

**SUBMISSION TO INTELLECTUAL PROPERTY AND COMPETITION REVIEW
COMMITTEE**

by

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The Intellectual Property and Competition Review Committee ("Committee") has called for submissions on its Issues Paper of September 1999. My submissions are set out below.

1. Competition Criteria and the Grant of IP Rights.

Competition criteria should always be a relevant factor in granting intellectual property ("IP") protection. In the information technology ("IT") industry large corporations may sometimes deliberately or inadvertently abuse their intellectual property rights. In the US, courts have held certain IP licence restrictions to be void because they 'overreach' the rights granted under the US Copyright Act to a copyright holder.¹

For example, US courts have found that a provision requiring the licensee to use the licensor's product exclusively was void because it extended beyond the rights provided under the US *Copyright Act*.² In another case a US court found that a provision attempting "to suppress any attempt by the licensee to independently implement the idea which [the licensor's product] expresses" was void because it 'overreached' a copyright owner's intellectual property rights.³ In a recent case, an antitrust challenge to Microsoft's provision in its operating system licences that original equipment manufacturers could not modify "boot-up sequence" and "start-up" screens was allowed to proceed despite the copyright protection Microsoft enjoys for its operating systems.⁴ The court found that "copyright law does not give Microsoft blank authority to licence (or refuse to licence) its intellectual property as it sees fit."⁵

However, the outcomes in these cases are very much dependent on the US "doctrine of fair use" and other public policy considerations under US copyright law. As already noted, these doctrines prevent "overreaching" by licensors of software products. In doing so, these doctrines fulfil a very important pro-competition function. However, Australian copyright law does not contain any such principles. Indeed, the implication of such principles under Australian law would seem to be an unlikely prospect in view of the statements by Gummow J. in *Collier Constructions v. Foskett*.⁶ In that case, Gummow J. stated that:

"There is no legislative or other warrant for the introduction of such a concept [ie. a public policy defence to a copyright infringement action] into the law of this country...I would hold that in this country there is no such defence known at law."⁷

If Gummow J's views on this point are correct, the only mechanism with which to protect licensees against overreaching provisions would be reliance on the restrictive trade practices provisions of the *Trade Practices Act* ("TPA"). However, given the high level of protection

¹ For an overview of "overreaching" see Liberman, M., "Overreaching Provisions in Software License Agreements" (1995) 1 *RICH. J.L. & TECH.* 4 or at<<http://www.urich.edu/~jolt/v1i1/liberman.html>>.

² *Practice Management Info. Corp. v. American Med. Association*, Nos 121 F.d 516, 520-521 (9th Cir.1997), amended by 133F.3d 1140 (9th Cir.), Cert. denied 118 S.Ct 2367 (1998)

³ *Lasercomb (AM.), Inc. v. Reynolds*, 911 F.2d 970, 977 (4th Cir.1990)

⁴ *United States v. Microsoft* 1998 US Dist. LEXIS 14231.

⁵ *Ibid.*

⁶ (1990) 19IPR 44.

⁷ *Ibid* at 56-57.

given to IP owners by s 51(3) of the TPA, the provision of greatest relevance in this context would be s 46 of the TPA.

The case law that has developed around section 46 of the *Trade Practices Act* suggests that any challenge under that section to this type of provision would be unsuccessful in all but the most serious cases. Perhaps, therefore, competition criteria require a more high profile role in the context of IP licensing. If general criteria were introduced, they could be administered by the ACCC if placed in the *Trade Practices Act 1974*. Conversely, competition criteria could form part of a general defence to IP infringement actions in each of the statutory IP regimes. For instance, a “fair use” defence mirroring the recommendations in Part I of the CLRC could be inserted into the *Copyright Act* (see section 8 below).

2. DIGITAL AGENDA BILL

Certain aspects of the Digital Agenda Bill will have an anti-competitive effect. However, any anti-competitive effect will be far outweighed by the social good in removing free riders from the competitive arena.

Currently, retransmitters such as cable pay TV operators are able to retransmit free-to-air broadcasts without the permission of either the owner of copyright in the broadcast or the owner/s of copyright in the underlying works such as any music, written material or photographs. This is because under section 87 of the *Copyright Act* owners of copyright and broadcast do not have cable diffusion rights. In addition, section 199(4) of the *Copyright Act* provides that a retransmitter can cause a literary, dramatic or musical work, an adaptation of such a work, or an artistic work or a cinematograph film to be retransmitted to subscribers of a diffusion service as though the retransmitter is in possession of a licence to do so from the copyright owner. That is, section 199(4) of the *Copyright Act* provides that retransmission of free-to-air broadcasts is not an infringement of underlying copyright material included in the broadcasts.

