The protection of software in the Federal Republic of Germany – recent developments

THOMAS HOEREN

Since the decision of the German Federal Supreme Court of 9 May 1985 ('*Inkasso* case')[1] has established high standards for the copyrightability of software, the Federal Republic of Germany is said to have the most limited copyright protection of software in Europe.[2] According to s.2 of the German Copyright Act, computer programs are protected by copyright law if they represent an individual, original, creative achievement. In the view of the Supreme Court, this section only applies if the form of a program in selection, collection, arrangement, and division of information and statements goes far beyond the skills of an average programmer.

These rules have been widely critised in national and international literature,[3] the main argument being that their application would result in about 90 per cent of software being unprotected against piracy.

However, the last word has not yet been spoken. German courts have found new ways to overrule the *Inkasso* decision of the Supreme Court and to create effective remedies against software piracy. Even the German Government is preparing an amendment to the Copyright Act for the protection of computer programs as a neighbouring right.[4] The following considerations summarize these efforts to establish new rules for the protection of software.[5]

I. The protection of software by copyright law

The development of the law after the Inkasso case may be characterized as ambivalent. On the one hand, German courts feel pledged to the considerations of the Federal Court. This attitude has resulted in some peculiar decisions – for example, the decision of the Court of Appeal of Hamm of 27 April 1989.[6]

In this case, NIXDORF AG as Plaintiff claimed that the re-sale of its hardware (including the NIXDORF operating programs) by the defendant was unlawful without its consent. The county court had decided that the first-sale doctrine applied in this specific case and that, therefore, the rights of NIXDORF under copyright law were exhausted.

The Court of Appeal, however, failed to consider the first– sale doctrine. Instead, the judges denied the copyrightability of the NIXDORF operating system. They held that the complexity of this program alone did not justify its copyrightability, although the results of the NIXDORF programmers were remarkable. The judges stated that NIXDORF had not sufficiently proved the originality of its software. NIXDORF only presented a description of the functions and structure of the operating system, and this description was held to be insufficient proof of the originality of the program.

On the other hand, several courts have tried to avoid the rigidity of the *Inkasso* decision. With regard to computer games, a number of courts[7] have stated that these games are protectable as videograms ('*Laufbildschutz*' according to s.95 of the German Copyright Protection Act), even if they are not original in the sense of the *Inkasso* decision.[8] When compared with the *NIXDORF* decision of the Hamm Court of Appeal, this special protection of computer games leads to a preposterous legal situation. Whereas expensive commercial software may be copied without the consent of the author, each computer 'kid' copying a computer game may be prosecuted.

II. 'Look and feel' in Germany

The US 'look & feel' discussion has now crossed the Atlantic and reached the Continent.[9] In Germany, two district courts have recently dealt with the problem of copyright protection for screen displays.[10]

In the case of the Kammergericht Berlin,[11] the court had to decide whether a producer of advocate software was allowed to adopt the chart of accounts of another software product. The judges denied the copyrightability of this chart. On the one hand, it did not constitute a personal intellectual creation according to s.2, para.2 UrhG especially since its structure was dictated by externalities.[12] On the other hand, the chart of accounts was regarded by the court as a mere 'remedy' for the computer program and was, consequently, held by the judges to be not protectable under copyright law separately from the program. This argument seems to indicate that the judges generally denied the copyrightability of screen displays.

The court even denied that the chart of accounts is protected on the basis of the Unfair Competition Act ('UWG'), especially under s.1 UWG. According to this section, the direct takeover of somebody else's effort ('*unmittelbare Leistungsubernahme*') or the slavish imitation ('*sklavische Nachahmung*') depriving the producer of his benefits may constitute an act of unfair competition.[13] The Federal Supreme Court, however, has recently interpreted s.1 in the sense that the imitation or the direct takeover itself is lawful unless additional circumstances

qualify such behaviour as an act of unfair competition.[14] This interpretation was confirmed by the judges of the Kammergericht. They held that there was no special circumstance in the case indicative of an unfair act. Neither product could be mistaken for the other; besides, it could not be proved that the defendant had saved expenses and thereby benefited from the product of the plaintiff.

