ARTICLE

NON-COMPLIANCE WITH A SOFTWARE LICENSE: ADVOCATE GENERAL OF THE CJEU SPECIFIES THE POSSIBLE CONTOURS OF THE LICENSEE'S CONTRACTUAL LIABILITY

Intellectual Property, Media, and Art Law Patent Law IT and Data Protection Competition, Retail and Consumer Law | 17/09/19 | Grégoire Desrousseaux

1. The question of the nature of the liability of a licensee who does not comply with the terms of a software license agreement has given rise in recent years to contrasting case law solutions by French courts, taking into account the principle of non-cumulation of liabilities[1]. Recent studies have even been specifically devoted to[2] this issue.

2. It has been the subject since October 16, 2018 of a preliminary question submitted to the Court of Justice of the European Union (CJEU)[3] by the Paris Court of Appeal[4] .

3. The case at the origin of this referral is the following: the company IT Development has contracted with the company Free Mobile for a license and a maintenance contract for a mobile network deployment management software called ClickOn Site.

Claiming unauthorized decompilation and modifications to the source code of its software in breach of the license agreement, in particular in order to create forms, IT Development had requested and obtained a seizure carried out in the premises of one of Free Mobile's subcontractors, and then summoned Free Mobile for software infringement on the basis of Articles L.122-6 and L.331-1-3 of the French Intellectual Property Code (IPC). In its defense, Free Mobile argued that the acts complained of did not constitute an infringement of intellectual property rights, but rather a contractual breach, and that they therefore did not constitute an infringement under Articles L.122-6-1 and L.335-3 of the French Intellectual Property Code.

4. On January 6, 2017[5], the Paris first instance civil court ruled that "*there are two distinct liability regimes in this area, one in tort for infringement of the software author's exploitation rights, as designated by law, and the other in contract for infringement of a contractually reserved right of the author*", The Paris first instance civil court ruled that Free Mobile was blamed for "*breaches of its contractual obligations, which are covered by a contractual liability action, and not by the tort of software infringement, so that the infringement action brought by the plaintiff is inadmissible*".

5. On appeal, the Paris Court of Appeal (Pôle 5, ch. 1) was asked by IT Development to submit a preliminary question to the CJEU concerning the nature of the liability incurred by Free Mobile.

On the basis of Article 2 of Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights, Articles 4 and 5 of Directive 2009/24/EC of 23 April 2009 on the legal protection of computer programs (codified version), and Articles L.122-6, L.122-6-1 and L.335-3 of the French Intellectual Property Code (IPC), the Court, in a preliminary judgment, agreed to stay the proceedings and to refer the following question to the CJEU for a preliminary ruling

> "*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 (1)) 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 programs (2)*
>
> *- or may it comply with a separate system of legal rules, such as the system of rules on contractual liability under ordinary law?*

6. The long-awaited conclusions of the Advocate General appointed by the CJEU in this case have just been published (on 12 September)[6].

7. They propose, first of all, that the scope of the question referred should be reduced. The Advocate General considers that the question should not be extended to three of the alleged breaches of contract listed in the order for reference (expiry of the trial period, exceeding the number of authorized users and exceeding another unit of measurement), on the grounds that these situations " *are not necessarily identical from a legal point of view and, in particular,* […] *are unrelated to the facts at issue*" (pt. 26). Only the possible breach of contract due to the modification of the source code is therefore analyzed.

8. In this regard, the Advocate General suggests that the CJEU answer the question for a preliminary ruling as follows (pt. 84, conclusion):

> "*Articles 4 and 5 of Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs, in conjunction with Article 3 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, must be interpreted as meaning that:*
>
> *- The modification of a computer program's source code in breach of a licensing agreement constitutes an infringement of the intellectual property rights enjoyed by the holder of the copyright in that program, provided that that modification is not exempt from authorisation under Articles 5 and 6 of Directive 2009/24.*
>
> *- The legal basis for the action which a holder of the copyright in a computer program may bring against the licensee for infringement of the former's rights is contractual where the licensing agreement itself reserves such rights for the author of the program, in accordance with Article 5(1) of Directive 2009/24.*
>
> *It is for the national legislature to determine, with due regard for the provisions of Directive 2004/48 and the principles of equivalence and effectiveness, the procedural arrangements necessary to protect the copyright in the computer program against infringement, where such infringement simultaneously entails an infringement of copyright and a breach of contract* »

9. Thus, according to the Advocate General, if the infringement of which the licensee is blamed for consists in the non-compliance with a contractual clause by which the holder has expressly reserved to himself the exclusivity of some of the faculties enumerated in Article 4, §1, a) and b) of Directive 2009/24[7], then "*In those circumstances, the legal basis of the author's rights will be contractual rather than statutory; at the same time, the liability of a licensee who infringes the author's exclusive rights will also be contract- rather than statute-based* ".

