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COPYRIGHT EXHAUSTION IN THE DIGITAL AGE: IMPACT OF THE TOM KABINET CASE

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INTRODUCTION

A harmonized legal structure regulating copyright and associated rights, focusing on providing clear legal guidelines and robust protection for intellectual property, will incentivize substantial investment in creativity and innovation. This investment will encompass diverse sectors, including network infrastructure, and will play a role in fostering the growth and improved competitiveness of various European industries, especially those involved in content provision and information technology.¹ Additionally, this framework will promote employment stability and facilitate the emergence of fresh job prospects. With the proliferation and diversification of avenues for creation, production, and exploitation driven by technological progress, there is a necessity to revise and complement current copyright legislation to accommodate changing economic landscapes and emerging methods of exploitation.² Any endeavors towards harmonization must give precedence to upholding a stringent level of safeguarding for copyright and associated rights, considering their fundamental importance in fostering intellectual innovation. Ensuring the protection of these rights is vital for promoting and sustaining creativity, benefiting authors, performers, producers, consumers, culture, industry, and society overall. Intellectual property is

¹The EU copyright legislation, SHAPING EUROPE'S DIGITAL FUTURE, <https://digital-strategy.ec.europa.eu/en/policies/copyright-legislation> (last visited Jun 6, 2024).

² IViR, 'Harmonizing European Copyright Law' (last visited Jun 6, 2024) https://www.ivir.nl/publicaties/download/Harmonizing_European_Copyright_Law_chap1.pdf.

rightfully recognized as a fundamental component of ownership.³

For authors, performers, and producers to sustain their creative pursuits, they must receive equitable remuneration for the utilization of their creations. Ensuring adequate legal safeguards for intellectual property rights is paramount to guaranteeing that creators and producers can attain the requisite returns on their investments.⁴ The significant investments necessary for producing various intellectual property goods and services, including phonograms, films, multimedia products, and on-demand services, highlight the criticality of protecting these rights. Such protection is essential to foster an environment conducive to creativity and innovation.⁵

Initially emerging as a concept in literature, the exhaustion of the distribution right was formally introduced through case law in the early 20th century. This principle stipulates that once a copy of a copyrighted work has been lawfully circulated, the copyright holder cannot impede its resale by the buyer. This is grounded on the notion that the purchaser's right of ownership overrides the claims of the copyright holder. Furthermore, when the author, or with their authorization, distributes a copy of the work, it is presumed that the author has received adequate compensation for that particular copy.

The concept of exhaustion of the distribution right for copyrighted objects was incorporated into EU law via judicial precedent despite its preexistence in the legal systems of Member States. The Court expanded the application of this concept to encompass the entirety of the European Union, primarily to facilitate the unimpeded movement of goods within the internal market. Subsequently, the exhaustion of the distribution right became acknowledged in both international and EU legal contexts, as well as within the legal frameworks of Member States.

The rise of digital content and novel online distribution methods has upset the equilibrium between the interests of copyright holders and users of protected content, previously maintained by the exhaustion principle. While digitalization facilitates the effortless creation and transmission of

³ Thomson Reuters Legal, 'Contracts and Intellectual Property Ownership' (last visited Jun 6, 2024) <https://legal.thomsonreuters.com/en/insights/articles/contracts-and-intellectual-property-ownership>.

⁴ Chandra Nath Saha and Sanjib Bhattacharya, 'Intellectual property rights: An overview and implications in pharmaceutical industry' (2011) 2(2) J Adv Pharm Technol Res 88, DOI: <https://doi.org/10.4103/2231-4040.82952>.