About a year after this decision, the District Court of Hamburg[15] had to decide the second 'look & feel' case. The defendant was a producer of a mailbox program. He had copied the overall structure, sequence and arrangement of the commands (including the auxiliary texts) from a foreign mailbox system in order to use this structure for his own program. The court granted an injunction in favour of the plaintiff.

The line of argument of the judges was contrary to that of their Berlin colleagues. They held that the command structure does not constitute a mere auxiliary part of the program, but is protected in its own right by s.1 UWG. In their view, the creation of an appealing and 'user friendly' screen display requires a lot of expensive and long-term investigations. These efforts had to be protected against direct take-over performed by competitors who wanted to benefit unduly from the intellectual and material investment of other people. The court even rejected the argument of the defendant that the nomenclature of the commands was commonplace and dictated by technical externalities. Section 1 UWG did not protect single command terms, but the whole structure and arrangement of the commands, which was 'the key to the software itself'.[16]

The decisions of the Kammergericht and the District Court of Hamburg demonstrate how 'Look & Feel' cases may be decided and solved in German law. Some very creative screen displays are protected by copyright law, independent of the program. Other displays, however, enjoy at least the protection of s.1 UWG, so that the producer may sue for an injunction against competitors using his screen layout.[17]

III. Copying utilities and the Unfair Competition Act (UWG)

New legal problems are caused by the use of programs aimed at illegal copying of software. The 'Dongle' case of the Court of Appeal of Stuttgart[18] may serve to illustrate these problems. The plaintiff sold expensive CAD software together with a 'dongle', i.e. a technical device for the protection against software piracy to be put on the interface of the computer. The defendant was a distributor of Canadian software which was designed to eliminate the dongle's protection. 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 US decisions on the use of video recorders, especially the Betamax case of the US Supreme Court.[19] 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 utitility was held by the court to constitute an 'unfair parasitic intrigue' according to s.1 UWG.

The line of argument of the court was, however, in part astonishing. They dealt, for instance, with the question of shrink-wrap licences although this problem, which has been controversially discussed worldwide,[20] was of no relevance for the case. Using no more than one sentence, the judges alleged that shrink-wrap licences are lawful and enforceable in German law; this assumption was not substantiated by the court and stands in contradiction to the *opinio communis* held among German lawyers.[21]

IV. Section 17 §2 of the Copyright Act and software contracts

For a long time, the extent of the first-sale doctrine (embodied in s.17 §2 of the Copyright Act) has been discussed controversially, especially with regard to the software market.[22] Recently, the Nurnberg Court of Appeal[23] 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. Consequently, any contractual restriction on the redistribution (sale, rent, lease) of purchased software is invalid and unenforceable in Germany.

V. Proposed copyright reform

In the summer of 1989, the German government published its report on the effects of the Copyright Act 1985.[24] This report was influenced by the plans of the EEC Commission for a new Directive on the Protection of Software and tried to illustrate how these plans may be transferred into German copyright law. With regard to computer programs,[25] the government proposed to create a new neighbouring right for software: 'Such a neighbouring right does not depend on a certain standard of creativity and may offer exclusive rights of distribution and reproduction as well as protection against alteration.'[26] As Kindermann has already pointed out,[27] this proposal is to be dismissed as insufficient and useless. The creation of a new neighbouring right would imply a shorter term and a limited scope of software protection.[28] Besides, this proposal is incompatible with international trends in WIPO,[29] GATT,[30] AIPPI[31] and the EEC Commission,[32] which are all in favour of copyright protection of software.

On the other hand, I cannot agree with Kindermann, who proposes to reduce the standard of originality for software *de lege ferenda*.[33] Kinder-

mann fails to recognise the root of the problem: the *Inkasso* decision of the Federal Supreme Court. The uncertainty in West Germany as to the copyrightability of certain software products is based upon the fatal judgment of 9 May 1985 and upon the exaggerated conception of originality which was applied to software only.[34] Therefore, the judges of the Federal Supreme Court have to be persuaded that the effect of their decision will be to implement and support a piracy haven within Europe. There is, however, no point in calling for new acts whenever the decision of a court is regarded as inadequate. This rigorous way of cutting the Gordian knot[35] will always result in an inflationary increase in legislation; in the long run, it will destroy any organic development within the law as well as any legal discussion.