Accordingly, item 200 (which inserts “Part VC – Retransmission of free-to-air broadcasts”) will, by providing a scheme for the remuneration of underlying copyright owners for the retransmission of free-to-air broadcasts, protect the legitimate rights of broadcasters and remove a free rider disincentive to creativity in the broadcasting industry.⁸

3. COPYRIGHT AMENDMENT (COMPUTER PROGRAMS) ACT 1999

The *Copyright Amendment (Computer Programs) Act 1999* introduced section 47D into the *Copyright Act 1968*. Section 47D allows decompilation for the purposes of obtaining information necessary to make independently another program or article to inter-operate with the original program or any other program, but only to the extent that the decompilation was:

1. reasonably necessary to obtain such information and to achieve such inter-operability; and
2. that the information was not readily available to the owner or licensee.

This section will have a pro-competitive effect in the IT industry because it will allow the making of interoperable and substitutable products despite the assertion in the issues paper

⁸ See Explanatory Memorandum (HR), *Copyright Amendment (Digital Agenda) Bill 1999*, 116.

that section 47D does not allow a competitor to produce “software which replicates the original product”.⁹ This is because this the section allows reverse engineering for the purpose of making a product that interoperates with the reproduced program or *any other program*. If one was to reverse engineer an existing product that was designed to operate on a certain platform and then develop a substitutable product that interoperates with another platform (ie, “any other program” in the words of s 47D), the most onerous condition in s 47D has, at first blush, been satisfied. While this situation may be pro-competitive, it may act as a disincentive to the development of first-generation technology.

Another, issue regarding interoperability that the new laws do not address is the issue of porting of code to newer machines (eg, using emulation and binary translation techniques). Put simply, emulators and binary translators are programs that allow a program to run on a different platform or operating system to that for which it was designed to run or operate on. For instance, a binary translator can allow a software program that was designed to run on a Mac operating system to run on a Unix platform. Copyright laws should not prevent consumers from benefiting from the cost savings that emulators and binary translators offer. If consumers were forced to purchase a different version of one software program for two or more platforms, resources would be allocated in a very inefficient manner. Some US cases have adopted similar reasoning.

In *Aymes v Bonelli*¹⁰ the plaintiff alleged that the defendant had infringed its copyright in a number of programs the plaintiff had written for the defendant between 1980 and 1982. The alleged infringement was said to have arisen by virtue of the fact that the defendant had modified the programs a number of years after they were provided by the plaintiff so that they could run on different platforms. After considering CONTU’s Final Report, Judge Pratt (who delivered the opinion of the court) held that the defendant had not infringed the plaintiff’s copyright because the modifications he made to the programs were merely to “keep it current from year to year and to maintain the viability of the original software when [the defendant’s company] upgraded its computer to accommodate successive generations of IBM systems.”¹¹ The legality of such actions by the persons that had rightfully acquired programs was foreshadowed by CONTU in its Final Report at pages 13-14 where it concluded that:

[t]he conversion of a program from one higher-level language to another to facilitate use would fall within [the s 117] right [of adaptation], as would the right to add features to the program that were not present at the time of rightful acquisition Again, it is likely that many transactions involving copies of programs are entered into with full awareness that users will modify their copies to suit their own needs, and this should be reflected in the law.... Should proprietors feel strongly that they do not want rightful possessors of copies of their programs to prepare such adaptation, they could, of course, make such desires a contractual matter.

It is clear then that the court in *Aymes* case adopted the tenor of CONTU’s Final Report in handing down its decision. In my opinion, the Committee should consider recommending amendments to s 47D of the *Copyright Act* to ensure that it contemplates entire reproductions or adaptations of original works (as is the case with some binary translation programs) and not just limited reproductions or adaptations made for the purposes of

⁹ See Issues Paper – Intellectual Property and Competition Review, 13.

¹⁰ 47 F.3d 23 (2nd Cir. 1995).

¹¹ *Ibid*, at 26.

creating a new product with interface functionality. This will ensure that the economic benefits offered by emulators and binary translators are realised.¹²

4. FORWARD OR PROXY CACHING BY INTERNET SERVICE PROVIDERS (“ISPs”)

Forward or proxy caching is an integral part of the communications network provided by ISPs. If the practice of forward or proxy caching was prohibited by copyright law, the efficiency of the service provided by ISPs on the Internet generally would be adversely affected. This should not be allowed to happen in view of the fact that simple steps can be taken to overcome any problems.