⁵ Baianat Intellectual Property, 'How to Invest in Intellectual Property Rights' (last visited Jun 6, 2024) <https://baianat-ip.com.sa/how-to-invest-in-intellectual-property-rights/>.

exact digital replicas online, it challenges copyright holders' ability to obtain fair compensation and fosters instances of counterfeiting. Conversely, modern technologies empower copyright holders to closely oversee and regulate how buyers utilize their works, potentially curtailing users' unrestricted enjoyment of their copies to conditional rights. Given these developments, it becomes the Court's responsibility to determine whether the exhaustion principle, applied initially to physical copies, can be extended to the digital realm of virtual files.

The Tom Kabinet case of 2019 focuses on the exhaustion of rights and the differentiation between distribution and communication to the public concerning e-books. The primary concerns addressed in this case involve determining whether the distribution right is depleted when an e-book is provided for unrestricted use following payment and whether the resale of e-books qualifies as a communication to the public.

THE INTERNATIONAL RECOGNITION AND REGULATION OF THE PRINCIPLE OF EXHAUSTION

Under copyright law, the principle of exhaustion states that once a right holder has released their protected work into the market, their control over its subsequent distribution is 'exhausted'. This principle limits the rights granted to copyright holders. The main policy objectives of the exhaustion doctrine include the superiority of property rights over copyrights, the reward theory, and restricting rights holders from controlling the market.⁶

The principle of exhaustion is internationally acknowledged by the TRIPS Agreement (Article 6), which affects how intellectual property influences the free movement of goods and services in global trade.⁷ However, although the TRIPS Agreement acknowledges the concept of exhaustion, it has not yet provided specific regulations for it.

The freedom of individual nations to regulate exhaustion is recognized by Article 6(2) of the WCT. This article states that nothing in the Treaty affects the freedom of Contracting Parties to determine

⁶ Péter Mezei, *Copyright Exhaustion: Law and Policy in the United States and the European Union* (Cambridge University Press 2018),

⁷ Shubha Ghosh, 'The Implementation of Exhaustion Policies: Lessons from National Experiences' [2013] 40 *International Centre for Trade and Sustainable Development*

the conditions under which the exhaustion of the distribution right applies following the first sale or transfer of ownership of the original or a copy of the work with the author's authorization.

THE CHALLENGE OF APPLYING EXHAUSTION TO DIGITAL WORKS IN THE INTERNET AGE

The term 'digital exhaustion' was first introduced by Aaron Perzanowski and Jason Schultz in a paper exploring the application of the exhaustion principle in the digital realm.⁸ It remains uncertain whether digital exhaustion should apply to the first sale of digital works by the copyright holder or with their consent. The primary challenges in applying exhaustion to digital media include: (i) copies of the work are not embodied in a tangible form, making it unclear if an online transmission constitutes an act of distribution; (ii) agreements between copyright holders and consumers are typically classified as licenses rather than sales; and (iii) consumers are generally not considered to have ownership of the digital media.

The principle of exhaustion was developed before the advent of the Internet and was initially intended to apply only to the distribution of tangible (physical) objects, such as paper books. However, the distribution of digital files, which are considered intangible goods as they are not fixed in a material medium, has been rapidly increasing and, in some cases, surpasses or matches the distribution of physical goods.

The WCT, a special agreement under the Berne Convention, addresses the protection of works and the rights of copyright holders in the digital environment.⁹ Article 6(1) of the WCT defines distribution, stating that authors of literary and artistic works have the exclusive right to authorize the public availability of their works through sale or other transfer of ownership.

The right of distribution should also be understood in an economic context, as it involves the commercialization of the copyrighted work. As Poorna Mysoor notes, a copyright owner can use their distribution right to divide markets territorially and establish exclusive distribution chains,

⁸ 17 U.S.C. § 109 (a) establishes that *'the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord'*.

⁹ Silke von Lewinski, *The Wipo Copyright Treaty (Wct) and the Wipo Performances And Phonograms Treaty (WPPT) of 1996*, in INTERNATIONAL COPYRIGHT LAW AND POLICY 497 (2008), <http://dx.doi.org/10.1093/oso/9780199207206.003.0025> (last visited Jun 8, 2024).

enabling them to maintain artificially high prices and exclude other sellers from these markets.¹⁰ Therefore, the limitation of this right must be carefully observed.

