CIRCUIT LAYOUTS BILL 1988 (Cth.)

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Early Copyright Protection of Computer Programs

Before December 1983 no Australian court had been required to consider whether computer programs were protected under the provisions of the *Copyright Act* 1968 (Cth) ("the Act"). However, it was generally assumed that a computer program in source code was a "literary work" within the meaning of the Act and that its object code counterpart was an adaptation, or translation, of the source code program.

This view was given some credence, but was ultimately disposed of, in the litigation between Apple Computers Incorp ("Apple") and Computer Edge Pty Ltd ("Computer Edge"). Computer Edge imported into and sold in Australia a microcomputer which was manufactured in Taiwan and marketed under the name "Wombat". Apple alleged that the computer programs in object code installed in the Wombat were unauthorised copies under the Act of programs stored in the Apple II microcomputer in which Apple held the copyright. Apple sought an injunction, damages and an account of profits against Computer Edge.

In the Federal Court at first instance, (*Apple Computers Inc v. Computer Edge Pty Ltd* (1983) ATPR 40–421), two primary questions were raised before Beaumont J., namely, whether computer programs in source code were protected under the provisions of the Act as literary works and whether the object code was an adaptation or translation of its source code counterpart. His Honour held that computer programs were not literary works within the meaning of the Act since a literary work was intended to afford "either information and instruction, or pleasure, in the form of literary enjoyment" (*Hollinrake v Truswell* [1894] 3 Ch 420 at 428 per Davey L.J.). Computer programs were not created for this purpose. Rather, a computer program in source code was merely a set of instructions for the operation of the computer.

On appeal to the Full Federal Court (*Computer Edge Pty Ltd v Apple Computers Inc* (1984) 53 ALR 225), Lockhart, Fox and Sheppard JJ overruled the decision of Beaumont J.. The Court held that the source code of the program was a literary work within the meaning of Act. Lockhart and Fox JJ further held that the object code was an adaptation of the source code since a print–out of the programs would show the arrangements of the object codes were virtually identical.

On appeal to the High Court of Australia (*Apple Computers Inc. v Computer Edge Pty Ltd* (1986) 60 ALJR 313) the majority of the High Court (Deane J. not deciding) confirmed that source code was a literary work within the meaning of the Act. However, the majority view was that object programs in object code could not be literary works since they could not be expressed in print or writing; to describe object programs as translations in the sense of the expression or rendering of something in another medium or form was a distortion of the language of the Act.

1984 Amendments to the Act

Following the judgment of Beaumont J. in the Federal Court at first instance, amendments to the Act were introduced to provide some certainty as to the protection

of computer programs under the Act notwithstanding that an appeal to the High Court was anticipated.

The definition of "literary work" was amended to include a computer program. A "computer program" was defined to include programs in source code and object code. An "adaptation" was redefined in relation to computer programs to mean a version of the work whether or not in the language, code or notation in which the work was originally expressed. "Material form" was redefined to include any form of storage, visible or not, from which the work or adaptation, or substantial part of that, can be reproduced. An "infringing copy" of a work was redefined to include a copy of an adaptation of the work.

United States Semiconductor Chip Protection Act 1984

This legislation was enacted to provide protection of semiconductor chips outside the existing copyright structure. *The Semiconductor Chip Protection Act* 1984 (US) (the "SCP Act") provides protection for original semiconductor chips for a period of 10 years from the date of first commercial exploitation.

Full protection is offered in respect of chips which were first commercially exploited in the United States after November 1984. Protection is also offered in respect of chips from a foreign source provided that the country from which those chips emanate provides protection for chips from the United States. A registration system has been set up to determine which countries are covered by the reciprocity provisions. To obtain registration a country must show that its domestic laws will protect chips emanating from the United States. A presidential proclamation will then be issued to the effect that protection will be extended to chips from that country. Interim registration and protection is available under the Act and is currently extended to Australia.

Circuit Layouts Bill 1988 (Cth)

The *Circuit Layouts Bill* 1988 (Cth) (the "Bill") was proposed to provide certainty as to the protection to be afforded to integrated circuits. The uncertainty of the protection of integrated circuits under the *Copyright Act* has implications both locally and internationally. Protection under patent law is uncertain since an integrated circuit would probably not have the requisite inventiveness. Protection under the law of confidential information would only extend as far as the information was not in the public domain. In addition, the enactment of the Bill will enable Australia to ratify the treaty being drafted by the World Intellectual Property Organisation for the protection of intellectual property in relation to integrated circuits. This treaty is expected to be finalised in May 1989.

