SOFTWARE DISTRIBUTION IN GERMANY - WHERE EAST HAS MET WEST

by

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"It was the best of times, it was the worst of times,
it was the age of wisdom, it was the age of foolishness,
it was the epoch of belief, it was the epoch of incredulity,
it was the season of light, it was the season of darkness,
it was the spring of hope, it was the winter of despair,
we had everything before us, we had nothing before us.

Charles Dickens, *A Tale of Two Cities*

As of 3 October 1990, the territory of the former German Democratic Republic (GDR) has been merged with the Federal Republic of Germany (FRG). This unique event has affected all areas of German and European industry.

The following considerations deal with the impact of German reunification on the distribution of software. It has to be taken into consideration that the German software market has reached a volume of 25 million Deutschmarks in 1989; it consists of around 2,350 corporations with 120,000 employees.[1] How is this huge market affected by the unification? What are the main legal problems of unification for software distribution? What considerations must be taken into account when drafting a contract on software distribution in Germany today?

1. Past problems caused by the reunification

The reunification of East and West Germany caused a lot of problems which have been solved. These problems focussed on the fact that the legislation and the jurisdiction in the former German Democratic Republic were totally different to those of West Germany. For instance, the GDR didn't have any legal protection of designs comparable to the *"Geschmacksmustergesetz"* in West Germany. Although the *Unfair Competition Act* has never been repealed in East Germany, its regulations

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1 There have been no official statistics on this subject until now. The details mentioned above have been taken from a study of the Ministry of Economy entitled *"Informationstechnik in Deutschland. Bericht über die Situation der informationstechnischen Branche und den Einsatz der Informationstechnik in der Bundesrepublik Deutschland"* (Bonn 1991).

have never been used in practice. The GDR had enacted a *Patent Act*[2] but the socialist model of patent law, however, led to the establishment of economic patents (*"Wirtschaftspatente"*) and to the idea that inventions are the property of the company.

The GDR even had a copyright system.[3] The *Copyright Act,* however, stated that works protected by copyright law could be used by all parts of socialist society without the permission of the author (section 21 (1)).[4]

All these statutory gaps have been abolished by the unification contract (*"Einigungsvertrag"* of 18 September 1990).[5] Both parts of Germany have agreed in this contract that almost all regulations enacted in the FRG should apply throughout the entire territory of the reunified Germany. This adoption of western law includes

- the *Patent Act,*[6]
- the *Copyright Act,*[7]
- the *Unfair Competition Act*[8] and
- the *Antitrust Act*[9]

In the same way, the law of the European Communities extends to the territory of the former GDR as from the date of German unification. However, the EC Commission has made some transitional arrangements; for

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2 *Gesetz über den Schutz von Erfindungen - Patentgesetz* - of 27 October 1983. *Gesetzesblatt* I, No. 29, p. 284.

3 *Gesetz über das Urheberrecht* of 13 September 1965, *Gesetzesblatt* I, No. 14, p. 209.

4 With regard to the other differences of the copyright system in the GDR and the FRG cf. Frank Stolz, *Der Einigungsvertrag vom 31. August 1990 zwischen der Bundesrepublik Deutschland und der Deutschen-Demokratischen Republik und seine Auswirkungen auf die Urheberrechtsgesetze beider Staaten,* UFITA 115 (1991), p. 5 *et seq.*; Münzer, *Das Gesetz über das Urheberrecht der Deutschen Demokratischen Republik vom 13. September 1965,* UFITA 48 (1966), p. 129-161.

5 *Bundesgesetzblatt* II Nr. 35 of 28 September 1990, 885 - 904 *mit Protokoll und Anlagen* 1 - 3 (905 - 1238).

6 *Patentgesetz* of 16 December 1980, *Bundesgesetzblatt* 1981 I, p. 1.

7 *Gesetz über Urheberrecht und verwandte Schutzrechte* of 9 September 1965, *Bundesgesetzblatt* I, p. 1273.

8 *Gesetz gegen den unlauteren Wettbewerb* of 7 June 1909, *Reichsgesetzblatt* 1909, p. 499.

9 *Gesetz gegen Wettbewerbsbeschränkungen* of 20 February 1990, *Bundesgesetzblatt* 1990 I, p. 235.

