

COPYRIGHT ON THE NET

Why Copyright?

Copyright is the principal intellectual property (IP) right that e-businesses will encounter and on which creators will rely to protect their financial interest in what they create. The ease with which material can be copied over the Internet is causing grave concerns amongst creators and those businesses engaged in exploiting their works. As was evident from the recent US Napster case, there is often little incentive for a user to purchase a product (in that case a CD) when it is available free over the Internet. The underlying purpose of copyright is to encourage individuals to create by providing sufficient protection to ensure that they can exploit their work. If copyright fails to provide that protection against would be infringers in the face of advances in technology, the potential reward and therefore the incentive to create will no longer exist.

What is Copyright?

Copyright, as the name suggests, is a right to stop others from copying and otherwise exploiting original works (or substantial parts of them) without the consent of the owner. It is particularly attractive as the right arises automatically on creation and as such no registration is required (this is now broadly true even in other jurisdictions such as the USA which formally required registration). There are many categories of copyright: it may subsist in, for example original text, computer programs, music files, video clips, web page layout and design, digital and physical products supplied by e-business, software or packaging, in addition to artistic works, films and sound recordings.

It is important to remember that any work, and in particular a multi-media work, may contain a number of rights, and that each right may be owned by a different person. Consequently it is important for an e-business to ascertain that it is either the owner of all the rights it needs or that it has all the requisite licences of right prior to exploiting a work.

How does Copyright arise?

Copyright arises automatically, without any requirement for registration, in original works.

The originality requirements in the UK for copyright involve a low threshold: all that is required is that the work originates from the author and has been created with some skill effort and judgement. Copyright is primarily concerned with the expression of ideas and not creative thoughts. The expression or recording of the idea need not be in writing and is widely treated as being fulfilled where programs are stored on disk or in chips. However, it is doubtful whether a program which has only been resident in RAM satisfies the requirement.

In the UK copyright law is contained in the Copyright Designs and Patents Act 1988 (the "Act"). UK copyright owners are afforded international protection in countries that are signatories to the Berne Convention (originally signed in 1886) and by the international treaties such as the WIPO Copyright Treaty of 1996. Copyright law as a whole has not been harmonised with the European Union, so there are certain differences between the law in different European countries and, more apparently between the USA and other countries, although there is a general move to make it more consistent from country to country, particularly as a result of the globalisation of the world economy and the Internet.

Authorship and Ownership

Authorship and ownership are distinct concepts. The author of a work is usually the first owner of any copyright in it. The author is entitled to the moral rights in the work, the benefits of which remain with the author despite the fact that someone else may initially or subsequently own it. In the case of computer generated works, i.e. works generated by a computer in circumstances

such that there is no actual human author, the author of such a work is deemed to be the person by whom the arrangements necessary for the creation of the work are undertaken.

An exception to the rule that an author is the first owner of copyright in the work is where a literary, dramatic, musical or artistic work is made by an employee in the course of his employment. In this case the employer is the first owner of the copyright, unless otherwise agreed. Whether or not the work was made “in the course of an employee’s employment” is a question of fact and it may be important in this context to determine whether the person in question was in fact an employee or an independent contractor or, whether the employee created the work in their spare time.

Another issue concerning ownership is where a work is created under commission. The Act makes no express provision for commissioned works and therefore the copyright prima facie vests in the author. However the courts may imply an equitable assignment of the work where it was clearly intended that the work should vest in the commissioner. Alternatively a licence to use the work may be implied where the disputed use is clearly in the contemplation of the parties. These ownership issues are clearly relevant to the commission of website design and construction and e-businesses should be careful to take a full written assignment of the rights in their site.

Works may jointly created where the contribution of more than one author cannot be distinguished from that of the other(s). This is significant because frequently works are produced as a commercial collaboration, and the rule in English law is that one joint owner cannot exploit the work without the consent of the other(s).

