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Brussels, 12 October 2018

OPINION on Case C-263/18 (NUV/GAU v. Tom Kabinet)

I. Introduction

ALAI has become aware of case C-263/18 in which the District Court of The Hague, in the Nederlands Uitgeversverbond (NUV)/Groep Algemene Uitgevers (GAU) v. Tom Kabinet case has referred four questions to the Court of Justice of the European Union (CJEU), of which the first is the most decisive:

> *Must Article 4(1) of the Copyright Directive be interpreted to mean that "any form of distribution to the public of the original of their works or of copies thereof by sale or otherwise" also means making e-books (i.e. digital copies of copyright-protected books) available remotely by means of downloading for use for an indefinite period of time for a price at which the copyright owner receives a remuneration that corresponds to the economic value of the copy of his work?*[1]

ALAI is of the opinion that this question should be answered in the negative. The right of distribution as provided in Article 4(1) of the Copyright Directive (Directive 2001/29/EC of 22 May 2001) – as also in Article 6 of the WIPO Copyright Treaty (WCT) (as clarified by the accompanying Agreed Statement) – applies only to tangible objects. With respect to works accessed by download, the relevant right is the making available right, under Copyright Directive Article 3(1). Article 3(3) clearly establishes that this right "shall not be exhausted by any act of communication to the public or making available to the public." This is the rule irrespective of the period of time for which the copy remains with the member of the public[2] and of the payment she or he has made, if any. While the Dutch court's reference implies a misunderstanding of the application of the distribution right and its exhaustion to internet-accessed works, German courts, by contrast, in the LG (*Landgericht*) Bielefeld's decision on e-

[1] Judgement of the District Court of The Hague of 28 March 2018 in *Nederlands Uitgeversverbond (NUV)/Groep Algemene Uitgevers (GAU) v. Tom Kabinet* in case C/09/492558 / HA ZA 15-827 (hereinafter: "Tom Kabinet").

[2] Other than for a transient digital copy mentioned in Article 5(1) of the Copyright Directive.

books[3] and the OLG (*Oberlandesgericht*) Hamm decision on audio books,[4] have correctly ruled that making works available by download is not subject to exhaustion. In view of the Copyright Directive's provisions, and the nature of the making available and distribution rights set out in the WCT, the above-mentioned German courts correctly understood that the exhaustion doctrine does not apply.

II. The right of distribution – and therefore the provisions on exhaustion of the right, under the WCT and the Copyright Directive – does not apply to making available works by download

The CJEU in the *Allposters* case[5], comprehensively dealt with the nature of the copy subject to exhaustion. The Court of Justice, quoting the relevant provisions of the WCT and the Copyright Directive, pointed out that the right of distribution applies to "*tangible articles*" as *objects* and that, consequently, the "first sale in the [European Union] 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*" (emphasis supplied, see paras. 34-37). Significantly for the matter referenced by the Dutch court, the CJEU declared: "the consent of the copyright holder does not cover the distribution of an object incorporating his work if that object has been altered after its initial marketing *in such a way that it constitutes a new reproduction of that work*" (emphasis supplied; para 46). While *Allposters* remained within the realm of tangible objects, its insistence that the copy initially distributed be identical to the copy resold, presents an additional reason for rejecting any application of exhaustion to making available works by download: the communication of a work in digital form by download always entails "a new reproduction of that work." An electronic transfer simply cannot relate to any tangible object i.e., "that object."

III. With respect to the acts described in the Dutch court's question, the right of making available applies, and is not exhausted with the first performance of such act

The act described in the first question submitted by the District Court of The Hague – "making e-books (i.e. digital copies of copyright-protected books) available remotely by means of downloading for use for an indefinite period of time for a price at which the copyright owner receives a remuneration that corresponds to the economic value of the copy of his work" is covered by the right of making available to the public provided in Article 8 of the WCT and Article 3(1) of the Copyright Directive as an element of a broad right of communication to the public.

The Dutch court erred when, as a matter of *acte clair*, it found that this right is not applicable to the described act. If there is an *acte clair* – and in ALAI's view, there is – it applies in a manner precisely the opposite of the Dutch court's reasoning.

