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Preliminary question to the ECJ: Is the breach of a software licence agreement a copyright infringement?

Brad Spitz (REALEX) · Thursday, March 7th, 2019

Following the Paris Court of Appeal judgment of 10 May 2016 (No 14/25055), the French courts have tended to consider that a licensee who breaches the terms of a software licence agreement does not commit copyright infringement, and that general contractual liability applies instead. In the aforementioned case, the Court dismissed the licensor's (Oracle) claims that its licensee had committed copyright infringement. The case law is nevertheless not entirely clear-cut: in a judgment of 1 September 2015, the Court of Appeal of Versailles ruled that the use of a computer program in breach of a licence agreement does constitute copyright infringement (No 13/08074, *SAS Technologies v SAS Infor Global Solutions*).

The Court of Appeal of Paris has now had its own doubts and has recently referred the following preliminary question to the ECJ (*IT Development v Free Mobile, 16 October 2018, No 17/02679* – before the ECJ, Case C-666/18):

'*Does a software licensee's non-compliance with the terms of a software licence agreement (by expiry of a trial period, by exceeding the number of authorised users or some other limit, such as the number of processors which may be used to execute the software instructions, or by modifying the source code of the software where the licence reserves that right to the initial rightholder) constitute:*

– an infringement (for the purposes of Directive 2004/48 of 29 April 2004) of a right of the author

of the software which is reserved by Article 4 of Directive 2009/24/EC of 23 April 2009 on the legal protection of computer program

– or may it comply with a separate system of legal rules, such as the system of rules on contractual liability under ordinary law?'.

The facts of *IT Development v Free Mobile* are the following: IT Development entered into a licence agreement and a maintenance agreement with Free Mobile, a French mobile operator, for the use of the 'ClickOnLine' software, designed to enable the licensee to organise and monitor the evolution of the deployment of all its radiotelephone antennas in real time. IT Development decided to bring a case against Free Mobile, claiming that the latter had modified the computer program and that this breach of contract constituted copyright infringement.

Interestingly, the Court of First Instance of Paris ruled that there are two distinct legal regimes (Tribunal de grande instance de Paris, 6 January 2017, No 15/09391):

- A first regime based on Article L122-6 of the French intellectual property Code ('IPC') that defines the exclusive rights (Article L122-6 implements Article 4 of the Directive on computer programs): the breach of these rights constitutes copyright infringement;
- A second regime based on Article L122-6-1 IPC which provides that the rightholder may by contract reserve the right to correct errors (Article L122-6-1 IPC implements Article 5-1 of the Directive on computer programs): general contract law applies to the breach of the conditions under which the computer program may be corrected or modified. And since IT Development argued that Free Mobile had committed copyright infringement by modifying the program without authorisation, the Court of First Instance dismissed the claim.

The implications of the judgment that will be rendered on referral by the ECJ are important: the procedural rules, the measures that can be sought by the plaintiffs (in particular seizures), as well as the calculation of damages, differ substantially depending on whether the claim is based on copyright infringement or on general contract law.

However, the ECJ ruling will certainly be limited to computer program licences. Indeed, other types of works are not subject to the same rules: the scope of the exclusive right for computer programs is defined by the legislator as well as by the rightholders who may stipulate in their contracts that the licensee is not entitled to modify or alter the program (Articles 5-1 of Directive 2004/48 and L122-6-1 para. 1 of the French intellectual property Code).

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