Qualification

In the UK a work has to qualify for copyright protection. Qualification will depend on the author’s country of residence or the country of first publication or place of transmission of the work. Provided the author comes from one of the “civilised” countries of the world, the work will usually qualify for protection.

Duration of Copyright

Literary works are protected for 70 years from the end of the calendar year in which the author died. If there are joint authors, the 70 years commences from the end of the year during which the last surviving author died. If the work is computer generated, copyright expires 50 years from the end of the calendar year in which the work was made or released. By way of exception, copyright in a typographical arrangement lasts for 25 years.

Dealings

Copyright is a form of personal property and may be dealt with by assignment, testamentary disposition, operation of law or licence. An assignment must be in writing (although as indicated above equitable assignments can be enforced). By contrast, a licence is a mere permission to use rights (e.g. to copy and publish), usually subject to ongoing obligations. Both assignments and licences may be limited so that the work may be exploited in one or more but not all of the ways in which the owner has the exclusive right to do.

Infringement

(a) Primary Infringement

The acts restricted by copyright include:

- copying a protected work; _____
- issuing, renting or lending copies of a work to the public; and

- broadcasting or showing a work in public or adapting a work.

Exploiting a work or a substantial part of a work without the owner's consent constitutes primary infringement. The owner may obtain compensation and an injunction against the infringer to prevent the unauthorised use.

One of the main problem facing e-businesses and copyright owners generally is that to enforce their rights they must first identify the infringer. For example, Napster users committed an infringing act by copying CDs into MP3 format and are easily identifiable through Napster's database and therefore actionable. By contrast "Gnutella" and "Bearsoft" are software programs which are downloaded from the web and enable users to transmit and receive files among themselves. Consequently, unlike Napster there is no centralised database of users making the infringer difficult to identify and therefore hard to sue. To date the operating systems of this type of software are primitive and awkward to use and this has ensured that they are not yet universally popular. Of course this technology is not restricted to the exchange of music files and once fully developed they may develop into the threat that copyright owners have long feared.

(i) Substantial Part

To infringe copyright it is not necessary to copy the entire work. Copying a "substantial part" will constitute infringement. What constitutes a substantial part is generally a qualitative not a quantitative question. In one famous case it was said that what amounts in any case to substantial reproduction cannot be defined in precise terms but must be a matter of fact and agree, it will therefore depend not merely on the physical amount of the reproduction but on the substantial significance of that which is taken.

(ii) Copying

The Act provides that copying in relation to any literary, dramatic, musical or artistic work means reproducing the work in any material form. This includes storing the work in any medium by electronic means. For these purposes "caching" will constitute copying, as indeed will viewing an Internet page as this is, in effect, copying data from the owner's server onto the viewer's PC in order to view the protected material. In this instance the viewer is not an infringer as there is an implied licence in this instance to view the material i.e. by making the material available on the website the owner is impliedly licensing the viewer to download it and view it.

There are two elements necessary to show copying has occurred. Where an allegation of infringement is disputed, the courts must decide whether the two necessary elements are present namely:

- there must be sufficient objective similarity between the infringing work and the copyright work; and _____
- the copyright work must be the source from which the infringing work is derived (i.e. where there is a similarity it must be proved that the defendant had access to the claimant's work).

(iii) Copying Computer Programs

The Act (as amended by the Copyright (Computer Programs) Regulations 1992) expressly defines a literary work to include:

- (a) a computer program, and
- (b) preparatory design material for a computer program.

Of course software often also incorporates other elements such as screen displays, audio and video images. These other elements may also be capable of protection as literary, artistic or other works.

As with any other literary work, the copyright in a computer program is infringed if someone makes a copy of the computer program or a substantial part of it. Copying is defined in the Act as meaning 'reproduction in any material form', including storage in any medium by electronic means, and making copies which are transient or incidental to some other use of the work.