The WCT is the only international treaty that explicitly excludes intangible objects from the scope of the right of distribution by using the terms 'original' and 'copy of the work', which refer to fixed copies circulated as tangible goods.¹¹ According to the WCT, online transmission may qualify as the act of making works available to the public (Article 8), which is not covered by exhaustion.

In Europe, Recital 28 of the InfoSoc Directive clearly states that the distribution right applies to works incorporated into a tangible article. Additionally, Recital 29 specifies that exhaustion does not cover services and online services. It is unclear whether the legislator intended to include cases where the copyright holder consents to users downloading a copy of the work onto their hard drive for offline consultation under 'online services'.¹²

Another ambiguity in the Directive is whether online transmission is an act of distribution or making available to the public. If it is the latter, according to Article 3(3), exhaustion would not apply. The CJEU seems to suggest that the online retransmission of works included in a terrestrial television broadcast can be considered making available to the public.¹³ However, the case of e-books is different since the main objective of the copyright holder when selling a book on platforms like Amazon is to distribute the work.

Proponents of digital exhaustion argue that there is no difference between the sale of a tangible copy (such as a CD) and online transmission, which, though initially conducted online, results in a tangible copy on the recipient's side, thus exhausting the right holder's distribution right in both cases.¹⁴ It remains unclear whether exhaustion applies solely to the distribution of tangible copies

¹⁰ Poorna Mysoor, *Exhaustion, Non-exhaustion and Implied Licence*, 49 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 656 (2018).

¹¹ Silke von Lewinski, *The Wipo Copyright Treaty (Wct) and the Wipo Performances And Phonograms Treaty (WPPT) of 1996*, in INTERNATIONAL COPYRIGHT LAW AND POLICY 497 (2008), <http://dx.doi.org/10.1093/oso/9780199207206.003.0025> (last visited Jun 8, 2024).

¹² Giorgio Spedicato, *Online Exhaustion and the Boundaries of Interpretation*, in BALANCING COPYRIGHT LAW IN THE DIGITAL AGE 27 (2014), http://dx.doi.org/10.1007/978-3-662-44648-5_2 (last visited Jun 8, 2024).

¹³ Case C-607/11 ITV Broadcasting Lt v. TVCatchup Ltd. [2013] ECLI:EU:C:2013:147.

¹⁴ Silke von Lewinski, *The Wipo Copyright Treaty (Wct) and the Wipo Performances And Phonograms Treaty (WPPT) of 1996*, in INTERNATIONAL COPYRIGHT LAW AND POLICY 497 (2008), <http://dx.doi.org/10.1093/oso/9780199207206.003.0025> (last visited Jun 8, 2024).

or intangible copies (i.e., digital transmission), largely due to ambiguous existing provisions. As a result, the judicial system is often called upon to decide on issues of digital exhaustion.

THE IMPACT OF DIGITAL TRANSACTIONS AND THE DOCTRINE OF EXHAUSTION ON E-BOOKS AND COPYRIGHT LAW

In today's digital age, the sharing and distribution of digital files, such as music, games, and movies, have already surpassed or equaled the distribution of physical goods, particularly in the music industry. Digital transactions offer evident advantages, including faster access and distribution, lower production costs, and reduced logistics expenses. Copyrighted works can originate digitally, like a text written with a word processor, or they can be digitized using a scanner or similar device. Digitizing a work, such as scanning a book into image files on a computer, is considered an act of reproduction and does not involve any creative input.¹⁵

E-books have emerged as a new and alternative method for publishing copyrighted works, but their definition remains contested. Some authors view e-books as a blend of software, hardware, and content, initially referring to both the electronic book file and the reading device.¹⁶ Conversely, other authors believe that an e-book solely pertains to the content of the protected work. Regardless of the definition, the principle of exhaustion has yet to be applied to digital books.¹⁷

