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THE PRINCIPLE OF EXHAUSTION

DR. TILL JAEGER

Title of presenter

OSADL COOL

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AGENDA

- Overview
- Specifics Software
- Requirements
- Legal Effects
- Relationship to Contract Law
- Exhaustion of Trademark Rights

- OVERVIEW

OVERVIEW

- Purpose of exhaustion: Marketability of goods
- Legal foundation: European law on the free movement of goods
- If the copyrighted work has been placed on the market with the consent of the copyright holder, it should be possible to resell it freely.

OVERVIEW

- Copyright is limited.
- Argument: Authors can control the initial sale of their work and benefit financially from its distribution.
- Hence, the distribution exhausts with regard to a concrete copy that is sold.

OVERVIEW

- Art. 4 (2) Directive 2001/29/EC:

“The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.”

- SPECIFICS OF SOFTWARE

SPECIFICS OF SOFTWARE

- In the UsedSoft decision, the Court of Justice of the European Union (ECJ) stated that: digital downloads are treated the same as physical copies.
- Directive 2009/24, which specifically addresses the legal protection of computer programs, takes precedence over Directive 2001/29.

SPECIFICS OF SOFTWARE

- Dispute: tangible copies (e.g. CD-ROM) and downloaded copies to be treated equally?
- ECJ in the UsedSoft decision:

“Those provisions thus make abundantly clear the intention of the European Union legislature to assimilate, for the purposes of the protection laid down by Directive 2009/24, tangible and intangible copies of computer programs.”

SPECIFICS OF SOFTWARE

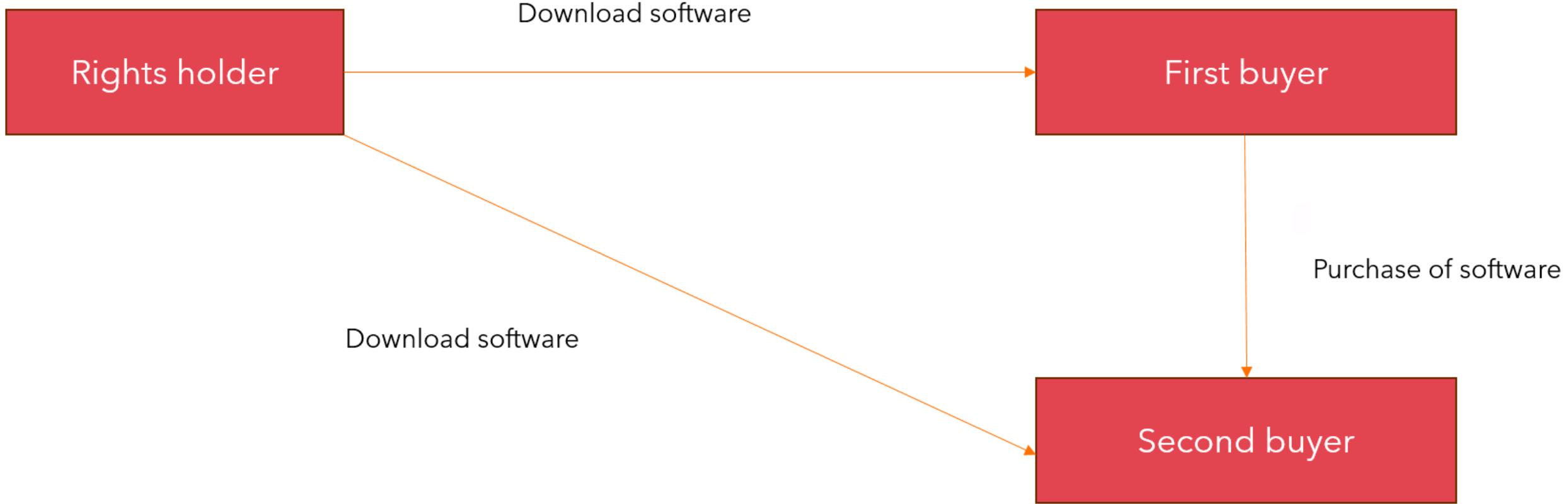
- Case law on other types of works cannot simply be transferred to computer programs, and vice versa.
- For example: ECJ C-263/18, ECLI:EU:C:2019:1111 (Tom Kabinet): No exhaustion of e-books.

- REQUIREMENTS

REQUIREMENTS

- Software copy.
- ECJ: does not mean necessarily a concrete copy.
- UsedSoft decision: "Second-hand buyers" can download copies from the original seller. Updates and volume licenses are also subject to exhaustion. Copies are to be understood in abstract economic terms.

REQUIREMENTS



REQUIREMENTS

- Rights holder's consent
- Author or distributor with distribution license
- GPL: License violation results in termination of rights of use – consent missing, no exhaustion
- Permissive licenses: disputed whether breach of contract or termination of rights

REQUIREMENTS

- Placing on the market in the EEA
- Permanent sale with transfer of ownership (including donations)
- Not: preparatory action within a group of companies ≠ distribution to a group company
- Not: rental
- EEA: Iceland, Liechtenstein, Norway, not: Switzerland and UK

- **LEGAL EFFECTS**

LEGAL EFFECTS

- Exhaustion of distribution right
- The redistribution of the program copy by the first buyer does not require a license
- In the case of a digital copy, the first buyer must delete its own copy after resale

LEGAL EFFECTS

- Exhaustion is generally limited to concrete copies
- However, copies modified by legally acquired updates are also subject to exhaustion
- Permission to use (program execution) under Section 69d (1) of the German Copyright Act (UrhG)

- RELATIONSHIP TO CONTRACT LAW

RELATIONSHIP TO CONTRACT LAW

- According to the Federal Court of Justice (BGH) in UsedSoft III, redistribution cannot be made dependent on compliance with any contractual conditions.
- (Open source) license conditions are irrelevant if exhaustion has occurred
- Separate review of the respective program copy

- EXHAUSTION OF TRADEMARK RIGHTS

EXHAUSTION OF TRADEMARK RIGHTS

- Equally serves to protect the marketability of products.
- Sec. 24 (1) German Trademark Act:

“The owner of a trademark ... shall not be entitled to prohibit a third party from using the trademark ... for goods which have been placed on the market under that trademark or that trade name by him/her or with his/her consent in hi/hers own country, in one of the other Member States of the European Union or in another contracting state of the Agreement on the European Economic Area.”

EXHAUSTION OF TRADEMARK RIGHTS

- Exhaustion is not limited to the right of distribution; use may also include advertising (Section 14 (2) No 1-5 German Trademark Act, cf. BGH Parfumflakon).
- Exception in Sec. 24 (2) German Trademark Act:
“if the owner of the trademark ... objects to the use of the trademark ... in connection with the further distribution of the goods for justified reasons, in particular if the condition of the goods has changed or deteriorated after they have been placed on the market.”

EXHAUSTION OF TRADEMARK RIGHTS

- Not every modification is covered; modifications must be relevant.
- Secondhand goods may be resold under the original manufacturer's brand.
- Are the interests of the trademark owner affected in a sufficiently serious manner?
- The origin and guarantee function of the trademark are crucial for assessment – is the modification relevant?

**THANK YOU FOR
YOUR ATTENTION!**

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JBVinol Jaschinski Brexl Viniol PartGmbB
Sophienstraße 14, 10178 Berlin
Tel.: +49 30 2000 458 – 0 | legal@jbviniol.de

jbviniol.de