The *Treuhandanstalt* states that the reunification of Germany has not produced special antitrust law problems: cf. the letter of Dr. Vonnemann (legal Directorate of the *Treuhandanstalt*) to the author of 15 August 1991.

example, the East German corporations have been granted a period of three months (beginning with the date of unification) during which the competition rules of Articles 85 - 90 of the EEC treaty have not been enforced.[10] Meanwhile, almost all regulations of the EEC treaty have become applicable in the former GDR.

The EC Commission has, however, stated that it will take the specific interests of East German trade and industry into account when dealing with EEC law. One may expect that the Commission will use its discretionary powers under Art. 85 (3) of the EEC treaty to promote mergers and acquisitions and all necessary restrictions of competition in East Germany.[11]

As a result, software distribution contracts may be drafted after the reunification in the same way and with the same problems as before.

II. Present problems of reunification

There are some problems caused by the reunification which have not yet been resolved.

1. The extension of industrial property rights to one Germany

Sect. 3 (1) of Suppl. 3, Chapter III, Sect. E of the unification contract[12] provides that industrial property rights which have been registered before the reunification are still valid in their former area of protection. This strange regulation has the effect that an inventor who has registered his invention in Munich prior to 3 October 1990 can only use his rights in the region of the former FRG. If the same invention has been made and registered in the former German Democratic Republic, the rightholder of this patent is granted protection restricted to East Germany.

This situation has been criticised by the computer industry and legal literature. For this reason German legislators decided to develop a new act on the extension of industrial property rights in Germany ("*Gesetz über die Erstreckung von gewerblichen Schutzrechten*").

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10 Application of Competition Rules in Germany, Commission Press Release of 3 October 1990.

11 Cf. Gerwin van Gerven/Takao Suami, New Legal Framework for Trade Relations between the European Community and the Central and Eastern European Countries, *International Business Lawyer*, March 1991, p. 151 - 152.

12 *Bundesgesetzblatt* II, 961 - 962.

On 14 February 1991 the Ministry of Justice published a first proposal,[13] a second proposal has been edited as at 25 July 1991.[14] The bill has recently been enacted[15] and came into force on 1 May 1992.

The act provides that all industrial property rights should extend to the whole area of Germany (Sect. 4). Furthermore, the act focuses on the idea of "coexistence" (cf. Sect. 26): if an industrial property right has been granted in East and West Germany for the same product, both rightholders should have the same rights in one Germany. They may both exclude a third person from the use of their right; but they have to respect mutually the rights of the other. As far as this "coexistence" leads to unfair and unavoidable injuries ("*wesentliche Beeinträchtigung*") to one rightholder, the rights are restricted to either East or West Germany. Additionally, all licences granted by a rightholder prior to 3 October 1990 should remain binding; these licences also extend to a reunified Germany. As Niederleithinger[16] has already stated, this regulation is very abstract and will lead to a lot of uncertainties.

The act also provides that the idea of "coexistence" does not apply to colliding trademarks (Sect. 30). If two corporations use the same trademark, the protection is restricted to the former regions of West or East Germany. This restrictive attitude of the legislation is caused by the fact that a single trade mark is an important instrument of marketing and may not be used by two different corporations.

The act however contains two exceptions to the rule. First, a trademark owner may not be excluded from supra-regional advertisements.[17] Consequently a software corporation is allowed to use its trademark in a newspaper distributed throughout the whole of Germany. The act also provides that a trademark owner may use his trademark in Germany in all cases where a restriction of use would be unfair ("*unbillig*"). This very vague provision has to be applied for instance if a trademark granted by the authorities of the GDR has never been used until now.

Due to the fact that a lot of the terms used in the act are very abstract and misleading, many legal disputes will probably arise with regard to colliding industrial property rights.

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13 *Gewerblicher Rechtschutz und Urheberrecht* 1991, p. 213.

14 The "*Referentenentwurf vom 25. Juli 1991*" has been published in a supplement to the *Mitteilungen der deutschen Patentanwälte* 1991.

15 *Gesetz über die Erstreckung von gewerblichen Schutzrechten* of 23 April 1992, *Bundesgesetzblatt* I, p. 938.

