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Berlin, 18 January 2012

**Re: Review of the Current Regime for the Assessment of Technology Transfer Agreements – Questionnaire for Stakeholders**
**HT.2742 – Stakeholder Input**

**here: Comments by *Deutsche Gesellschaft für Recht und Informatik e.V. (DGRI)***
***(no. 21625424990-18 of the Transparency Register of the European Commission)***

Dear Madam,
Dear Sir,

with regard to the questionnaire referenced above, the "Deutsche Gesellschaft für Recht und Informatik e.V." (German Association of Law and Informatics, hereinafter: ***DGRI***) wishes to submit some suggestions addressing notably the link between technology transfer agreements in general and the specificities of IT-related agreements. DGRI is the leading academic, independent, non-profit think tank in IT law. DGRI's principal purpose is to address issues lying at the interface between computer technology and the law, and, namely, to comment on drafts of laws touching upon IT issues from a scientific perspective.

Due to the status of DGRI as an academic institution dealing mainly with IT-related issues of law we have refrained from following the questionnaire, instead focussing on two specific issues with respect to the applicability of the BER on technology transfer agreements (hereinafter: ***TTBER***) and the Commission Regulation 330/2010 of 20 April 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices (hereinafter: ***BER Vertical Agreements***) which in our opinion should be addressed and resolved when revising the TTBER and the respective Guidelines.

The exemption of Article 2 TTBER applies to "*technology transfer agreements entered into between two undertakings permitting the production of contract products*". According to

Article 1 paragraph 1 lit. b) TTBER "*software copyright licensing agreements*" fall under such definition provided that provisions which relate to the licensing or assignment of intellectual property rights "*do not constitute the primary object of the agreement and are directly related to the production of the contract products*".

The BER Vertical Agreements covers in general distribution agreements. According to its Article 2 par. 3, the "*exemption provided for in paragraph 1 shall apply to vertical agreements containing provisions which relate to the assignment to the buyer or use by the buyer of intellectual property rights, provided that those provisions do not constitute the primary object of such agreements and are directly related to the use, sale or resale of goods or services by the buyer or its customers*". Par. (41) of the Guidelines to the BER Vertical Agreements explains: "*Agreements, under which hard copies of software are supplied for resale and where the reseller does not acquire a licence to any rights over the software but only has the right to resell the hard copies, are to be regarded as agreements for the supply of goods for resale for the purpose of the Block Exemption Regulation. Under that form of distribution, licensing the software only occurs between the copyright owner and the user of the software. It may take the form of a 'shrink wrap' licence, that is, a set of conditions included in the package of the hard copy which the end user is deemed to accept by opening the package.*"

These provisions and explanations have resulted in uncertainty, to what extent the TTBER and the BER Vertical Agreements shall apply with regard to software licensing agreements and whether any of these two BERs is applicable at all to software licensing agreements where the software is distributed online without a material data carrier being delivered. DGRI proposes that each type of software distribution shall be governed by one of the BERs only and that the delineation between the two is clear.

## 1. Delineation of the Scope of Application of TTBER and BER Vertical Agreements

The intention of par. (41) of the Guidelines to the BER Vertical Agreements evidently is that in case software is solely distributed on a data carrier without the right of further copying of the software, the BER Vertical Agreements shall be applicable. However, when this paragraph explains that licensing of the software only occurs between the copyright owner and the user of the software, for instance by means of a "shrink wrap" license agreement, it does not take into account that frequently the licensor grants a distribution license to the distributor to license the use of the software to the end user and to pass on the respective data carrier. In such cases usually the right of use will be passed on along the distribution chain from the copyright owner through the reseller to the (end user) licensee. Although this is a usual way of distribution for software products it is unclear whether the BER Vertical Agreements is applicable. On the other hand, the TTBER is unlikely to apply to such software distribution since no production of contract products occurs and the licensed technology will not be exploited by the licensee.

Par. (51) of the Guidelines on technology transfer agreements states that the "*licensing of copyright for the purpose of reproduction and distribution of the protected work, i.e. the production of copies for resale, is considered to be similar to technology licensing. Since such licence agreements relate to the production and sale of products on the basis of an intellectual property right, they are considered to be of a similar nature as technology transfer agreements and normally raise comparable issues.*" Accordingly, even in cases where the copyright owner (only) allows the distributor to produce the data carriers containing the software itself by using a master data carrier received from the licensor, only for distribution to the end users, the TTBER would be applicable.

In the opinion of the DGRI these variants are, however, similar forms of a mere distribution of software products without any changes to the original program code and without any exploitation of the technology by the distribution partner. It should not make any difference whether

(i) the license agreement will be concluded between the licensor and the end user directly (which – by the way – would be difficult to implement by means of a shrink wrap license agreement under German law), or
(ii) through an intermediate distribution partner, nor should it be of essence whether
(iii) the distribution partner produces the data carriers itself by means of a master data carrier and distributes the software on such data carriers, or
(iv) whether he receives the data carriers for distribution from the licensor

since the final product the end user receives and the business case are identical. All those variants should be considered as distribution of unchanged software and should be covered exclusively by the BER Vertical Agreements.

By contrast, the TTBER should notably apply if either

- derivative works of the licensed software will be created by the licensee, or
- if the licensed software is to be combined with other software or used in combination with another product (e.g. as embedded software) since in those cases the licensed technology will be exploited for the production of goods or services and not merely passed on to the end user.

Therefore, DGRI proposes to insert a respective clarification in the Guidelines on technology transfer agreements.

## 2. No Differentiation between Software Distribution by means of a Material Data Carrier and Online Distribution

Par. (41) of the Guidelines to the BER Vertical Agreements refers to "hard copies of software" which are supplied for resale. Par. (51) of the Guidelines on technology transfer agreements in contrast refers to "the production of copies for resale".

Taking into account that it has become quite common that software is distributed by the copyright owner online - for instance by providing the licensee an Internet link where the software can be downloaded online and a license key to activate the software – DGRI strongly suggests that the technical means by which software is distributed – e.g. on a data carrier, via software download or by sending an executable via e-mail – should not have any effect on the applicability of the respective Block Exemption Regulations.

DGRI therefore proposes to insert a respective clarification in the Guidelines on technology transfer agreements.

We hope that our comments prove useful and would be happy to participate in the ongoing review of the regime for the assessment of technology transfer agreements. In case of any questions, please do not hesitate to contact DGRI at the address set forth above.

With best regards

Dr. Anselm Brandi-Dohrn
*President of the DGRI*

Dr. Thomas Stögmüller
*Head of the Expert Committee on Contract Law*