In this case, therefore, "*the substance of the dispute could only be classified as contractual* " and there would be no room for infringement (pt. 32).

10. On the other hand, the modification of the source code of a computer program carried out in violation of a license agreement is outside the scope of the options listed in Article 4, §1, a) and b) of Directive 2009/24. It involves decompilation (in order to reconstitute the source code of the software), which is not among the acts listed in Article 4, §1, a) and b) and which is only allowed for interoperability purposes, subject to certain conditions (art. 6 of Directive 2009/24).

Thus, according to the Advocate General, such a breach "*can be simultaneously classified as a breach of contract and as an infringement of a general duty to respect the author's rights as defined by law (a corollary, ultimately, of the alterum non laedere rule). In that event, the principle of non-cumulation would apply* " (pt. 33).

11. Where there is a combination of qualifications, the Advocate General considers that it is for the national law to provide for the appropriate procedural regime(s), in compliance with the provisions of Directive 2004/48 and the principles of equivalence and effectiveness under EU law.

In this regard, the Advocate General notes that "*on the face of it, there is no reason to believe that, when national law channels a claim for intellectual property infringement through the contractual liability regime under ordinary law, it does so by means of measures, procedures or remedies which do not satisfy* [those] *requirements*" (pt. 69).

However, it would be up to the national court of reference to confirm this. More generally, this court would probably also have to rule on the compatibility of the principle of non-cumulation of liability under French law with Directives 2004/48 and 2009/24.

12. In summary, if the conclusions of the Advocate General were to be followed by the CJEU, the Paris Court of Appeal would have to determine whether the circumstances of the IT Development / Free dispute correspond to the hypothesis of an exclusively contractual liability (because only the faculties enumerated in Article 4, §1, a) and b) of Directive 2009/24 are involved), which is not necessarily the case insofar as the IT Development company also alleges unlawful decompilation (which is not included in this list).

If an unlawful decompilation were to be confirmed in this case, it would in principle result in a cumulative qualification. By application of the rule of non-cumulation - and subject to the conformity of this rule with Union law (in particular Directive

2004/48)[8] - the basis of the holder's action would then be contractual.

To be continued...

[1] The principle of non-cumulation of liability prohibits the creditor of a contractual obligation from relying on the rules of tort liability against the debtor of that obligation.

[2] M.Vivant, *La contrefaçon entre contrat et délit, Réflexion sur les catégories juridiques*, Mélanges en l'honneur du Professeur Jacques Mestre, LGDJ 2019; P. Léger, *La Nature de la responsabilité dans l'hypothèse de la violation du périmètre d'une licence de logiciel*, D.2018.1320.

[3] Case C-666/18 : https://eur-lex.europa.eu/legal-content/FR/TXT/?qid=1568319762239&uri=CELEX:62018CN0666

[4] CA Paris, October 16, 2018, RG No.17/02679.

[5] TGI Paris, 3rd ch. 3rd sect. January 6, 2017, RG No. 15/09391.

[6]http://curia.europa.eu/juris/document/document.jsf?text=&docid=217676&pageIndex=0&doclang=fr&mode=req&dir=&occ=first&part=1&cid=13310834

[7] What he calls "*the reserve of the faculties of the owner of the program foreseen by the contract*" and which corresponds to the right to correct the errors and to determine the particular modalities to which will be subjected the reproduction and/or the necessary modification of the software to allow its use according to its destination.

[8] This requirement could have important repercussions in French law, particularly with regard to the rules applicable to investigative measures, the court jurisdiction and the remedies available to the right holder vis-à-vis his licensee. Indeed, regardless of the basis of his action (contractual or tortious), all applicable rules will have to comply with the provisions of Directive 2004/48 and the principles of equivalence and effectiveness.