The Doctrine of Exhaustion is a significant principle within copyright law, particularly relevant to access to knowledge in developing countries and from the perspective of students. This doctrine states that once a copyrighted work has been legitimately sold, the owner loses control over its further distribution.¹⁸ A related concept that arises from this doctrine is 'parallel importation', also known as 'grey market' trade.¹⁹ Parallel importation occurs when an original copyrighted product, produced with the copyright owner's permission in one country, is subsequently imported into

¹⁵THOMAS DREIER, COPYRIGHT LAW AND DIGITAL EXPLOITATION OF WORKS: THE CURRENT COPYRIGHT LANDSCAPE IN THE AGE OF THE INTERNET AND MULTIMEDIA: EXPERT OPINION (1997).

¹⁶ Eric Lease Morgan, 'Electronic Books and Related Technologies' [1999] 19 (10) Computers in Libraries

¹⁷ 'e-book' is defined as the content of a book which is made available in digital form and is readable only on specific electronic devices

¹⁸ Enrico Bonadio, Parallel Imports in a Global Market. Should a Generalized International Exhaustion be the Next Step?, 33 EUR. INTELL. PROP. REV. 153 (2011)

¹⁹ Christopher Heath, Parallel Imports and International Trade, WORLD INTELLECTUAL PROPERTY ORGANISATION, https://www.wipo.int/edocs/mdocs/sme/en/atrip_gva_99/atrip_gva_99_6.pdf (last visited June 6, 2024).

another country without the owner's consent. Although copyright owners generally disapprove of this practice, it has been shown to offer consumers various alternatives and make books and other essential products more economically accessible.

THE TOM KABINET CASE: REDEFINING COPYRIGHT IN THE DIGITAL AGE

PARTIES TO THE CASE

The Plaintiff in the lawsuit comprises Nederlands Uitgeversverbond ('NUV') and Groep Algemene Uitgevers ('GAU'), which are associations dedicated to safeguarding the interests of Dutch publishers. Their role involves overseeing the protection and adherence to copyright granted to them through exclusive licenses by copyright holders.

Tom Kabinet Internet BV, a Dutch-based company, is the defendant in this case. It is involved in publishing and distributing books, e-books, and databases, operating an online platform that serves as a marketplace for second-hand e-books. Their leading service is the Tom Leesclub, which operates as a reading club for its users.

FACTS

On June 24, 2014, Tom Kabinet made a significant foray into the digital landscape by launching an innovative online service, establishing a virtual marketplace dedicated to the trade of second-hand e-books. Shortly thereafter, on July 1, 2014, the Netherlands Association of Publishers (NUV) and the General Publishers Group (GAU) promptly responded by initiating legal proceedings against Tom Kabinet, Tom Kabinet Holding, and Tom Kabinet Uitgeverij. These legal actions were brought before the urgent applications judge at the District Court in Amsterdam, with the primary focus on potential copyright infringements arising from the operation of Tom Kabinet's online service.

On July 1, 2014, the Netherlands Association of Publishers (NUV) and the General Publishers Group (GAU) promptly filed a legal complaint against Tom Kabinet, Tom Kabinet Holding, and Tom Kabinet Uitgeverij, bringing the matter before the urgent applications judge at the District Court in Amsterdam. Their main concern revolved around possible copyright violations arising from Tom Kabinet's online service operation.

On June 24, 2014, Tom Kabinet took a pioneering step in the digital realm by launching an innovative online service, introducing a virtual market tailored specifically for the trade of second-hand e-books. This endeavor marked a significant departure from traditional book-selling models, opening up new avenues for readers to access literature cost-effectively.