First, it is hardly questionable that the membership of the Tom's Reading Club forms a group of an indefinite number of people which qualifies as "public". The court's description of the system shows that Tom Kabinet is an e-book trader who deals with the general public. Moreover, Reading Club members initially paid monthly access fees, and later purchased and sold back copies bought through Tom Kabinet.[6] The for-profit nature of Tom Kabinet's relationship to its

[3] LG Bielefeld 5 March 2013 (4 O 191/11).
[4] OLG Hamm of 15 May 2014 (Urt. v., Az.: 22 U 60/13).
[5] Judgement of the CJEU of 22 January 2015 in *Allposters v. Pictoright* (Case C-419/13) (hereinafter: "Allposters").
[6] *Tom Kabinet*, paras 3.8, 3.11 and 3.12.

Club members buttresses the characterization of those "members" as "the public."[7]

Second, it is also clear that, through Tom Kabinet's system, the e-books are made available to any member of the "Reading Club", which is in fact an open group of a great number of people. Practically, any member of the public could access a copy of a book from a place and at a time individually chosen. Contrary to the position expressed by the referring court, in this way, an act of making available to the public takes place and, for performing of such an act, under Article 3(1) of the Copyright Directive and Article 8 of the WCT, the authorization of the rightholders is necessary.

It is clear by virtue of those provisions that the relevant act is performed by making available – offering – a work in a way that members of the public *may* access it individually. Usually actual access also takes place but it is not a condition for finding that the work has been made *available* (in the text, the word "may" indicates this by not leaving any doubt about this), as the CJEU confirmed in *Svensson*,[8] and in subsequent cases, such as in *Brein v. Wullems*[9] and *Brein v. Ziggo*[10].

Third, the District Court of The Hague has also disregarded another key – in fact, definitional – aspect of the right of making available to the public; namely that the possibility of access is individualized ("at a time and at a place *individually chosen*") by the member of the public. Therefore, it does not change the characterization of Tom Kabinet's acts as making available to the public that, at each occasion (of many), one member of the public at a time downloads an e-book from Tom Kabinet's system individually. On the contrary, the essence of "making available" is individualized access. The work is no less "made available" when individual members of the public access it seriatim rather than simultaneously.

Fourth, it seems that the Dutch court has not understood correctly the essence of the so-called "umbrella solution" on which the right of making available to the public is based; namely that the right is applicable not only to acts such as streaming but also to other acts of dissemination where the work is made available to the public in a way that a member of the public may download a copy.[11] As the Copyright Board of Canada recently stated, in construing WCT Article 8 – which the Copyright Directive codifies in Article 3(3) – in light of the "umbrella solution", "there does not appear to be any significant dispute that the WIPO Internet Treaties were intended to cover the making available of works and other subject-matter in a way that they may be downloaded or streamed."[12] Perhaps the recipients of the downloads consider their communication as *functionally* equivalent to distribution of copies. Juridically, however, as the CJEU held in *Allposters*, under the WCT and the Copyright Directive, the right of distribution applies only to tangible objects, i.e. copies. While the first sale of a copy exhausts the distribution right in that copy, article 3(3) of the Copyright Directive instead clearly establishes, with respect to the dissemination in intangible form, that the right of making available is not exhausted with a lawful offer to make the work available to the public by download.