Thomas Hoeren, Dr iur., Lic. theol. Dr Hoeren is Lecturer in Computer Law at the Institut für Kirchenrecht, University of Münster.

NOTES

1. BGH, Judgment of 9 May 1985 (I ZR 52/83) = Neue Juristische Wochenschrift 1986, p. 192 = Computer und Recht 1985, p. 22 = Gewerblicher Rechtsschutz und Urheberrecht 1985, p. 1041. For the situation preceding the *Inkasso* decision see the detailed study of Dietz, 'Copyright Protection for Computer Programs: Trojan Horse or Stimulus for the Future Copyright System?' in UFITA 1989, p. 57 et seq.
2. See Commission of the European Communities, *Green Paper on Copyright and the Challenge of Technology*, COM (88) 172 final, p. 187.
3. See generally Bauer, 'Rechtsschutz von Computerprogrammen in der Bundesrepublik Deutschland' (Protection of Computer Programs in the Federal Republic of Germany), Computer und Recht 1985, p. 5 et seq.; Haberstumpf, 'Grundsäzliches zum Urheberrechtsschutz von Computerprogrammen ...' (General Considerations on the Copyright Protection of Computer Programs), Gewerblicher Rechtsschutz und Urheberrecht 1986, p. 222 et seq.; Röttinger, 'Abkehr vom Urheberrechtsschutz für Computerprogramme?' (Enunciation of the Copyright Protection of Software?), Informatik und Recht 1986, p. 12 et seq.; Schroeder, 'Copyright in Computer Programs – Recent Developments in the Federal Republic of Germany', EIPR 1986, p. 88 et seq.
4. For the situation in East Germany cf. Osterland, *Rechtsfragen der Kooperation, des Schutzes und der Stimulierung von Softwareleistungen und – ergebnissen* (Legal Problems of the Protection and Stimulation of Software Production), Dresden 1986; Hoeren, 'Softwareschutz in der DDR' (Software Protection in the GDR), EDV & Recht (Vienna) 1990, No. 1.
5. Other developments, especially concerning the law on software contracts, are not reported in this article.

   Cf. District Court of Munich, Judgment of 18 Nov. 1988 (21 O 11130/88) = Neue Juristische Wochenschrift 1989, p. 2625 f. The judges held that the producer of custom software has to hand over the source code if a long-term maintenance contract is missing and if, as a result, third party maintenance is necessary. For the legal situation in England with regard to source code access and maintenance see Deakin, 'Third party maintenance: The legal issue', EIPR 1989, p. 319 et seq., especially p. 321.

   Cf. also Federal Supreme Court, Judgment of 18 Oct. 1989 (VIII ZR 325/88) – not yet published. The judges decided that software has to be regarded as tangible goods even if it is transferred by downloading. For the legal situation in England cf. *Scott, Software as 'goods': nullum simile est idem*, Computer Law & Practice 1987, p. 133 et seq.
6. OLG Hamm, Judgment of 27 April 1989 (4 U 196/86), Computer und Recht 1989, p. 592. See the critical comments of Bucken and Schulze, Computer und Recht 1989, p. 798 et seq.
7. Karlsruhe Court of Appeal, Judgment of 9 September 1986 (6 U 267/85), Computer und Recht 1986, p. 723; District Court of Hannover, Judgment of 28 October 1987 (18 O 58/87), Computer und Recht 1988, p. 826. See Schroeder, 'Recent German Case Law on Copyright Protection of Video Games', EIPR 1985, p. 19 et seq.