The test for infringement of computer programs has developed in its own way. The two most important acts restricted by copyright in relation to computer programs are those of making an adaptation and copying. Adaptation of a computer program means making an arrangement or altered version of the program or making a translation of it. A translation of a computer program includes a version of the program in which it is converted into or out of a computer language or code or into a different computer language or code.

Non-literal Copying in Computer Programs

Slavish literal copying, by simply copying the original code of a computer program, presents relatively few problems of enforcement, but where copying is not so obvious it becomes more difficult to protect the work, and particularly so where all that can be said is that the alleged infringer has used the 'ideas' behind the program, in order to write a program that does the same things in a similar way to the original program but which does not make use of the same coding (this is called 'non-literal copying'). This is because copyright only protects the expression of a work and, as the EC Directive on the legal protection of computer programs (91/250/EEC) specifically states, ideas and principles which underlie any element of a computer program are not protected by copyright.

The principle of indirect copying is potentially far reaching. For example, if a person does not have access to the source code of a computer program but studies the program use, the screen displays and their sequence in order to determine the function and structure of the original program, he may be liable for infringement if the sequence and structure are deemed to represent a substantial part of the program.

The issue of non-literal (or 'look and feel') infringement has caused considerable interest in the United Kingdom, as in the USA, although there have been fewer court decisions on this subject than in the USA. Certain UK decisions at a lower or interlocutory level have appeared to support the reasoning of the US court in *Whelan Associates Inc. v. Jaslow Dental Laboratory Inc* (1987) FSR 1 to the effect that similarity of structure, sequence and organisation is sufficient to prove infringement. However, it has not been possible to apply the reasoning of the US courts directly in the United Kingdom, partly because the US decisions have been based on the doctrine of the 'merger of idea and expression' in certain computer programs. Earlier English decisions had made it clear that copyright protection is available for the expression of a work and not its underlying ideas, but this distinction has never been part of English statute law, at least until the EC Software Directive, and there is no similar doctrine of merger in English law.

The *Whelan v. Jaslow* decision was criticized in the subsequent US decision of *Computer Associates Inc. v. Altai Inc.* (1992) 23 USPQ 2d 1241, which developed the notion of a computer program having a 'core of protectable expression' which could be found to be infringed on the basis of a more complex analysis involving a process of abstraction, filtration and comparison. This reasoning was followed to some extent in the first full decision in the English courts on the issue of non-literal infringement, *John Richardson Computers Limited v. Flanders and Chemtec Limited* (1993) FSR 497, in which there was held to be a copyright infringement (albeit on a modest scale) where the coding was not actually copied. It is important to note that it is not the

similarity of screen displays which will give rise to a finding of infringement, but rather similarities on a more functional level, in this case involving certain routines.

This case adopted the American approach. In this case F was initially employed by, and later, an independent consultant to JRC. F was to improve and extend an existing pharmacy labelling stock control program the copyright in which was vested in JRC. After the consultancy agreement ended, F wrote what he regarded as a fresh version of the program. JRC issued a writ against F alleging infringing copying of the improved and extended original program. This was not a case of literal copying. Indeed, the Court found as a fact that F had genuinely intended to write a completely fresh program. F had written the new program in a different language and had no access to the source code of the original program at the relevant time. Nonetheless, the court held that F had a 'deep knowledge' of the original program such that he had in a limited way 'unconsciously or unintentionally used that knowledge in a way that amounted to copying in the context of breach of copyright'.

In determining whether a breach of copyright had occurred the Court adopted a broad double test. Firstly the Court decided whether the program which it was alleged had been infringed was as a whole entitled to copyright. The Court then went on to assess whether the allegedly infringing program was substantially similar to this original program. In assessing this question of similarity the Court undertook a 'filtration' process designed to filter out similar elements between the programs which could not be protected by copyright (e.g. elements of both programs dictated by efficiency and external factors).

Finally, the Court looked at the elements remaining after the filtration process, i.e. the core of protectable material, and assessed whether the remaining similarities amounted to copying of substantial parts of the program.

