defines the subject of exhaustion: since the exhaustion rule in the InfoSoc Directive is de lege lata linked to the distribution right – which the CJEU acknowledges by not answering questions two to four here – exhaustion can only limit what the distribution right covers. According to the decision at stake, this is only the transfer of physical carriers. This view might have already been indicated in the Allposters decision. However, the CJEU now leaves no room for doubt. It becomes especially clear with the Court’s argument regarding the distribution right based on an understanding of the exhaustion rule in Art. 4(2) InfoSoc Directive, which according to the Court only covers the circulation of physical copies.

This finding also has consequences for the second user: since transferring the legal position is not possible, permission to use a digital work in its natural way (usually by reproductions) cannot be received via exhaustion.

Even though this finding may have the consequence that exhaustion only applies to the transfer of physical goods, it should also be noted that no definite answer was given to the general question if the legal position to use the work could be passed on to a second user. Possible solutions beyond the exhaustion doctrine are already under discussion and will probably be further developed.

4. The larger impact

Beyond the specifics of the case, the Tom Kabinett decision has far-reaching effects which are worth taking into consideration.

Even though different directives and regulations exist in copyright law, they are all united under the goal of achieving a balance of the involved interests when an intellectual creation is awarded copyright protection. Thus, all of these rules should be seen and treated as one copyright law. Under this premise, it is generally required – and desired by the CJEU – that terminology and

59 A major difference is the natural use of software: in contrast to traditional works, it is not the enjoyment of the work but the application, Rudolf Kraßer and Christoph Ann, Patenetrecht (7th edn, CH Beck 2016) s 2 para 77. For further differences, see: Advocate General Sepunnar, Opinion on Case C-263/18 NUV v Tom Kabinet EUC:2019:111, para 57 f.
60 See Séverine Dusollier, ‘A manifesto for an e-lending limitation in copyright’ [2014] Jipitec 213, 224.
61 Similar: Hofmann (n 5) 137.
62 Case C-310/17 Lexova BV v Smilde Foods BV EUC:2018:899, para 37 ff; in this direction art 2 WCT.
63 Critical on this matter, see Alexander Peukert, ‘Kritik der Ontologie des Immateriengutrechts’ (Mohr Siebeck 2018).
64 Case C-419/13 Art & Allposters v Stichting EUC:2015:27, para 40.
65 BGH, GRUR 1981, 413, 417 – Kabelfernsehen in Abschattungsgebieten.
66 BGH, GRUR 2000, 699, 701 – Kabellotseinsendung.
67 Ohly (n 4) 42; similar: Pech (n 3) 211 f; Petermann and Specht (n 20) 732. Others have discovered different levels/periods of transmission that the technology enables, see Hilty 2016 (n 3), 64 f. In the end, it seems that everything points in the same direction.
68 It is discussed if a lawful user needs an explicit contractual copyright licence to use a digital work (which could be subject to the transfer) or if such licence is unnecessary due to the exceptions and limitations in art 5(1) and art 5(2) b InfoSoc Directive and therefore only access is required. For a good overview of the discussion, see Pech (n 3) 198 n 391. However, the term ‘legal position’, which is used here, should cover both: a potential contractual copyright licence and/or a pure contractual position enabling ‘only’ access to online content.
69 See: Capitol Records, LLC v. ReDigi Inc; 934 F. Supp. 2d (S.D.N.Y. 2013) 640, 655; Mezei (n 10) 44; Ansgar Ohly, ‘Nederlands Patentrecht’ (Mohr Siebeck 2001) 37 ff; but also: Goldsmith, ‘The Exhaustion Doctrine in the Context of the Information Society Directive’ (7th edn, CH Beck 2016).
70 Hilty 2016 (n 3) 73 ff; Hilty 2018 (n 3) 876.
71 Hilty 2018 (n 3) 875 f; Pech (n 3) 243.
72 Case C-419/13 Art & Allposters v Stichting EUC:2015:27, para 37.
73 The referring court in the present case doubted such interpretation: Reichbank Den Haag, 12 July 2017, para 5.4.2 <https://uitspraken.rechtspraak.nl/uitspraken/document?id=ECLI:NL:RBDHA:2017:7433> accessed 31 January 2020. Also: Lilian Oppy, Reconciling the Material and Immaterial Dissemination Rights in the Light of the Developments under the EU Copyright Acquis (University of Tartu Press 2020) 174.
74 Case C-263/18 NUV v Tom Kabinet EUC:2019:1111, para 52.
75 See chapter IV.
76 Cases C-403/08 and C-429/08 FAPL v Murphy EUC:2011:631 = GRUR Int 2011, 1063, para 188; Case C-128/11 UsedSoft v Oracle
concepts contained in different directives are interpreted in the same way. With such an approach, the systematic coherence and unity of the European Union legal order can and should be reached.