   Some courts, however, still refuse to accept the copyrightability of computer games without making any reference to 95 Copyright Act; see Frankfurt Court of Appeal, Judgment of 13 June 1983 (6 W 34/83), Gewerblicher Rechtsschutz und Urheberrecht 1983, p. 753 ('PENGO'); Judgment of 21 July 1983 (6 U 16/83) Gewerblicher Rechtsschutz und Urheberrecht 1983, p. 757 ('DONKEY KONG JUNIOR'); Judgment of 4 Aug. 1983 (6 U 19/83), Gewerblicher Rechtsschutz und Urheberrecht 1984, p. 509 ('DONKEY KONG JUNIOR II'); District Court of Munster, Judgment of 4 Oct. 1988 (7 Qs 58/88 III) = Computer und Recht 1989, p. 927; Judgment of 18 Oct. 1988 (7 Qs 56/88 I) = Computer und Recht 1989, p. 928 commented by Etter.
8. See Bernhard Syndikus, 'Computerspiele und Urheberrecht' (Computer Games and Copyright Law), in: Computer und Recht 1988, p. 819 et seq.; Freiherr von Gravenreuth, 'Computerspiele und Urheberrecht' (Computer Games and Copyright Law), Computer und Recht 1987, p. 161 et seq.
9. With regard to the legal situation in Great Britain see Sandison, *Software Protection in the United States: The Look & Feel of Things to come*, London 1987 (unpublished).
10. See Hoeren, 'Look and Feel im deutschen Recht' (Look and Feel in German Law), Computer und Recht 1990, p. 22 et seq.; Heymann, *Look and Feel – juristisch gesehen* (Look and Feel – a Legal Study), PC-Woche of 23 Feb. 1987.
11. Kammergericht, Judgment of 13 Feb. 1987 (5 U 4910/84) = Computer und Recht 1987, p. 850.
12. A similar line of argument may be found in the US decision *Plains Cotton Cooperative Ass'n v. Goodpasture Computer Services Inc.*, 807 F.2d 1256, 1262 (5th Cir 1987).
13. See Mattfeld, 'Protection of Software against Third Parties in the Federal Republic of Germany', in Software LJ 1986, p. 341, especially p. 350 et seq.
14. BGH, Gewerblicher Rechtsschutz und Urheberrecht 1988, p. 690, especially p. 693
15. LG Hamburg, Judgment of 22 July 1988 (74 0 253/88) = Computer und Recht 1989, p. 697. – The case resembles the US case *Digital Communications AS. Inc. v. Softklone Distibuting Corp.*, 659 F. Supp. 449 (N.D. Ga. 1987).
16. Computer und Recht 1989, p. 699 (translated by the author).
17. Cf. Hoeren (Note 10), Computer und Recht 1990, p. 25.
18. OLG Stuttgart, Judgment of 10 Feb. 1989 (2 U 290/88) = Computer und Recht 1989, p. 685 = Neue Juristische Wochenschrift 1989, p. 2632.

    The same question has arisen in other parts of Continental Europe: Cf. the decision of the Austrian Supreme Court of 25 Oct. 1988 (4 Ob 94/88) = 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.

    Cf. also 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.
19. UFITA 1984, p. 280.
20. See Hoeren, 'EEC Computer Law', in Reed (Ed.), *Computer Law*, London 1990, Note 9 (p. 203 et seq.).

21. Cf. Hoeren, *Softwareüberlassung als Sachkauf* (The Licensing of Standard Software as Sale of Goods), Munich 1989, n.383 et seq.; Heymann, 'Der Unsinn mit dem Schutzhullenvertrag' (The Nonsense of Shrink-wrap Licences), PC-Woche of 16 Feb. 1987, p. 27.
22. In the view of some lawyers, the rights of the software producer are not exhausted so that he can prevent the resale, importation or hire of his software; cf. Moritz, 'Überlassung von Standardsoftware' (The Purchase of Standard Software), in: Computer und Recht 1989, p. 1084 et seq.