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[7] See, e.g., Judgment of the CJEU of 26 April 2017. *Brein v. Wullems [Filmspeler]* (Case C-527/15) para 34.
[8] Judgment of the CJEU of 13 Febr. 2014 in *Svensson v. Retriever Sverige AB* (Case C-466/12).
[9] Supra, note 7.
[10] Judgment of the CJEU of 17 June 2017 in *Brein v. Ziggo et al.* (Case C-610/15).
[11] For the description and analysis of the "umbrella solution", *see* M. Ficsor, *The Law of Copyright and the Internet – The 1996 WIPO Treaties, their Interpretation and Implementation*, Oxford University Press, 2002, pp. 145 – 254; J. Reinbothe - S. von Lewinski, *The WIPO Treaties on Copyright – A Commentary on the WCT, the WPPR and the BTAP, Second Edition*, Oxford University Press, 2015, pp. 124 – 144; S. Ricketson – J. Ginsburg, *International Copyright and Related Rights – The Berne Convention and Beyond*, Oxford University Press, 2006, pp. 741 – 749, and Guide to the Copyright and Related Rights Treaties Administered by WIPO and Glossary of Copyright and Related Rights Terms, WIPO publication No. 891 (E), 2003, (hereinafter: "WIPO Guide and Glossary") pp. 207 – 211 and 315.
[12] CB-CDA 2017-085, para 138 (Aug. 25, 2017).

Fifth, the right of making available to the public applies also where a copy of a work – such as an e-book – is made available in the way described in the first question referred to the CJEU by the Dutch court; that is, for use for an indefinite period of time for a price by means of which the copyright owner receives a remuneration that corresponds to the economic value of the copy of his work (for its use by the person who has obtained it, but not necessarily for its quick subsequent use by a number of people without any control). There is nothing in the text and the legislative history of the provisions of Article 8 of the WCT and Article 3(3) of the Copyright Directive which would make the application of the right of making available to the public dependent on whether, in the case of making available of works for downloading, the downloaded copy is for use for an indefinite time or for a limited time and on how much the user is to pay (and, as a matter of fact, whether she or he has to pay at all). To limit the right of making available to conditional downloads, such as downloads limited in time or frequency of viewing, impermissibly truncates the scope of the right.

IV. The impact, if any, of the UsedSoft and VOB judgments of the CJEU on the Tom Kabinet case

The referring court appears to have concluded that making available works for download could be subject to exhaustion on the basis of the CJEU's decisions in *Usedsoft*[13] and *VOB*.[14] The latter decision in fact did not involve exhaustion, but arguably denotes an inclination on the part of the CJEU to limit authors' rights in connection with digital copies.

Those judgments, however, in no way suggest a general rule of digital exhaustion. In *UsedSoft*, the CJEU made clear that online exhaustion applies *only* to computer programs.[15] The computer-specific outcome results from what the Court has found to be *lex specialis* provisions in the Computer Programs Directive (Directive 2009/24/EC of 23 April 2009[16]), which, unlike the Copyright Directive, does not include a making available right. As to all works of authorship that are covered by the Copyright Directive, which certainly includes literary works in ebook format, there is a right of making available, and it is not exhausted (Copyright Directive art. 3(3)).

VOB addressed the question whether the right of public lending (and its limitations) extended to making available works by download. The CJEU recognized that, consistently with the WCT, the right of rental applied only to tangible objects, but the court found no indication that the public lending right could not apply to making available works by download. With respect to the right of rental, the court emphasized the Agreed Statement to WCT Article 7: "intangible objects and non-fixed copies, such as digital copies, must be excluded from the rental right, governed by the Rental Directive (Directive 2006/115/EC of 12 December 2006), so as not to be in breach of the agreed statement annexed to the WIPO Treaty" (para. 39). That Agreed Statement[17] is identical to the Agreed Statement to the WCT Article 6 distribution right, from which we may presume that the CJEU would similarly preclude the application of the distribution right (and concomitant limitations on that right) to making works available in intangible form.

Thus, while at first blush, *VOB* seems relevant to *Tom Kabinet* since it also concerns online making available to the public of e-books, in fact its application is carefully circumscribed to only

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13 Usedsoft v. Oracle International, Case C-128/11, (July 3, 2012)

14 Vereniging Openbare Bibliotheken v. Stichting Leenrecht, Case C-174/15 (November 10, 2016)

15 *UsedSoft*, para. 51 and 50.

16 The 2009 version is a codified one. The original text of the Computer Programs Directive was adopted as Directive 91/250/EEC on 14 May 1991; those provisions which are analyzed in this opinion have remained the same as in the original 1991 version.