When assessing the transmission and exhaustion of digital copies, the interpretation of at least three terms and concepts is crucial: ‘copy’, ‘distribution’ and ‘sale’.

a) InfoSoc Directive vs. Software Directive and Rental and Lending Directive

Obviously, the question arises of how the findings in Tom Kabinet regarding the InfoSoc Directive go along not only with the UsedSoft decision as regards the Software Directive but also with the Stichting decision as regards the Rental and Lending Directive.

Whereas in UsedSoft and Stichting the Court considered the term ‘copy’ to encompass digital and analogue variants, it states in Tom Kabinet that under the InfoSoc Directive ‘copy’ is only to be understood as analogue copy. As a consequence, the distribution right also differs between the Software and the InfoSoc Directives: the latter only covers the transfer of physical copies while the Software Directive also factors in transmission via download.

Although in Stichting the exploitation concerned lending as opposed to distribution, the very same exploitation right covers the temporary transfer of physical carriers and downloading.

One key argument in UsedSoft was the extended interpretation of the term ‘sale’ in Art. 4(2) Software Directive. Because the Court did not answer the second question in Tom Kabinet, which was explicitly directed to the application of the exhaustion rule, it is not clear whether the CJEU also aims at a deviating interpretation as regards the term ‘sale’ in the InfoSoc Directive. However, if one day the CJEU needs to take a position on this matter, the new directives – 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services and 2019/771 on certain aspects concerning contracts for the sale of goods – should also be taken into account.

Obviously, the three decisions can hardly be united under a common abstract idea. Upon closer inspection, it is also not the Tom Kabinet decision that lacks doctrinal coherence. The application of the distribution right to download was already unconvinced in UsedSoft. One might even struggle to follow the Stichting decision since the wording of Art. 2(1) b; Art. 1(1) Rental and Lending Directive is also not really fitting for lending digital copies.

It should further be added that the differing treatment of terms did not arise first with Tom Kabinet but was already stated in Stichting. The CJEU differed here between lending rights and rental rights regarding the application of the same rule in the very same directive.

b) The legal principle of exhaustion

When it comes to the various applications of the exhaustion doctrine, it gets even more delicate.

The exhaustion doctrine is widely acknowledged as a legal principle. Over the years, it has been codified in law both in many member states at the national level and ultimately also at the European level. One significant function of every legal principle is to treat comparable facts in a comparable way.

The incoherent treatment of exhaustion regarding software and traditional works is not in line with this idea: whereas the CJEU has acknowledged – not only in UsedSoft but also in subsequent decisions – that due to the exhaustion principle even the transfer of the legal position does not need the rightholder’s consent, the Court does not apply this view when it comes to traditional works.

