Second-Hand Software OK in the EU

By Christopher Barnett

A flurry of attention surrounded the recent legal saga of Timothy Vernor and his protracted fight against Autodesk to re-sell software via eBay. In the end, it was decided by the Ninth Circuit Court of Appeals that the "first sale" doctrine applicable to other kinds of copyrighted works does not apply to software licenses and that software publishers may use copyright law to prevent the development of a market in second-hand software packages. (More information on the Vernor outcome is available here.)
Apparently, things would have turned out differently for Mr. Vernor if he had been a resident in the European Union. This July, the EU Court of Justice issued a decision reaching a conclusion in a case involving Oracle software that was the direct opposite of the Ninth Circuit's opinion in Vernor:

> *Where the copyright holder makes available to his customer a copy – tangible or intangible – and at the same time concludes, in return from payment of a fee, a licence agreement granting the customer the right to use that copy for an unlimited period, that rightholder sells the copy to the customer and thus exhausts his exclusive distribution right.*

While the Court of Justice did not identify a "first sale" doctrine (which is natural, given that it was interpreting a different set of laws), the outcome was the same. There is, apparently, nothing in the copyright laws of the EU that prevents a software licensee from reselling his license to a third party.

So businesses with operations in the EU should start saving money by selling and buying up used software licenses, right? Not so fast. Just because there is no remedy under the EU's copyright laws does not mean that Oracle and other software publishers are without recourse. Assuming there is no change in the applicable laws in the EU in coming years, I expect to see software license agreements evolve to include countermeasures against second-hand sales. During audits, publishers likely will continue to reject credit for licenses not found to be registered to an audited company. In addition, though, we may also see the rise of provisions that effectively place the burden on licensees to keep tabs on their licenses. For example, a publisher might include a term in its license agreement that threatens to terminate a company's licenses, support and purchasing rights if a software serial number previously registered to it is found to be in use by an un-related third party.

Companies doing business in the EU therefore need to remain vigilant and careful with respect to their software license purchasing decisions. The Court of Justice's decision may have some value for certain businesses involved in some kinds of licensing disputes. However, given the severe operational disturbance that could result from a publisher terminating prospective license and purchasing rights, larger enterprises especially should not consider the decision to represent an invitation to abandon the status quo.

About the author Christopher Barnett:

Christopher represents clients in a variety of business, intellectual property and IT-related contexts, with matters involving trademark registration and enforcement, software and licensing disputes and litigation, and mergers, divestments and service transactions. Christopher's practice includes substantial attention to concerns faced by media & technology companies and to disputes involving new media, especially the fast-evolving content on the Internet.

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