In this particular case the Court found that of 17 similarities, three were found to be as a result of substantial copying. Following the Richardson decision, therefore, it seemed that both the structure, sequence and organisation of a program could be protected as well as its 'look and feel' in non-literal copying cases.

In the case of *Ibcos Computers Limited v. Barclays Finance Limited Case (1994) FSR 275* the Court moved away from the Richardson decision, suggesting that there was no place for US notions based on US statutes which were substantially different from the relevant UK statutory provisions.

In this case Mr Justice Jacob suggested that ideas in themselves could be protected (although the EC Directive on the legal protection of computer programs specifically states that ideas and principles which underlie any element of a computer program, including those which underlie its interfaces, are not protected by copyright). He criticised the Richardson case as being overly complicated and stated that a rather more straight forward test in assessing copyright infringement (based on the Copyright, Designs and Patents Act 1988) should be adopted namely;

- What are the works claiming copyright?
- Is the work original?
- Is there copying from the work?
- Is the copying a substantial part of the work?

In this case the defendant after leaving his employment developed and improved a computer program he had helped design whilst employed by the claimant. After adopting the above test the Court found that many similarities existed in parts of the various programs concerned that could not be explained away. Importantly the Court decided that if an idea had sufficient detail

then it could be protected by copyright. The Court also held that the general structure of the program could be a copyright work defined as an original compilation. It was held that the Defendant had breached the Plaintiffs copyright in the original computer program.

Significantly the judge commented that it may be possible to infringe copyright from memory, in other words one does not have to sit in front of a computer program and copy it. The judge felt that simply remembering the program and copying from memory, as the defendant had done in this case, could be sufficient to amount to breach of copyright in the program.

Although these cases adopted different tests when assessing whether or not a program had been indirectly copied, both cases clearly established that an ex-employee who subsequently develops new programs may unconsciously infringe his ex-employer's copyright in earlier programs.

A further point to note is that where there is a real resemblance between two programs and there has been an opportunity to copy, then infringement may be presumed. In the case of *MS Associates Limited v. Power* [1988] FSR 242 the Court took account of the claimant's evidence that a computer programmer who was an ex-employee of the claimant had had the opportunity to copy an original program during the time that he was employed by the claimant. In that case the Court held that there were similarities between the two programs concerned. As with any other literary work, the copyright in a computer program is infringed if someone makes a copy of the computer program or a substantial part of it. Copying is defined in the Act as meaning "reproduction in any material" form including storage in any medium by electronic means and making copies which are transient or incidental. There is now a body of UK case law in this area.

(b) Secondary Infringement

The acts of secondary infringement generally relate to commercial dealings with infringing copies of copyright works. They include importing, possessing, supplying or providing the means for making infringing copies. Under UK law Napster would clearly fall within this last category, i.e. their database is providing the means for their users to make infringing copies.

Secondary infringement may be contrasted with primary infringement in that it requires knowledge that a copy is an infringing one, or alternatively that the infringer has reason to believe that it is an infringing copy. However as the threshold for originality in the UK is low, it may be presumed that copyright will subsist in most works and therefore it may be difficult to show that an infringer had no reason to believe that the work was in copyright. Consequently most arguments will turn on whether the infringer knew or had reason to believe that the work was not licensed.

This category of infringement clearly covers situation where one party authorises an infringement by another party. In this context "authorise" has been read as bearing its dictionary meaning of "sanction, countenance or approve". Of course it will be necessary to show that an infringement has occurred as a result of any authorisation. In the English case of *CBS UK v Amstrad (1988)* the claimant argued that by selling a twin cassette deck the primary purpose was to facilitate the copying of cassettes, thereby authorising infringement of particular copyrights. The court held this not to be the case, since even though Amstrad advertised the capability of its product they also drew attention to the copyright obligations. However, had Amstrad not printed a copyright warning on the packaging it is likely that they would have been held liable.