Nevertheless, this action had legal ramifications. On July 1, 2014, the Netherlands Association of Publishers (NUV) and the General Publishers Group (GAU) swiftly took legal steps by initiating proceedings against Tom Kabinet, Tom Kabinet Holding, and Tom Kabinet Uitgeverij, directing their complaint to the urgent applications judge at the District Court in Amsterdam. Their main concern centered on potential copyright infringements arising from Tom Kabinet's online service. Despite this legal challenge, the District Court in Amsterdam initially ruled in favor of Tom Kabinet, stating that there was no apparent breach of copyright in the case. However, unperturbed by this verdict, NUV and GAU proceeded to appeal the decision, taking the matter to the Court of Appeal in Amsterdam.

On January 20, 2015, the Court of Appeal rendered its verdict, mainly affirming the District Court's decision but imposing certain restrictions on Tom Kabinet's operations. Expressly, the Court prohibited Tom Kabinet from facilitating the sale of unlawfully obtained e-books through its online platform, thereby striking a balance between innovation and copyright protection. Following this, on June 8, 2015, Tom Kabinet embarked on strategically reorganizing its operations, introducing the "Tom Leesclub" (Tom Reading Club). Under this revised model, Tom Kabinet transitioned into an e-book trader, providing members access to a carefully curated assortment of second-hand e-books. These e-books were obtained through direct acquisitions or contributions from club members.

Integral to the functioning of the Tom Leesclub was the adherence to strict protocols ensuring the legality of e-books traded within the platform. Sellers were obligated to delete their copies upon selling them to Tom Kabinet, who deleted them upon resale, thereby mitigating any potential copyright violations. Additionally, each e-book sold bore a digital watermark, serving as a tangible marker of its legality and authenticity. Initially, individuals belonging to the reading club could obtain e-books for EUR 1.75 per book, alongside the option to resell them. Membership required a monthly subscription fee of EUR 3.99, which was subsequently abolished on November 18, 2015, introducing a more adaptable membership arrangement.

Post-November 18, 2015, the pricing model underwent further refinement, with e-books now priced uniformly at EUR 2 each. However, access to e-books within the reading club now necessitated the acquisition of "credits" earned through various means, such as providing e-books or purchasing them alongside orders, thereby incentivizing active participation within the community.

The Netherlands Association of Publishers (NUV) and the General Publishers Group (GAU) initiated legal proceedings against Tom Kabinet, accusing them of copyright infringement. The allegation centered on the unauthorized public dissemination of e-books through the reading club. NUV and GAU requested a court order to prevent Tom Kabinet from violating the copyrights of their affiliated entities, mainly by providing access to e-books or reproducing them without proper authorization. The case was presented before the District Court in The Hague for resolution.

The District Court of Netherlands determined that the offer made by Tom Kabinet was not an act that amounted to communication to the public of those works as per Article 3(1) of the directive.²⁰ The Court needed clarification about whether selling e-books for unlimited download constitutes distribution under Article 4(1) of Directive 2001/29²¹ and if the right of distribution could be exhausted according to Article 4(2) of the directive²² in this scenario.

CONTENTIONS OF THE PLAINTIFF

The plaintiff argues that offering e-books for download constitutes a type of communication to the public rather than distribution. They assert that distribution rights typically apply to physical items,

²⁰ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10, art 3. (1) *Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.*

²¹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10, art 4. (1) *Member States shall provide for authors, in respect of the original of their works or of copies thereof, the exclusive right to authorise or prohibit any form of distribution to the public by sale or otherwise.*

²² Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10, art 4. (2) *The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent.*

whereas online dissemination falls under the right to make content available to the public. The plaintiff emphasizes that previous judgments by the Court of Justice of the European Union (CJEU) in cases such as *Usedsoft*²³ and *VOB* do not support the application of exhaustion principles to e-books. These rulings were specific to directives like the Computer Programs Directive and the Rental and Lending Directive, which do not directly address the unique characteristics of e-books. Therefore, the plaintiff maintains that the sale of e-books through Tom Kabinet's reading club constitutes an unauthorized communication to the public, necessitating legal intervention to protect copyright holders' rights.