16 Ernst Niederleithinger, *Die Erstreckung von gewerblichen Schutzrechten auf das Gesamtgeblet Deutschlands. Mitteilung der deutschen Patentanwälte* 82 (1991, p.128.)

17 For the difficult term "supra-regional advertisements" see the recent decision of the Landgericht Köln of 9 April 1991 (31 0 588/90), *Archiv für Presserecht* 1991, p. 550 - 552.

2. The extension of intellectual property rights to one Germany

The unification contract does not contain any regulation concerning the question of whether reunification licences on copyrightable works extend to all of Germany. This problem is of special importance for the software industry; many German software corporations are bound by the exclusive licences of American Software firms (IBM, Apple). If these licences have been finalised before the reunification, the rights of the licensee have been granted for the territory of the Federal Republic of Germany. The fate of these licences after the German reunification is very doubtful. For instance, is the licensee free to open a branch office in Leipzig or Dresden without the permission of the licensor or is he obliged to enter into a new contract with the licensor with regard to the distribution in East Germany?

This difficult question has not been the subject of any court decisions. Academic literature has reacted very controversially to this topic: Schwarz and Zeiss[18] have supported the idea that licences granted before the reunification extend to all of Germany. By way of argument, they refer to Sect. 32 of the *German Copyright Act* and the exhaustion doctrine. In their view, these regulations provide that a licence can never subdivide an otherwise uniform national territory. Thus, "Germany" is regarded by these authors as a uniform state so that an exclusive licence has to cover the territories of both East and West Germany.

This view has to be rejected. At the beginning of this century, the "*Reichsgericht*" had already stated that a territorial limitation of licences remained valid in the case of a lapse of state sovereignty.[19] The parties have finalised the licence agreement under the implicit condition that the licence should only extend to the former parts of the FRG. Therefore, the agreement may not be interpreted contradictory to the intention of the parties.[20]

Additionally, Sect. 32 of the *Copyright Act* and the exhaustion doctrine may not be applied to contracts completed before the reunification since the *Copyright Act* extends to the reunified Germany as from 3 October 1990.[21]

Consequently, "old" licences have to be adapted to the new situation existing after reunification. Additional arrangements have to be made to the effect that the licensor will get adequate remuneration for the distribution of software in the former parts of the GDR. This may even lead to the annulment of the "old" licence in a case where the terms of this licence tend

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18 Matthias Schwarz/Hendrik Zeiss, *Altlizenzen und Wiedervereinigung, Zeitschrift für Urheber- und Medienrecht* 1990, p. 468 - 469.

19 *Reichsgericht*, Judgment of 9 November 1898 (Rep. I 21-8/198), RGZ 42, p.304: *Reichsgericht*, Judgment of 16 November 1901 (Rep. 1 235/01), RGZ 49, p. 174.

20 Fromm/Nordemann, *Urheberrecht*, Stuttgart 7th ed. 1988, p. 172.

21 Cf. Artur Wandtke, *Auswirkungen des Einigungsvertrags auf das Urheberrecht in den neuen Bundesländern, Gewerblicher Rechtschutz und Urheberrecht* 1991, p. 266 - 267.

to become extremely inadequate and unreasonable; this may be the case if the licensee discovers new and totally unexpected possibilities of software distribution in East Germany.

III. The future: Legal problems of software distribution in the unified Germany

A lot of problems will however remain independent of the reunification. These problems focus on traditional questions of copyright and antitrust law which have been discussed in Germany for a long time.

1. Copyright protection of software

The Federal Republic of Germany is said to have the most limited copyright protection of software in Europe.[22] It was not until 24 June 1985 that German legislators enacted an Amendment to the *Copyright Act* which includes software in a list of copyrightable works. All works are, however, only protectable if they represent an individual and original creation (*"persönliche geistige Schöpfung"*). The first senate of the Federal Supreme Court has interpreted this requirement in its famous *"Inkasso-Programm"* decision[23] to mean that the peculiarities of the computer program have to go far beyond the skills of an average programmer (*"Überdurchschnittlichkeit"*); otherwise the program is not copyrightable. Software consisting mainly of common and publicly-available elements is held to be uncopyrightable.[24] Consequently software piracy may only be prosecuted if an expert opinion proves that the form of a pirated program is above average.[25] These rules have been widely criticised in national and international literature,[26] the

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22 See Commission of the European Communities, Green Paper on Copyright and the Challenge of Technology, COII (88) 172 final, p. 187.