Defences

(a) Fair Dealing for Research or Private Study

Fair dealing allows a work to be used in circumstances that would otherwise be restricted. These provisions allow students or researchers to make single copies of the whole or part of a copyright work for their personal use.

(b) Fair dealing for the purpose of criticism, review and news reporting

Fair dealing for the purposes of criticism, review of that or another work, or of a performance of a work, does not infringe any copyright in the work, provided a copyright acknowledgement is given. However, no acknowledgement is required if reporting takes place by means of a sound recording, film, broadcast or cable program.

(c) Software specific permitted acts

The Copyright (Computer Programs) Regulations 1992 specifically added new permitted acts in relation to computer programs, including the right to:

de-compile: this means converting a program from a low level language to a high level language and while converting, incidentally copying it. Certain conditions apply to this right.

make back-up copies: a lawful user of software may make a back-up copy necessary for his lawful use.

make copies or adaptations consistent with lawful use: it is not an infringement for lawful user of software to copy or adapt it if this is necessary for his lawful use, unless this is forbidden by contract.

observe, study or test the functioning of the program to understand its underlying ideas: a person having lawful use of a program may observe, study or test the functioning of a program so as to understand its underlying ideas. This right cannot be excluded.

These new exceptions only apply to lawful uses of the program i.e. by a person who has the right to use the program under licence to do any acts restrictive by copyright subsisting in the program.

Moral rights

Moral rights vest in the author. They may not be transferred but will pass under the author's estate and can be waived (at least in the UK). They were introduced into UK law to harmonise UK copyright laws with European author's rights systems. They are:

- the right to be identified as the author or director of a work ('paternity right');
- the right to object to derogatory treatment of a work ('integrity right');
- the right to object to false attribution of a work ('non paternity right'); and
- the right to privacy of certain photographs and films.

It should be noted that the paternity right and the integrity right do not apply to computer programs or any computer generated works.

Databases

Until 27 March 1996 databases were protected by copyright in the UK as a compilation if they involved sufficient skill and labour. There was no need for creativity and the constituting parts did not need to be original although some judgment had to be expended in their making. Thus e.g. railway timetables were protected. This contrasted with the position in Europe and the USA.

However databases created after 27 March 1996 will now only get copyright protection if they satisfy the rules contained in the Copyright and Rights in Database Regulations 1997, which came into force on 1 January 1998.

Under the Regulations, a database is defined as a collection of independent works, data or other materials which are arranged in a systematic or methodical way and are individually accessible by electronics or other means. To warrant full copyright protection, the database must be original in the sense that the selection and arrangement of the database contents is the author's own intellectual creation.

Where the database in question does not satisfy the new test for full copyright protection, the database can have the lesser protection of the "database right" where there is a substantial investment either in quality or quantity in the obtaining and verifying or presenting of the data. The lower threshold required for the database right is reflected in a shorter 15 year period protection from the end of the calendar year either of completion of the database or the year which the database was first made available to the public. However a substantial new investment will top up the rights so the period starts again. Unlawful extraction or re-utilisation of the contents of the database constitutes an infringement.

Executive Summary

- Copyright arises automatically, without the need for registration. _____
- Identify the owner of a commissioned work by checking the commissioned work agreement, and look out for clauses dealing with assignment of copyright from the author to the person that commissioned the work.
- The author is the first owner of a copyright work, unless the author is an employee, whereupon the first owner will be the employer.
- Moral rights cannot be assigned, an author can only waive their rights.
- Databases can be protected by copyright and the new database right.
- The database right protects those companies investing substantially in the presentation of the data.
- A copyright notice should be included on all works published on the Internet.

© Davenport Lyons 2001. All rights reserved

This document reflects the law and practice as at May 2002. It is general in nature, and does not purport in any way to be comprehensive or a substitute for specialist legal advice in individual circumstances.