The plaintiff contends that providing e-books for download constitutes an instance of communicating to the public, thereby constituting copyright infringement. They assert that Tom Kabinet operates as a commercial e-book trader, essentially serving as an intermediary facilitating access to e-books for an unrestricted audience without obtaining proper authorization from the copyright holders. This unauthorized dissemination of copyrighted material is viewed as a violation of the exclusive rights granted to copyright holders under intellectual property laws.

Furthermore, the plaintiff contends that the e-books provided by Tom Kabinet are not identical copies of the original works initially distributed by the copyright holders. Instead, they are considered new reproductions created through downloading and uploading onto Tom Kabinet's platform. This distinction is crucial as it implies that Tom Kabinet's actions result in the proliferation of unauthorized reproductions of copyrighted works, thereby exacerbating the infringement.

CONTENTIONS OF THE DEFENDANT

The defendants counter by asserting that the right of distribution should extend to e-books, likening their treatment to that of physical books. They contend that e-books are sold rather than licensed and that copyright holders receive adequate compensation for their works through these sales. Citing rulings by the Court of Justice of the European Union (CJEU) in cases such as *UsedSoft*²⁴ and *VOB*, the defendants argue that these precedents endorse the concept of online exhaustion for digital goods like e-books. They maintain that these CJEU judgments establish a broader principle

²³ *UsedSoft v. GmbH Oracle International Corp.* (Case C-128/11) [2012] EU:C:2012:407.

²⁴ *UsedSoft v. GmbH Oracle International Corp.* (Case C-128/11) [2012] EU:C:2012:407.

of digital exhaustion, which should apply to e-books in a manner similar to physical products.

The defendants assert that the right to make it available does not apply to e-books as it is limited to acts of streaming and does not encompass downloading. They argue that the legal concept of making available, as defined in copyright law, pertains primarily to actions involving the real-time transmission or streaming of content to the public rather than the static downloading process. Therefore, according to the defendants, downloading an e-book should not be categorized as a form of communication to the public.

The defendants posit that downloading an e-book should be considered as a transfer of ownership of a copy from the seller to the buyer. They contend that when an individual downloads an e-book, they are essentially acquiring a tangible copy of the work, which they then have the right to possess and use for personal consumption. This interpretation aligns with the traditional understanding of copyright law, which grants individuals the right to purchase and own physical copies of copyrighted works for personal use without infringing upon the rights of the copyright holder.

The defendants seek to challenge the plaintiff's assertion of copyright infringement against Tom Kabinet by presenting downloading as a transfer of ownership rather than a mode of communicating to the public. They argue that the sale and transfer of e-books through their platform are lawful transactions that do not impinge upon the exclusive rights of the copyright holders. This defense underscores the defendants' position that their actions are consistent with established copyright principles and do not warrant legal sanction.

JUDGMENT

The court determined that Article 4(1) of the directive confers upon authors the exclusive authority to regulate the distribution of their works to the public, regardless of whether it is through sale or other methods. This right becomes depleted as per Article 4(2) when the initial sale or transfer of ownership of the original work or a copy takes place within the European Union with the copyright holder's consent. Interpreting an EU law provision involves considering its wording, context, objectives, and origins.²⁵ EU legislation should be interpreted consistently with international law, especially when implementing international agreements.²⁶ Directive 2001/29 aims to fulfill EU

²⁵ *Acacia and D'Amato* (Case C-397/16) [2017] EU:C:2017:992.