23 Decision of the *Bundesgerichtshof* of 9 May 1985 (I ZR 52/83), BGHZ 94, 276 CR 1985, 22 17 IIC 1986, 681 (English translation). For the legal situation in the former GDR see the decision of the *Bezirksgericht* Leipzig of 14 June 1979, *Neue Justiz* 1981, p. 236 denying the copyrightability of software.

24 The Federal Supreme Court has just recently affirmed its opinion in the *"Nixdorf"* case, Decision of 4 October 1990 (I ZR 1391/89), *Computer und Recht* 1991, p. 80. Cf. von Gamm, *Neuere Rechtsprechung zum Wettbewerbs- und Markenrecht. Gewerblicher Rechtsschutz und Urheberrecht* 1991, p. 405 at pp. 410 - 411.

25 Cf. *Oberlandesgericht* Frankfurt, Judgment of 20 April 1989. *Neue Juristische Wochenschrift* 1989, p. 2631, *Gewerblicher Rechtsschutz und Urheberrecht* 1989, p. 678, *Computer und Recht* 1989, p. 905; *Oberlandesgericht Hamm*, Judgment of 27 April 1989, *Computer und Recht*, p. 592.

26 See generally Bauer, *Rechtsschutz von Computerprogrammen in der Bundesrepublik Deutschland, Computer und Recht* 1985, p. 5 *et seq.*; Haberstumpf, *Grundsätzliches zum Urheberrechtsschutz von Computerprogrammen, Gewerblicher Rechtsschutz und Urheberrecht* 1986, p. 222 *et seq.;* Röttinger, *Abkehr vom Urheberrechtsschutz für Computerprogramme?, Informatik und Recht* 1986, p. 12 *et seq.;* Schroeder,

main argument being that their application would result in about 90% of software being unprotected against piracy.

The criticism has finally led to the new EC directive on software protection[27] which is primarily aimed at a radical change in the German jurisdiction. The directive will not, however, oblige the German courts to change their dubious jurisdiction.[28]

Art. 1 Sec. 3 of the Directive defines the originality required for copyrightability of software as follows:

> "A computer program shall be protected if it is original in the sense that it is the author's own intellectual creation. No other criteria shall be applied to determine its eligibility for protection."

Consequently, a program will only be protected if it represents the "own intellectual creation" of an author. This is exactly the same definition which the German *Copyright Act* formulates in Sec. 2 (2): A work is said to be original under this act if it is a "*persönliche*" (own), "*geistige*" (intellectual) "*Schöpfung*" (creation). The German Federal Court stated that this "average programmer" test constitutes the satisfactory way to decide whether a computer program is an "own intellectual creation" or not; the judges are also of the opinion that "no other criteria shall be applied to determine its eligibility for protection". Therefore, the Federal Court may in future use the considerations laid down in the *Inkassoprogram* or *Nixdorf* case to interpret the EEC Directive.

This result does not contradict the preamble of the directive which stresses that in respect of the originality of software "no tests as to the qualitative or aesthetic merits of the program should be applied". The preamble of a directive is not legally binding. The EC Commission obviously did not want the prohibition of qualitative or aesthetic tests to become legally binding; this decision of the Commission has to be accepted. Additionally, it is doubtful whether a copyright system may exist without any qualitative tests; even the anglo-american copyright tradition regards "trivial" works as not copyrightable.[29]

Copyright in Computer Programs - Recent Developments in the Federal Republic of Germany, EIPR 1986, p. 88 *et seq.*

27 Cf. Thomas Hoeren, The EC Directive on Software protection - A German comment (to be published in *Computer Law & Practice*).

28 Official Journal No. L 122/42 of 17 June 1991, p. 382. Cf. the detailed study edited by Clifford Chance, *The European Software Directive*, London 1991.

29 Cf. the Decision of the Supreme Court *Feist Publications Inc. v. Rural Telephone Service Co. Inc.* of March 27, 1991, published in 18 USPQ2d 1275 at 1278.