Although codified in separate directives, the different application of the very same doctrine is irritating, especially because the wording of these directives does not evoke different interpretations. To be more precise: even though the InfoSoc Directive might imply that the exhaustion rule cannot be applied to downloading, the wording of the Software Directive does not explicitly require an application in the same situation. Moreover, the exhaustion doctrine has been applied for decades without being codified. In German patent law this is still the case: here, the exhaustion principle is assumed to be rooted in customary law. The exhaustion doctrine was

87 An analogy would have helped, see Steiper (n 19) 1270.
88 Case C-174/15 VOB v Stichting EU:C:2016:856, paras 35, 38, 44.
89 Jens Schovsbo, ‘The Exhaustion of Rights and Common Principles of European Intellectual Property Law’ in Ansgar Ohly (ed), Common Principles of European Intellectual Property Law (Mohr Siebeck 2012) 169, 171 f; Opprys (n 72) 146; Reto M Hilty, Kaya Kokila and Fabian Hafenhbridl, ‘Software Agreements: Stocktaking and Outlook – Lessons from the UsedSoft v Oracle Case from a Comparative Law Perspective’ 44 IIC 283, 278 (2013); Maximilian Becker, ‘Zur Dogmatik des Erschöpfungsgrundsatzes im digitalen Urheberrecht’ UFFTA 2015, 687; Ohly (n 4) 42; Lilija Opprys, Raimundas Matulevičius and Aleksė Kelli, ‘Development of a Secondary Market for E-books’ [2017] Jipotec 128, 129; Mezei (n 10) 24; focused on trademarks: Friedrich-Karl Beier, ‘Territoriality of Trademark Law and International Trade’ 1 IIC 48, 56 f (1970).
90 See eg s 17(2) Copyright Act in Germany; s 18(3) Copyright, Designs and Patents Act 1988 in UK; art L 122-3-1 Code de la propriété intellectuelle in France.
91 Axel Metzger, Extra legem, intra ius: Allgemeine Rechtsgrundsätze im Europäischen Privatrecht (Mohr Siebeck 2009) 105; similar: Reinhard Sucker, ‘Der digitale Warenkuss im Urheberrecht’ (Mohr Siebeck 2014) 67.
92 Case C-128/11 UsedSoft v Oracle EU:C:2012:407, para 59; Case C-166/15 Ranks v Microsoft Corp. et al EU:C:2016:762 = GRUR Int 2016, 1153, para 32 f; see also Dettmering and Specht (n 20) 732. As regards the UsedSoft decision: Hilty 2018 (n 3) 869, 873.
93 In this direction: Sgambar (n 28) 213.
94 See eg Germany, where the doctrine was codified in 1965 but has been applied since 1906 (see n 1). In France the doctrine was only enabled in 2006.
95 Alfred Keukenschrijver, ‘s 9’ in Rudolf Busse and Alfred Keukenschrijver, German Patent Act (8th edn, De Gruyter 2016) para 143.
a concept principally independent of any specific provisions. With its recently inconsistent application, the legal principle’s inherent function of coherence is in danger of not only creating a rule/exception relation but of falling apart.

Besides theoretical concepts, one particular issue is the increasing relevance of hybrid products containing a combination of software and traditional works. A good example is that of computer games, which are already an established part of the entertainment industry. These are regulated by both the Software and the InfoSoc Directives because a computer programme and traditional works (e.g. storytelling and music) are encompassed in such games. Different rules for the same product are unlikely to increase legal certainty on how or if to sell and resell such products.

c) Evaluation

How to explain the differences outlined above? The answer the CJEU gives in Tom Kabinet – which it has given before is quite formal: the legislator intended to treat digital and analogue copies in the same way as regards the Software Directive but not as regards the InfoSoc Directive.

The different directives may formally legitimate the Court’s view. However, considering the whole picture, the diverse treatment regarding the same terminology, same exploitation rights and same limitations (exhaustion) is in contradiction to the aforementioned function of coherence in copyright law.

Ultimately, this is not a mistake caused by the Tom Kabinet decision. It is rather the case that the previous decisions, UsedSoft and Stichting, were focused on market sectors and raised doctrinal issues that could not generally be adopted. At a certain point this approach could no longer be maintained: that is when the CJEU made its Tom Kabinet decision.

IV. Conclusion and ways forward

In the end, the question remains if the Tom Kabinet decision could have fulfilled the aforementioned high expectations. The CJEU decided that reselling e-books via download requires the permission of the rightholder. Thus, from a practical point of view, the issue is solved.