Any detriment in terms of the accuracy of the cached site, can be overcome by a minor technical change. Web pages contain expiry dates. By manipulating the expiry date a website designer can ensure that a request for a URL will always be redirected from a forward or proxy cache to the server actually hosting the Web page. This technical change will also overcome any difficulties which forward or proxy caching poses for those attempting to measure the number of hits on their sites.

Finally, given the widespread and fundamental nature of forward or proxy caching, it is highly likely that anyone uploading copyright material to the Internet impliedly licenses any ISP to use forward or proxy caching in relation to the web pages or material uploaded. Again, if the person uploading the copyright material wants to avoid any negative effects of forward or proxy caching, he or she could use the technique discussed above to do so.

5. GRANT OF PATENTS – DESCRIBING THE INVENTION

The current requirements in relation to describing inventions in the context of software of computer program patents is generally unsatisfactory. It does not generally meet the object of providing information about new inventions of technology. If a patent is to be granted in relation to a software or computer program, the strength of that right should be counter-balanced by full disclosure of the code that underlies the patent. Currently, insufficient disclosure is made under patent laws. Further, any potential detriment to the patent holder will be limited because copyright protection will still be available for any code that it disclosed.

6. GRANT OF PATENTS – BENEFIT OF THE DOUBT

The current practice of giving an applicant the benefit of the doubt during examination if an examiner is unsure whether a particular requirement of the *Patents Act* has been satisfied, is unsatisfactory. An examiner must be persuaded to a certain standard *by the applicant* as to the satisfaction of *all requirements* under the Patents Act. Otherwise, the proliferation of unjustified patents will have an adverse affect on competition and second generation innovation in the new millennium.

¹² For example, recently emulators for a number of popular games machines have been released. Virtual Game Station and bleem! both produce emulators for Sony's Play Station. The UltraHLE (Ultra High Level Emulator), an emulator for the Nintendo 64 machine, is also available.

7. COMMON LAW PROTECTION

The case of *Telstra Corporation Limited v. Desktop Marketing Systems Pty Ltd*¹³ illustrates the inefficiencies that current intellectual property regimes cause the information economy. If Telstra is unsuccessful in asserting that its White and Yellow Pages directories enjoy copyright protection, the decision will have a major impact on some forms of investment in Australia.

The compilation of the White and Yellow Pages is undoubtedly a very expensive exercise. If the White and Yellow Pages produced by Telstra¹⁴ do not enjoy copyright protection in Australia, the decision could be construed as a signal to pirate anything that is arguably outside copyright protection, irrespective of the investment and effort required to bring the product into existence.

In my opinion, the law of unjust enrichment could provide the necessary incentive for the development of products such as data bases which do not attract copyright protection.¹⁵ This law could be used to deter free-riders from the wholesale piracy of valuable yet uncopyrighted products.

8. CLRC REPORT – FAIR DEALING

The recommendations in Part 1 of the CLRC Report provide a clear and simple restatement of the fair dealing principles. The recommendations contained in Part I of the CLRC Report should be adopted in their entirety. The implementation of the recommendations would provide an appropriate balance between the interests of rights owners and rights users (see also final paragraph of section 1 above).

9. EXISTING CATEGORIES OF SUBJECT MATTER AND RIGHTS

The only category of subject matter which may not be adequately dealt with in the *Digital Agenda Bill 1999* will relate to multimedia works such as web pages. Given the importance of the multimedia works that comprise most Web pages, the specific protection for those multimedia works should be provided for expressly in the *Copyright Act*. It is noted that the court in *Sega Enterprises Ltd v. Galaxy Electronics Pty Ltd*¹⁶ held that a computer generated video game (ie. a multimedia product) was held to be a cinematograph film for the purposes of the *Copyright Act*. While analogy will permit an extension of the holding in that case to many Web pages, it will not cover static Web pages or sections of Web pages that do not have a “moving picture” element. Accordingly, it is arguable that Australia needs a heading that would protect multimedia works such as Web pages. However, it is equally arguable that the constituent elements of a Web page, ie. JPEG photographs, HTML code and GIF may be protected in their own right as individual works for the purpose of the *Copyright Act* and therefore protection designed specifically for Websites or Web pages is not required.

¹³ Federal Court, VG25 of 1999

¹⁴ The fact that Telstra are obliged under the terms and conditions of their licence to produce the White and Yellow pages is irrelevant for present purposes.

¹⁵ See Fitzgerald, B. and Gamertsfelder, L., “Protecting Information or Products (Including Data Bases) Through Unjust Enrichment Law: An Australian Perspective” (1998) *European Intellectual Property Review* 20, Iss. 7, 244.

¹⁶ (1996) 35 IPR 161.

Please contact me if you have any queries regarding any issues discussed in these submissions.

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