Kluwer Copyright Blog

CJEU: The breach of an IP clause of a software licence agreement constitutes a copyright infringement.

Brad Spitz (REALEX) · Friday, August 21st, 2020

The Court of Justice of the EU has handed down its judgment (18 December 2019, Case C-666/18) following the request for a preliminary ruling from the Paris Court of Appeal (*IT Development v Free Mobile, 16 October 2018, No 17/02679*; see our post here). In answer to the question: does the breach of a software licence agreement constitute a copyright infringement, or may a contractual liability regime apply to that breach?, the CJEU answers: the breach falls within the concept of 'infringement of intellectual property rights', and the owner of the program must be able to benefit from the guarantees provided for by Directive 2004/48 on the enforcement of intellectual property rights, regardless of the liability regime applicable under national law.

French case-law

Following a judgment of the Paris Court of Appeal of 10 May 2016 (No 14/25055), the French courts had 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 therefore dismissed the licensor's (Oracle) claims that its licensee had committed copyright infringement. The case-law of the French courts was 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 facts of the *IT Development v Free Mobile* case referred to the CJEU 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 a copyright infringement. In line with the judgment of the Paris Court of Appeal of 10 May 2016, the Court of First Instance of Paris ruled that there are two distinct legal regimes (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.

This solution has been rightly criticised. Firstly, the parties to a software licence agreement do not anticipate, in their contracts, the fact that contractual liability will apply to a breach of an IP related clause, such as a clause limiting the number of users of the program; whereas if such a clause is breached, clauses such as the limitation of liability clause could limit the licensee's liability. Secondly, the solution runs up against legal orthodoxy: outside the scope of the contract, the contract should no longer apply, and if the courts nevertheless apply the contractual liability regime instead of the specific copyright regime, the scope of said contract is artificially broadened (Sophie Haddad and Antoine Casanova, *Le de?bat est (enfin) tranche? : le non-respect des termes du contrat de licence de logiciel est une contrefac?on*, Revue Lamy Droit de l'Immatériel, No 167, Feb. 2020). The practical consequence of this solution is that if the contractual liability regime is applied instead of the copyright regime, the rightholder will not be able to rely on the specific guarantees provided by copyright law, and in particular the specific procedural rules, the measures that can be sought by the plaintiff (e.g. seizures), and the calculation of damages.

The question referred for a preliminary ruling

IT Development appealed the judgment of the Paris Court of First Instance, and the Court of Appeal of Paris referred the following preliminary question to the CJEU:

'*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 CJEU reworded the question: '*it must be considered that, by its question, the referring court asks, in essence, whether Directives 2004/48 and 2009/24 must be interpreted as meaning that the breach of a clause in a licence agreement for a computer program relating to the intellectual property rights of the owner of the copyright of that program falls within the concept of 'infringement of intellectual property rights', within the meaning of Directive 2004/48, and that, therefore, that owner must be able to benefit from the guarantees provided for by that directive, regardless of the liability regime applicable under national law.*' (para. 30).

The CJEU's judgment

The CJEU explains that '*Directive 2009/24 does not make the protection of the rights of the owner of the copyright of a computer program dependent on whether or not the alleged infringement of those rights is a breach of a licence agreement*' (para. 33), and that the scope of Directive 2004/48 must be defined as widely as possible in order to encompass all the intellectual property rights covered by the provisions of EU law in that field or by the national law of the Member State concerned (para. 38).

The CJEU adds that even though the determination of the liability regime applicable in the event of infringement of the copyright of a computer program by a licensee of that program falls within the competence of the Member States, '*the application of a particular liability regime should in no way constitute an obstacle to the effective protection of the intellectual property rights of the owner of the copyright of that program as established by Directives 2004/48 and 2009/24*' (para. 46).

The CJEU concludes by recalling that the national court is required to interpret national law in conformity with the requirements of EU law and to thus ensure the full effectiveness of EU law (para. 48), and rules that '*Directives 2004/48 and 2009/24 must be interpreted as meaning that the breach of a clause in a licence agreement for a computer program relating to the intellectual property rights of the owner of the copyright of that program falls within the concept of 'infringement of intellectual property rights', within the meaning of Directive 2004/48, and that, therefore, that owner must be able to benefit from the guarantees provided for by that directive, regardless of the liability regime applicable under national law*'.

The case has returned before the Court of Appeal of Paris, which must now determine the liability regime applicable to the infringement of the copyright of the computer program by the licensee. The Court of Appeal will no doubt rule that the breach of contract by the licensee, who modified the source code, constitutes copyright infringement and that the specific copyright regime applies. Indeed, only this solution will enable the licensor to benefit from the guarantees provided for by French copyright law, in compliance with Directive 2004/48, and in particular specific procedural rules and measures, as well as specific rules to calculate the damages.

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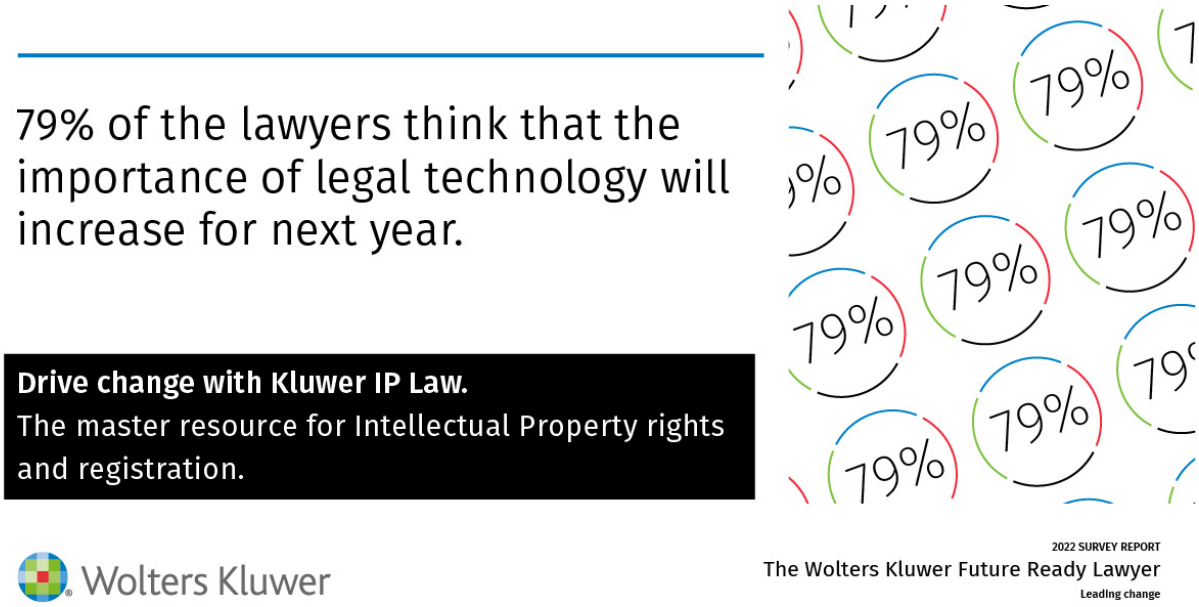

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