See *Consumer Union of United States, Inc. v. Hobart Mfg. Co.* 199 F. Supp. 860 (S.D.N.Y. 1961); *Tate Co. v. Jiffy Enterprises Inc.* 16 F.R.D. 571 (E.D. Pa. 1954); *Kanover v. Marks*, 91 U.S.P.Q. 370 (S.D.N.Y. 1951); *Smith v. Muehlebach Brewing Co.* 140 F. Supp. 729 (S.D. Mo. 1956).

It has yet to be seen in which way the German legislators will transform the EC directive into national law. A first unofficial proposal for a new act has been published in May 1992; this proposal only contains an exact translation of the EC directive into German. Most computer lawyers are of the opinion that the first official proposal will not be published before Winter 1992.

2. Contractual problems of software distribution

In the past, software has been distributed in Western Europe through many different types of trade agreements. The computer industry has created new ways of establishing distribution structures which are not comparable with traditional forms of trade. For instance, many software products have been marketed with the aid of arrangements on OEM ("Original Equipment Manufacturer")[30] or VAR ("Value-Added Resale")[31]. In addition, leasing or franchising contracts are going to be common in software trade.

The German courts are nevertheless using restrictive criteria for the legal control of these contracts. Therefore a lot of contractual terms have been held to be invalid by the German jurisdiction.

a) The restrictions on re-sale and rental

According to Sect. 17 (1) of the German *Copyright Act,* the copyright owner has the exclusive right to offer the program to the public and put it on the market (Sect. 17 (1)). This right is, however, limited by the exhaustion doctrine embodied in Sect. 17 (2) of the *Copyright Act.* This doctrine states that the distribution right has been exhausted when the work has been put on the market and sold with the copyright owner's consent. Several courts, including the Federal Supreme Court and the Federal Constitutional Court, have held that the exhaustion doctrine applies to the rental of works.[32] Therefore, the copyright owner may not use copyright to control and regulate the subsequent rental of the work.

For a long time it has been unclear whether this doctrine may be applied with regard to software licences.[33] This uncertainty focussed on the

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30 Cf. Thomas Bachofer, *Der OEM-Vertrag, Computer und Recht* 1988, p. 1 - 10; Jochen Schneider, *Praxis des EDV-Rechts,* Cologne 1990, p. 842 - 846.

31 Cf. Thomas Bachofer, *Der VAR-Vertrag, Computer und Recht* 1988, p. 809-813.

32 *Bundesverfassungsgericht,* Judgment of 3 October 1989, *Computer und Recht* 1990, p. 535; *Bundesgerichtshof,* Judgment *of 6 March 1986 (I ZR 208/839), Computer und Recht 1986, p. 449, Gewerblicher Rechtsschutz und Urheberrecht,* p. 736. Cf. *Oberlandesgericht* Frankfurt, Judgment of 5 July 1990 (6 U 60/89), *Computer und Recht* 1991, p. 92; *Oberlandesgericht Hamm,* Judgment of 12 May 1981 (4 U 15/81), *Neue Juristische Wochenschrift* 1982, p. 655.

See Hoeren, *Softwareüberlassung als Sachkauf,* Munich 1989, p. 69 - 83 with further references.

33 In the view of some lawyers, the rights of the software producer are not exhausted so that he can prevent the re-sale, importation or hire of his

question as to whether a software "licence" may be regarded as a "sale" according to Sect. 1 (2). This question has been discussed controversially for a long time. The Federal Supreme Court recently upheld three cases[34] in which standard software was regularly marketed by way of a sale contract even where the contract had been designated a "licence".

The Nürnberg Court of Appeal[35] has been the first court which has applied this classification to the exhaustion doctrine. The judges stated that this doctrine has to be applied to software contracts so that the licensor of an operating system cannot restrict the re-sale of his software. Any contractual restriction on the re-distribution (sale, rent, lease) of purchased software is hence invalid and unenforceable in Germany.