The Bill was first introduced into the Commonwealth Parliament in November 1988. It is anticipated that it will be passed by June 1989.

Definitions

The Bill provides protection for certain circuit layouts, namely eligible layouts. An "eligible layout" is defined in clause 5 to mean:

"An original circuit layout:

(a) the maker of which was, at the time the layout was made, an eligible person; or

(b) that was first commercially exploited in Australia or in an eligible foreign country."

A circuit layout is not original if its making involved no creative contribution by the maker, it was commonplace at the time it was made or the features of the layout are dictated solely by the function it is required to perform (clause 11).

Clause 10 provides that a person who used a computer to make an eligible layout shall be taken to have made the layout. Further, an eligible layout shall be taken to have been made when it was first fixed in a material form. "Material form" includes any form of storage (whether visible or not) from which the layout, or a substantial part of it, can be reproduced (clause 5).

("Circuit Layouts Bill" continued)

An "eligible person" means:

(a) an Australian citizen, an Australian protected person or a person resident in Australia,

(b) a body corporate incorporated by or under a law in force in a State or Territory,

(c) a citizen, national or resident of an eligible foreign country, or

(d) a body corporate incorporated by or under a law of an eligible foreign country" (clause 5).

An "eligible foreign country" means a foreign country declared by the regulations to be an eligible foreign country for the purposes of the Act (clause 5).

The meaning of "commercially exploited" is dealt with in clause 8. A circuit layout is commercially exploited if the layout, a copy of the layout, or an integrated circuit made in accordance with the layout is:

(a) sold, let for hire or otherwise distributed by way of trade,

(b) offered or exposed for sale or hire, or other distribution by way of trade, or

(c) imported for the purpose of sale, letting for hire or other distribution by way of trade.

EL Rights

Clause 16 of the Bill provides that the person who makes an eligible layout is the first owner of the EL rights in it. Where a layout is made by a person under the terms of his or her employment by another person, subject to any agreement to the contrary, the other person is the maker of the layout.

The Bill grants to the owner of the eligible layout certain rights in the layout referred to as "EL rights". During the protection period of the layout, the owner has, under clause 17, the exclusive right:

(a) to copy the layout directly or indirectly, in a material form,

(b) to make an integrated circuit in accordance with the layout or a copy of the layout, and

(c) to exploit the layout commercially in Australia.

Clause 9 provides that the exclusive right to do an act in relation to an eligible layout, or an integrated circuit made in accordance with an eligible layout, includes the exclusive right to authorise a person to do that act in relation to that layout or integrated circuit.

Clause 12 provides that an act shall be taken to have been done with the licence of the owner of the EL rights if doing that act was authorised by a licence binding the owner.

The protection period is defined in clause 5 as being 10 calendar years after the calendar year in which the layout was first commercially exploited (provided the layout was first commercially exploited within 10 calendar years of being made). Where the layout has not been commercially exploited, the protection period means the period of 10 calendar years after the calendar year in which the layout was made.

Eligible layouts made before the enactment of the Bill will be afforded protection. However, any act done before such enactment in relation to the layout, a copy of the layout, or an integrated circuit made in accordance with the layout will not be actionable as an infringement of the EL rights in that layout.

Infringement of EL Rights

In general, the EL rights are infringed where a person breaches, or authorises a breach, of the exclusive rights set out in clause 17. Clause 19(1) makes it an infringement for a person to copy an eligible layout in a material form where that person does not have the licence of the owner of the EL rights in that layout. Clause 19(2) makes it an infringement for a person to make an integrated circuit made in accordance with an eligible layout where that person does not have the licence of the owner of the EL rights in that layout.

Clause 19(3) further makes it an infringement for a person to commercially exploit an

eligible layout in Australia where that person does not have the licence of the owner of the EL rights in that layout and that person knows or ought reasonably to have known, that he or she is not licensed by the owner to do so. Clause 39 provides that where a prescribed label is applied to an eligible layout, a copy of the eligible layout, an integrated circuit or a package containing it, this will be taken as prima facie evidence that an infringer had notice of the EL rights in the layout. The prescribed label must state that EL rights subsist in the layout, specify the country and the year in which the layout was first commercially exploited and specify the maker of the layout.