²⁶ *Dimensione Direct Sales and Labianca* (Case C-516/13) [2015] EU:C:2015:315.

obligations under the WIPO Copyright Treaty (WCT). Concepts like distribution to the public in the directive should align with definitions in the WCT.²⁷

Article 6(1) of the WCT²⁸ specifies that the distribution right pertains exclusively to tangible copies, thereby excluding intangible works such as e-books. The distribution right does not cover new forms of exploitation, such as interactive on-demand transmission. The explanatory memorandum of the directive elucidates that communication to the public, apart from physical distribution, should not be construed as "distribution to the public." Recitals 28 and 29 of Directive 2001/29 underscore that the distribution right is applicable to tangible items and does not encompass online services. While the *UsedSoft* case²⁹ ruling addressed distribution rights for computer programs, it may not directly apply to e-books due to their differences. The provision of an e-book that necessitates the author's prior authorization and is not governed by the exhaustion rule of the distribution right outlined in Article 4(2) of the directive.

Article 3(1) of Directive 2001/29 grants authors the exclusive rights to authorize or prohibit any communication of their works to the public, encompassing both wired and wireless methods. Interactive on-demand transmission³⁰ is recognized as a novel form of exploiting intellectual property, leading Member States to categorize it under the right to control communication to the public, which is distinct from the distribution right. The directive's explanatory memorandum specifies that communication to the public includes activities like interactive on-demand transmission, excluding the distribution of physical copies. Recital 23 of Directive 2001/29 stresses that 'communication to the public' should be interpreted broadly, covering all transmissions of works to the public via wired or wireless means.

Making available to the public, which is a subset of the broader concept of communication to the

²⁷ Peek & Cloppenburg (Case C-456/06) [2008] EU:C:2008:232.

²⁸ WIPO Copyright Treaty 1996, art 6. (1) *Authors of literary and artistic works shall enjoy the exclusive right of authorizing the making available to the public of the original and copies of their works through sale or other transfer of ownership.*

(2) *Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right in paragraph (1) applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author.*

²⁹ *UsedSoft v. GmbH Oracle International Corp.* (Case C-128/11) [2012] EU:C:2012:407.

³⁰ Interactive on-demand transmissions are characterised by the fact that members of the public may access them from a place and at a time individually chosen by them.

public, entails ensuring that members of the public can access the protected work from locations and times of their choosing. Tom Kabinet provides access to the works to registered users of the reading club's website, enabling them to access the content from their chosen locations and times. This activity constitutes the communication of a work under Article 3(1) of Directive 2001/29. The concept of 'public' includes a de minimis threshold, excluding very small groups, and considers the cumulative effect of making the work available to potential recipients.³¹ In the case of Tom Kabinet, where any interested person can become a member and no technical measures limit the number of simultaneous or successive accesses to the same work, the number of potential recipients is substantial, constituting communication to a public.

ANALYSIS

The defendant diligently adheres to copyright laws by engaging in the lawful purchase of e-books from authorized distributors, ensuring strict compliance with legal requirements. Similarly, sellers of second-hand e-books diligently observe copyright regulations by promptly deleting their copies upon completing the sale to the defendant, thereby effectively preventing any unauthorized duplication or reproduction. Given the meticulousness of these practices, the application of the exhaustion principle is warranted.

The exhaustion principle, as recognized in copyright law, stipulates that once a copy of a work is lawfully sold, the rights of the copyright holder become exhausted, thereby permitting the resale of that copy without infringing upon the rights of the original copyright holder. This principle serves multiple beneficial purposes, both for authors and consumers alike. Authors benefit from the commercial returns generated by the initial sale, while consumers enjoy enhanced access to content through the availability of second-hand copies. Furthermore, this principle promotes fairness and accessibility in the market, allowing consumers to resell legally acquired copies and thereby expanding market accessibility for all.

Moreover, the resale of eBooks typically involves a straightforward one-to-one transaction between the seller and the buyer. Upon the completion of the sale of an eBook, the exhaustion of the distribution right takes effect, effectively terminating the rights holder's control over that specific copy. This means that irrespective of whether the sale could be construed as a form of

³¹ Stichting Brein (Case C-610/15) [2017] EU:C:2017:456.

communication to the public, the rights holder no longer possesses the authority to restrict or regulate the resale of eBooks. This application of the exhaustion principle is instrumental in promoting greater access and affordability in the digital marketplace by facilitating the smooth operation of the secondary market for digital goods.