    This view has been rejected by lawyers as shallow and contradictory to s.17 of the German copyright act; see Hoeren (Note 21), n. 144 et seq.; Schneider, *Softwarenutzungsverträge im Spannungsfeld von Urheber-und Kartellrecht* (Software Transaction between Copyright and Antitrust Law), Munich (Beck) 1989, p. 128 et seq.; Bartsch, 'Weitergabeverbote in AGB-Verträgen zur Überlassung von Standardsoftware' (Contractual Restrictions on the Transfer of Software), Computer und Recht 1987, p.8 et seq.
23. OLG Nürnberg, Judgment of 20 June 1989 (3 U 1342/88) = Neue Juristische Wochenschrift 1989, p.2634.
24. Bundestags-Drucksache 11/4929.
25. See Chapter II, Section E, p.40 et seq.
26. 'Ein solches Leistungsschutzrecht stellt keine Anforderungen an die Werkhöhe und kann ausschließliche Rechte der Verbreitung und Vervielfältigung sowie einen Schutz gegen Veränderung bieten'. Bundestags-Drucksache 11/4929, p. 43 (translation of the author). This proposal was supported by Dietz (Note 1), UFITA 1989, p. 72 et seq.
27. Cf. Kindermann, 'Urheberrechtsschutz von Computerprogrammen' (Copyright Protection of Computer Programs), Computer und Recht 1989, p. 880 et seq.
28. See ss.85 §2, 87 §2, 94 §3 German Copyright Act; ss.12 (3), 13 (3), 14 (2) and 15 (2) British Copyright Act. Cf. Dietz (Note 1), UFITA 1989, p. 71.
29. For the WIPO cf. Copyright, May 1989, p.146, 149.
30. See Basic Framework of GATT Provisions on Intellectual Property, Statements of Views of the European, Japanese and United States Business Communities, Bruxelles 1988. Cf. US Proposal for Negotiations of Trade-Related Aspects of Intellectual Property Rights, Software Protection, Jan. 1988, p.14 et seq.
31. See Recordings of the AIPPI World Congress 1989 in Amsterdam (unpublished).
32. See art.1 of the draft guideline of Dec. 21, 1988, COM (88) 816; cf. Hoeren (Note 20), p.185 et seq.
33. See Kindermann (Note 27), p. 886 et seq.
34. With regard to other works, the Federal Supreme Court has applied the doctrine of the 'small change' (*kleine Münze*) granting protection if the work was not commonplace; cf. BGH, Judgment of 25 November 1958 (I ZR 15/58), Gewerblicher Rechtsschutz und Urheberrecht 1959, p.251 et seq.; Schulze, *Die kleine Münze und ihre Abgrenzungsproblematik bei den Werkarten des Urheberrechts* (The 'Small Change' and its Importance in Copyright Law), Freiburg 1983.
35. The call for new legislation is a characteristic element in computer law. Legal problems are no longer solved by means of the 'old-fashioned' traditional tools of jurisprudence; copyright and contract law are declared to be incomplete and impracticable. Instead, the semiconductor chip protection acts were created and the copyright acts were amended – although these legislative efforts are unnecessary. See Hoeren, *Der Schutz von Mikrochips in der Bundesrepublik Deutschland* (The Protection of Microchips in the Federal Republic of Germany), Münster 1989, p.9 et seq.

LAW AND CODES

Report of the German Federal Government on the effects of the Copyright Revision Act 1985, and questions on copyright and acknowledgement right

(decision of German Parliament of 23 May 1985 Bundestagsdrucksache 11/4924 published 19 July 1989)

Extract translation
Chapter II
E. Computer programs

I. Factual and legal situation

1. Even before the coming into force of the amended Copyright Act, a great number of court decisions had basically accepted copyright protection for computer programs, and in a decision handed down on 9 May 1985 (*Inkassoprogramm*/ collection program) the Federal Court of Justice confirmed this. The explicit inclusion of computer programs in the catalogue of protected works of art.2 s.1 of the Copyright Act with the Copyright Amendment of 1985 is therefore no new regulation but merely explanatory.

As in other works categories, the Copyright Act protects computer programs only if they are personal intellectual creations – art.2, s.2 Copyright Act. The scientific–technical ideas comprised in the program are not open to protection *per se*.

Computer programs are entitled to the same protection as other copyrighted works within the meaning of art.2 s.1 Copyright Act.

They are, however, granted special protection with respect to private reproduction, art.53 s.4 Copyright Act. They may not be reproduced without the authorisation of the right holder, not even – contrary to other works – for private or any other personal use.

2. The decision on whether a particular program