From a theoretical point of view, it is only partly solved. By interpreting the scope of exclusive rights, the CJEU also drew consequences regarding the subject of the exhaustion rule in Art. 4(2) InfoSoc Directive. The way the CJEU chose to get to its ruling (the wording of rules and recitals which were implemented before the existence of many digital business models) may not offer great insights about the legal principle of exhaustion as such, but after all, this is the approach the CJEU is expected to take. Thus, in principle, the judgment is to be welcomed.

However, this should not hide the issue underlying the positive law: how far should the rightholder’s exclusive right (may it be the distribution right or the right of communication to the public) be extended?

One could start with the exhaustion doctrine and argue to release this principle de lege ferenda from the distribution right. But maybe it is slowly becoming time to move away from this doctrine, including its dogmatic frame, and strike out in new directions. One way would be to revitalise the roots of exhaustion – a contractual construct according to which the rightholder implicitly gives his or her consent to forward and use a copyright protected work (‘implied licence’). Whether such implied consent regarding digital works can be extracted of the rightholder’s own free will seems doubtful. Fully featured consent can hardly be imputed and consent in the sense of the ‘one copy one user’ model seems too artificially construed. However, the possibility to override a person’s implied consent via an explicit contractual restriction (and ultimately technical measures) hinders an effective mechanism.

Another discussed possibility would be an assessment by competition law, which limits anticompetitive effects of copyright (over-)protection even if specific copyright limitations (like exhaustion) do not apply. But here, doubts remain as to whether antitrust law and its requirements are really helpful and effective in the specific situation.

Since trading with physical carriers is decreasing, contracts regarding access to copyright-protected works come more into focus. Whether the new directive regarding contracts for the supply of digital content and digital services can help remains to be seen. At the very least, the interpretation of Art. 8(1) a Directive 2019/770 regarding ‘normal use’ could provide new options for the future. It will be interesting to see if and how broad the contractual position will be interpreted and whether that could ultimately lead to any limiting effects on copyright law.

96 See also Savio (n 11) 418; Peter (n 14) 500 f.
97 Case C-355/12 Nintendo Co. v. PC Box Srl EU:C:2014:25 = GRUR Int 2014, 283, para 23.
98 Yet, the CJEU tends to favour an application of the InfoSoc Directive, Case C-335/12, Nintendo Co. v. PC Box Srl EU:C:2014:25, para 23.
99 See Case C-128/11 UsedSoft v Oracle EU:C:2012:407, para 60.
100 Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 55 f.
101 See chapter III 4. This was already seen but ultimately denied in the present case by Advocate General Szpunar, Opinion on Case C-263/18 NUV v Tom Kabinet EU:C:2019:1111, para 78.
102 Also Ohyi (n 69) 185.
103 See chapter II.

104 Eleonora Rosati, ‘Online copyright exhaustion in a post-Allposters world’ (2015) JIPLP 673, 679 ff; Peter Mezei, ‘Copyright Exhaustion’ (Cambridge University Press 2018) 141, 148 ff; Sanga (n 28) 213; Steiner (n 19) 111. Also mentioned by Bernd Jütte, ‘Ein horizontales Konzept der Öffentlichkeit – Facetten aus dem europäischen Urheberrecht’ UFITA 2018, 334, 364 f.
105 Josef Kohler, Deutsches Patentrecht (Bensheimer 1878) 160 ff; Josef Kohler, Patent- und Industrierecht (Bensheimer 1889) f; Hilty 2016 (n 3) 73; Hilty 2018 (n 3) 876; Ohyi (n 69) 185.
106 See chapter III 2 b.
107 Hilty 2016 (n 3) 72; Hilty 2018 (n 3) 880.
108 Hilty 2016 (n 3) 81; Hilty 2018 (n 3) 880.
109 See chapter III 4 a.
110 ‘… digital content or digital service shall be fit for the purposes for which digital content or digital services of the same type would normally be used […]’.