Thus, the application of the exhaustion principle not only prevents unnecessary restrictions on the resale of e-books but also strikes a delicate balance between the interests of copyright holders and the rights of consumers. It fosters an environment conducive to fair market practices and equitable access to digital content, thereby benefiting both content creators and consumers in the digital era.

INDIAN POSITION

Section 14(a)(ii)³² recognizes the principle of exhaustion concerning rights related to literary works. This provision stipulates that once a copy of a literary work is lawfully sold, the rights holder forfeits control over that specific copy. This means that subsequent transactions involving the sold copy, such as resale or distribution, are not subject to the rights holder's control. Additionally, Section 2(ff)³³ of the legislation offers a comprehensive definition of "communication to the public," which extends beyond traditional understandings. This definition encompasses any action that makes a work or performance available to be seen or heard by the public. Consequently, infringement of copyright can occur even without direct communication in the conventional sense. The mere act of making a copyrighted work accessible to the public, regardless of the method used, is considered an infringement under this expansive definition. This concept of making available encompasses various forms, including direct distribution of physical copies, as well as digital display or dissemination of the work through online platforms. Overall, these legal provisions serve to clarify and broaden the scope of copyright protection, ensuring that rights holders maintain control over their works while also addressing the evolving landscape of

³² Copyright Act 1957, s 14(a)(ii). *(ii) to issue copies of the work to the public not being copies already in circulation.*

³³ Copyright Act 1957, s 2(ff). *“communication to the public” means making any work or performance available for being seen or heard or otherwise enjoyed by the public directly or by any means of display or diffusion other than by issuing physical copies of it, whether simultaneously or at places and times chosen individually, regardless of whether any member of the public actually sees, hears or otherwise enjoys the work or performance so made available.*

digital distribution and communication.

CONCLUSION

The Tom Kabinet case is a pivotal moment in digital copyright law, particularly regarding the application of the exhaustion principle to e-books. This case highlights the complexities of adapting traditional copyright frameworks to the digital realm, where the distinction between distribution and communication to the public becomes blurred.³⁴ The court's decision that the distribution right under EU Directive 2001/29 does not extend to intangible works like e-books underscores the necessity for clear legal definitions in the digital age and emphasizes the protection of copyright holders' exclusive rights in the digital marketplace.

This ruling has significant implications for the trade and consumption of digital goods across Europe, indicating the need for updated legislation to address the unique challenges of digital content distribution. As digital transactions increasingly surpass physical ones, the principles established in this case will shape the future of copyright law, balancing the rights of creators with the evolving consumption habits of users. It highlights the importance of a harmonized and modern legal framework that accommodates technological advancements and economic changes, promoting creativity, innovation, and fair market practices.

Globally, including in India, similar principles are recognized, emphasizing the protection of copyright holders' rights while addressing the digital distribution landscape. The global nature of digital content necessitates a unified approach to copyright law to ensure creators receive fair remuneration and consumers enjoy enhanced access to digital content.³⁵ The Tom Kabinet case exemplifies the need for such a framework, benefiting authors, performers, producers, consumers, and society at large.

³⁴ Ansgar Kaiser, *Exhaustion, Distribution and Communication to the Public – The CJEU's Decision C-263/18 – Tom Kabinet on E-Books and Beyond*, 69 GRUR INTERNATIONAL 489 (2020).

³⁵ Sahil Chawla, *Digital Piracy & Copyright Enforcement: Approaches to Tackling Online Infringement*, TAXGURU CONSULTANCY & ONLINE PUBLICATION LLP (2024), <https://taxguru.in/corporate-law/digital-piracy-copyright-enforcement-approaches-tackling-online-infringement.html> (last visited Jun 8, 2024).