The German law will however, have to be partly changed to reflect the provisions of the EEC directive on software protection whereby a rightholder can always restrict the rental of software (cf. Art. 4 of the directive).

b) "Tying clauses" and "Single CPU licences"

Some software producers and distributors are using "conditions on reverse" stipulating that the software may only be used on a single specified CPU of a designated producer.[36]

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software; cf. Moritz, *Überlassung von Standardsoftware*, in: *Computer und Recht* 1989, p. 1084 *et seq.*

This view has been rejected by lawyers as shallow and contradictory to Sect. 17 of the German *Copyright Act;* see Hoeren, *Softwareüberlassung als Sachkauf,* Munich 1989, p. 58 *et seq.*; Schneider, *Softwarenutzungsverträge im Spannungsfeld von Urheber-und Kartellrecht,* Munich 1989, p. 128 *et seq.*; Bartsch, *Weitergabeverbote in AGB-Verträgen zur Überlassung von Standardsoftware, Computer und Recht* 1987, p. 8 *et seq.*

34 Judgment of 18 October 1989 (VIII ZR 325/88), *Computer und Recht* 1990, p. 24, *Juristenzeitung* 1990, p. 236; Judgment of 4 November 1987 (VIII ZR 314/86), BGHZ 102, 135, *Juristenzeitung* 1988, p. 460 (with a comment of Junker); Judgment of 2 May 1985 (1 ZB 871/84), *Gewerblicher Rechtsschutz und Urheberrecht* 1985, p. 1055.

Cf. Hoeren, *Softwareüberlassung als Sachkauf - Konsequenzen aus dem Urteil des BGH vom 4. November 1987, Recht der Datenverarbeitung* 1988, p. 115-120.

35 *Oberlandesgericht* Nürnberg, Judgment of 20 June 1989 (3 U 1342/88), *Neue Juristische Wochenschrift* 1989, p. 2634, *Computer und Recht* 1990, p. 118.

36 Cf. Christoph Zahrnt, *Einsatz von Standardanwendungsprogrammen auf "fremden" DV-Anlagen, Computer und Recht* 1989, p. 965 *et seq.*

The Court of Appeal of Frankfurt[37] has recently stated that these clauses are invalid according to Sect. 9 of the *Unfair Contract Terms Act.*[38].

The judges held that these provisions are basically unfair to the end-user. Even if the software has been developed with regard to a certain hardware configuration, the software producer is not allowed to tie the sale of the programme to the use of a given hardware.

Nevertheless the court has not considered the enforceability of clauses restricting the use of software to a designated CPU *without* reference to a special producer. Often the licence is granted for given equipment, which has been identified in the contract or in an appendix to this contract. The courts have not yet decided if this type of clause is valid. The academic literature however, supports the opinion that a single CPU licence is repugnant to the exhaustion doctrine and for that reason invalid.[39]

In my view this opinion is wrong. The exhaustion doctrine is applicable only to the distribution of a computer programme, i.e. its marketing to the public. Therefore, the doctrine has nothing to do with restrictions on the internal use of a program. As a result, CPU clauses are only invalid if they contain an unfair prejudice within Sect. 9 of the *Unfair Contract Terms Act.* This may be the case if the contract has been drafted to the effect that - a temporary use of back-up computer is not allowed or - a transfer to a new computer has been forbidden even in the case of a failure of the "old" CPU.[40]

c) The distribution of copying utilities

The German courts held that the distribution of copying utilities (as "CopyIIPC" and others) is unlawful under sect. 1 of the *Unfair Competition Act.*

In the case of the Court of Appeal of Stuttgart,[41] the plaintiff sold expensive CAD-software together with a "dongle", i.e. a technical device for

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37 *Oberlandesgericht* Frankfurt, Judgment of 17 January 1991 (6 U 18/90), *Computer und Recht* 1991, p. 345.

38 *Gesetz zur Regelung des Rechts der Allgemeinen Geschäftsbedingungen* (AGBG) of 9 December 1976, *Bundesgesetzblatt* I 3317.

39 Cf. Michael Bartsch, *Weitergabeverbote in AGB-Verträgen zur Überlassung von Standard-Software, Computer und Recht* 1987, p. 8 - 13 with further references.

40 For further details see Thomas Hoeren, *Softwareüberlassung als Sachkauf,* Munich 1989, p. 88.

41 OLG Stuttgart, Judgment of 10 February 1989 (2 U, 290/88), *Computer und Recht* 1989, p. 685, *Neue Juristische Wochenschrift* 1989, p. 2632.