The Bill provides a series of exceptions to the infringement provisions in clause 19. Clause 20 provides that an infringement does not occur where a person who has commercially exploited an eligible layout did not know, and could not reasonably be expected to have known, that EL rights subsisted in the layout. This defence can only be relied upon to the extent that the person did not have notice of the subsistence of EL rights. Where an eligible layout carries a prescribed label in accordance with clause 39,it is unlikely that this defence will be available.

Copying for private use, under clause 21, is not an infringement of the EL rights in an eligible layout. Nor is copying for research or teaching purposes an infringement (clause 22).

Clause 23 permits "reverse engineering", that is, "analysing or evaluating an existing layout to provide an understanding of the method by which the layout goes about fulfilling its function" (P.N. Argy, *Circuit Layouts Bill* 1988 BLEC Seminar Paper page 5). Merging copies in order to analyse an eligible layout is not an infringement of the EL rights. Further, an original circuit layout which is based on this evaluation can be an eligible layout in which EL rights subsist. This exception was inserted specifically to attract the reciprocity provisions of the United States SCP Act.

Clause 24 provides that it is not an infringement of the EL rights in an eligible layout to commercially exploit a copy of the layout, or an integrated circuit made in accordance with the layout, where that copy, or integrated circuit, was acquired in accordance with the licence of the owner to commercially exploit the layout.

An act done by the Commonwealth in relation to an eligible layout for the defence or security of Australia is not an infringement of the EL rights in the layout. Such acts will not form the basis of an action by the owner of the rights, nor the exclusive licensee of the EL rights in the layout.

Remedies for Infringement of EL Rights

The owner of the EL rights in a layout may make an application to the Federal Court in respect of an infringement of those rights. The court may grant an injunction, damages or an account of profits (clause 27). Damages may not be awarded where, at the time of the infringement, the respondent was not aware, and had no reasonable grounds for suspecting, that his or her actions were an infringement. However, in these circumstances, the applicant would be entitled to an account of profits in respect of the infringement (clause 27(3)). Exemplary damages may be awarded (clause 27 (4)).

The Court may only grant relief by way of injunction or account of profits if it has the power to grant such relief apart from the provisions of the Bill (clause 43).

An action in respect of infringing conduct should be commenced within 6 years from the day when the infringement took place (clause 28).

Assignments and Licences

EL rights may be assigned under clause 45. An assignment must be in writing and signed by the owner of the EL rights.

The rights may also be the subject of an exclusive licence which is defined in clause 5 as "a licence in

writing, signed by or on behalf of the owner or prospective owner of EL rights, authorising the licensee, to the exclusion of all other persons, to do an act that, under this Act, the owner would, but for the licence, have the exclusive right to do".

The exclusive licensee has the same rights of action, and is entitled to the same remedies under clause 27 as the owner of the EL rights. However, the exclusive licensee may not exercise those rights against the owner of the EL rights. Further, the rights and remedies of the exclusive licensee are concurrent with the rights and remedies of the owner of the EL rights (clause 30).

Consequential Amendments

The definition of "artistic work" in sub–section 10(1) of the *Copyright Act* will be amended to exclude circuit layouts from that definition.

The *Designs Act* 1906 (Cth) will be amended. Specifically, the definition of "article" in sub–section 4(1) will be amended to exclude an integrated circuit, or part of an integrated circuit within the meaning of the Bill, or a mask used to make such a circuit. In addition, the registration of existing designs applicable to an integrated circuit, part of an integrated circuit, or to a mask used to make such a circuit will not be renewed.

Section 51(3) of the *Trade Practices Act* 1974 (Cth) will be amended to include EL rights. That section provides that anti–competitive conduct does not occur simply because of the existence of a licence in respect of patents, trade marks, designs and copyrights.

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THE IMPORTATION PROVISIONS OF THE COPYRIGHT ACT 1968

An Analysis of the Computer Software Findings of the Report of the Copyright Law Review Committee

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In August 1983 the then Attorney General, Senator Gareth Evans, referred to the Committee the following questions:

(a) whether any changes should be made to the importation provisions of the Copyright Act, and

(b) what amendments should be made to Section 135 of the Act which provides for customs seizure of printed works, the importation of which is objected to by copyright owners.

Industry Background

Before considering the submissions received by it the Committee analysed briefly the short history of the protection of computer software. The Committee recognised that the uncertainty which surrounded the issue of copyright protection for computer software was resolved in part by the 1984 amendments to the Copyright Act. The effect of the amendments to the Act's definitions made it clear that copyright will subsist in a program notwithstanding that it is stored in a form which is only machine readable. However, the Committee recognised that protection of computer software remains a vexed issue despite the 1984 amendments.