17 Under the Agreed Statement, „copies" and „original and copies" "refer exclusively to fixed copies that can be put into circulation as tangible objects".

those cases where a non profit library makes a copy of an e-book available online for members of the public "by placing that copy on the server of a public library and allowing the user concerned to reproduce that copy by downloading it onto his own computer, bearing in mind that only one copy may be downloaded during the lending period and that, after that period has expired, the downloaded copy can no longer be used by that user".[18] It is such an act about which the Court of Justice has found that "there is no decisive ground allowing for the exclusion, in all cases, of the lending of intangible objects from the scope of Directive 2006/115."[19] By contrast, Tom Kabinet's for-profit business model is a far cry from the library lending context of *VOB*.

More importantly, *VOB* established that the application of the lending right to making works available by download stands in stark contrast to the restriction of the rental right, and (for the reasons we have shown) implicitly, of the distribution right to tangible objects. On that issue, paragraphs 31 to 34 of *VOB* offer the basic response:

> 31 … [I]t follows from recital 7 of Directive 2006/115 that '*the legislation* of the Member States *should be approximated in such a way as not to conflict with the international conventions* on which the copyright and related rights laws of many Member States are based'.
>
> 32 *The conventions which that directive must respect include, in particular, the WIPO Treaty*, to which the European Union and all the Member States are parties.
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> 33 Consequently, *it is necessary to interpret the concepts of 'objects' and 'copies',* for the purposes of Directive 2006/115, *in the light of the equivalent concepts in the WIPO Treaty* (see, by analogy, judgment of 15 March 2012, *SCF*, C-135/10, EU:C:2012:140, paragraph 55).
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> 34 *According to the agreed statement annexed to the WIPO Treaty, the concepts of 'original' and 'copies',* in Article 7 of that treaty, in relation to the right of rental, *refer 'exclusively to fixed copies that can be put into circulation as tangible objects'*. It follows that *intangible objects and non-fixed copies, such as digital copies, are excluded from the right of rental.* (Emphasis added.)

It is to be noted, that the coverage of *VOB* is narrow not only in that it only applies to lending (and it does not apply to rental - and, of course, not to distribution - of any works, including any e-books) but also in that, even in regard to lending, it clearly covers only e-books and it does not apply necessarily to the lending of other categories of works, in particular certainly not to films.[20]

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[18] *VOB*, para. 27.

[19] *Ibid.*, para. 44.

[20] The CJEU recognizes the relevance of a statement in the explanatory memorandum: The making available for use within the meaning of paragraph 2 always refers to material objects only; this result is sufficiently supported by Article 2 paragraph 1. Therefore, the making available for use of, for example, a film by way of electronic data transmission (downloading) is not covered by this Rental Directive.
However, according to the Court, this statement must not be understood necessarily as also covering e-books, the online making available of which by libraries and similar institutions was not a known practice at the time of the adoption of the relevant provisions as parts of the original text of the Directive in 1992 (which have not been amended when they were included in a consolidated text in 2006); see VOB, para 42.
The other argument (in para. 43 of VOB) – according to which the desire voiced by the Commission finds no direct expression in the text of the proposal seems to be less strong, because, although this really may be said about the proposal, in the text of the adopted Directive, there is such expression. In Article 11(3) of the Directive the expression "rental or lending of an object referred to in points (a) to (d) of Article 3(1) appears, and it is the referred to Article 3(1)(a) which determines the subject matter of the acts – "rental and lending" in the same way – as "original or copies" of the work (while the definitions of rental and lending in Article 1 of the Rental Directive only differ on whether or not commercial or some other economic advantage is pursued by the same acts).

V. Conclusion

As discussed above, the act described in the first question of the District Court of The Hague is not an act of distribution, but an act of making available to the public under Article 3(1) of the Copyright Directive and Article 8 of the WCT, which with the first – and any subsequent – performance of such an act does not exhaust. CJEU decisions authorizing resale of digital licenses (*Usedsoft*) or extending the library public lending right to making available works by download under certain conditions (*VOB*) are distinguishable and do not undermine the general rule that there is no exhaustion of the making available right.

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