Similar questions arose in other parts of Continental Europe: Cf. the decision of the Austrian Supreme Court of 25 October 1988 (4 Ob 941/88), *Gewerblicher Rechtsschutz und Urheberrecht International* 1989, p. 850, *EDV & Recht* 1989, p. 4. The decision is commented by Holzinger, *EDV & Recht* 1989, p. 2 *et seq.*

the protection against software piracy to be put on the interface of the computer. The defendant was a distributor of Canadian software which was destined to eliminate the dongle. The plaintiff argued that the supply and distribution of this software was unlawful and sued for an injunction.

The court clearly stated the unfair nature of copying utilities and granted the injunction. The judges referred to U.S. decisions on the use of video recorders, especially the *Betamax* case of the U.S. Supreme Court.[42] The Supreme Court had held that the sale of these recorders was not unlawful if they were widely used for lawful purposes or could only be used for substantial non-infringing purposes. The German judges applied this rule and stated that the defendant's program was solely destined to eliminate a concrete technical safeguard contained in a specific competitive product; therefore, the distribution of the copying utility was regarded as 'unfair parasitic intrigue' according to sect. 1 UWG.

d) The enforceability of shrink-wrap licences[43]

The German courts have not yet decided whether software may be marketed by means of shrink-wrap licences. In the case mentioned above, the Court of Appeal of Stuttgart has, however, stated (as *'obiter dictum'*) that shrink-wrap licences are lawful and enforceable under German law.[44]

But this assumption was not substantiated by the court and stands in contradiction to the *'opinio communis'* held among German computer lawyers.[45] They held that shrink-wrap licences are invalid and void because they do not fulfil the requirements of the *Unfair Contract Terms Act*. This act provides in Sect. 2 that an unsigned document only has contractual effect

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Cf. the French *"la commande electronique"* case of the Paris Court of Appeal, Judgment of 20 October 1988, JCP ed. G. 1989, II, 2188. The decision is commented upon by Bellefonds, *The Copying of Software and Software for Copying: Case Law in France*, EIPR 1989, 338.

42 US Supreme Court, Decision of 17 January 1984 - No. 81 - 1687, *Sony Corporations of America et al. v. Universal City Studios, Inc. et al., Archiv für Urheber-, Film- und Theaterrecht* 98 (1984), p. 280.

43 For further discussion on this question in other parts of Europe see Graham Smith, Software contracts, in: Chris Reed (Ed.), *Computer law*, London 1990, p. 48 - 50; Jack Russo, *Do "Box-Top" Software Licenses work?, Software protection*, March-April 1984, p. 1 - 9; David D. Bahler, Shrink-wrapped software agreements, *Licensing Law and Business Report* 1985, No. 4, p. 37 - 42.

44 OLG Stuttgart (see above), *Computer und Recht* 1989, p. 685, *Neue Juristische Wochenschrift* 1989, p. 2632.

45 Cf. Thomas Heymann, *Der Unsinn mit dem Schutzhüllenvertrag, PC-Woche* of 16 February 1987, p. 27; Peter Salje, *Wirksamkeitsprobleme der Lizenzvereinbarung bei Standard-Software, Festschrift Lukes*, Cologne 1989, p. 13 *et seq.*; Thomas Hoeren, *Softwareüberlassung als Sachkauf*, Munich 1989, p. 140 - 160 with further references.

- if the party tendering the document has been given reasonably sufficient notice of the conditions and

- if this party has consented to the document.

In the case of shrink-wrap licences, the end-user has not consented to the terms of the licence. He may not be deemed to have accepted these terms by opening the shrink-wrap and using the software. He is allowed to open the shrink-wrap because he has already bought the software. His actions in opening the software package are merely to gain access to the contents and are not intended to constitute an implicit act of acceptance of a contract.[46]

3. Monopolies in the software industry: Antitrust law issues

The most difficult problems have resulted from the growing tendency of the software industry to erase technical monopolies. These problems have not yet been considered by German courts; for this reason I only want to make some remarks on this subject.

a) The refusal to licence, supply and maintenance

Some years ago it was discussed in the literature whether a software producer who refuses to licence, supply or maintain his software for a certain corporation violates antitrust law.[47] According to Sect. 26 (2) of the German *Antitrust Act,* undertakings which enjoy a dominant position in the market[48] are not allowed to apply dissimilar conditions to equivalent transactions. The Federal Supreme Court[49] has interpreted this section to mean that powerful corporations have to complete contracts on the supply and maintenance of goods or grant licences to other corporations. Exceptionally, a refusal has been held to be valid where the supply would create a danger to the product or the standing of the supplier.

It is very uncertain if and how these rules are to be applied to the software industry. As I said before, neither the courts nor the antitrust authorities have dealt with this topic.

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46 For a similiar case in the United States cf. *Klar v. H&M Parcel Room, Inc.*, 61 N.Y.S.2d 285 (1946), aff,d, 286 N.Y. 1044 (1947).

47 Cf. Michael Lehmann, *Aktuelle kartell- und wettbewerbsrechtliche Probleme der Lizenzierung von urheberrechtlich geschützten Computerprogrammen, Betriebs-Berater* 1985, p. 1209 - 1217; Hans-Rudolf Übel, *Kartellrechtlicher Anspruch auf EDV-Wartungsvertrag?, Computer und Recht* 1987, p. 273 - 278.

48 For details of this definition see Sect. 22 (1) of the *Antitrust Act.*

49 *Bundesgerichtshof,* Decision of 8 May 1979, WuW/E BGH 1589; Decision of 9 November 1967 (KZR 7/66), BGHZ 49, p. 99; Decision of 3 March 1969 (KVR 61/68), BGHZ 52, p. 65; Decision of 19 September 1974 (KZR 14/73), *Neue Juristische Wochenschrift* 1974, p. 2237; cf. *Bundeskartellamt,* Decision of 22 October 1967, WuW/E BKartA 1189 *et seq.*

b) The Magill case of the European Court of First Instance

However, the problem has recently intensified due to the *Magill* case decided by the European Court of First Instance on 10 July 1991.[50] The court upheld a decision of the European Commission[51] regarding the refusal to licence as an abuse of dominant positions under Art. 86 of the EEC treaty. The judges held that broadcasters may not refuse to grant licences for the publication of their radio and television programme listings although these listings are protected by copyright. In the view of the court, it is incompatible with Community law to use copyright for the sake of securing monopolies.

This decision has far-reaching effects for the whole European industry. I am very eager to listen to the speech of Thomas Vinje on this subject, who will probably demonstrate the possible applications of this judgment in the software industry.

IV. Final Remarks

The reunification of Germany has created new, and intensified existing, legal problems concerning software distribution. These difficult questions have a common economic origin. For the time being, the software industry in Eastern Germany is going to be rapidly reorganised towards a market-oriented economy. The whole industry has to be transformed into private corporations and is now up for sale by the Public Trust Institution (*Treuhandanstalt*). This process will only succeed with the aid of foreign investors, especially from Central and Eastern European Countries, who promote the establishment of trade relations with these new corporations. The EEC and the German government have implemented a lot of financial aid programmes which seem to be almost unknown to foreign corporations.[52]

The software industry in East Germany cannot survive without foreign investments in terms of production or distribution. For this reason the future of this market is very precarious so that the quotation from Charles Dickens mentioned above may be used to characterise the atmosphere within the German software industry: "It is the season of light, it is the season of darkness. It is the spring of hope, it is the winter of despair. We have everything before us, we have nothing before us".

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50 The decision has unfortunately not been published in Germany. I have taken my information from the *Computer and Communications Bulletin*, September 1991, p. 1 - 2.

51 *Magill TV Guide v. ITP, BBC and RTE*, Official journal 1989, L 78/43. Cf. J.F. Bellis/P.J. L'Ecluse, Competition Law for Information Technology in Europe, in: Alfred P. Meijboom/Corien Prins (ed.), *The Law of Information Technology in Europe* 1992, Deventer 1991, p. 48 - 51.

52 In August 1991, the *"Deutscher Industrie- und Handelstag"* edited a very detailed study on this subject entitled *"Die neuen Länder. Fördermaßnahmen"*. This study may be ordered from the Deutscher Industrie- und Handelstag, Adenauerallee 148, D-5300 Bonn 1.