Computer Software Agreements and the Implementation of the EC Directive

by E. Susan Singleton

[Editors' Note: The first part of this article, 'The UK Implementation of the EC Directive' appeared in the last issue of Computers & Law. In this second part, the author discusses the effect of the implementation provisions on computer software agreements.]

The legal niceties and word changes which the UK government has been obliged to implement to give effect to the EC Directive in the UK are all well and good. However, the most relevant question for those involved in licensing software is will they need to change their licence agreements? The short answer is that only licences entered into after 1st January 1993 will be affected. Existing licences, even if they prohibit the making of back-up copies and the limited decompilation rights, may continue in full force and effect without any risk of their provisions being void.

For new licences, however, consideration should be given in four areas: back-up copies, decompilation, error correction and studying of ideas behind a program.

Back-up copies

Although many licences do permit the making of back-up copies, in which case there is no need to amend licence provisions, some companies do not want a back-up copy making for security or other reasons. Indeed they may have devices on the software which prevent the making of a back-up copy. How are they affected by the new law? If it is necessary for the user to make a back-up copy for his or her lawful use then he or she is allowed to do so and any condition prohibiting it is void. There is no restriction on placing copy protection devices on the software. Those wanting to restrict copying can continue to use such devices where back-up copying is allowed. Licensees should ensure that all copies are numbered and reported back to the licensor in an auditable fashion and details of the location of the copies given.

The question will be what is necessary. Licensors should consider adding words such as the following, provided they in fact reflect the true facts:

> 'The licensor has available a 24 hour service for the provision of duplicate software to that licensed under this agreement in the event that the licensee requires a back-up copy, whether through total destruction of the software licensed or its corruption. Given such availability there is no necessity for the licensee to have a right to make copies of the software for any purpose, including without prejudice to the foregoing generality, for back-up purposes and therefore such right is prohibited in accordance with the provisions of Section 50A of the *Copyright, Designs and Patents Act* 1988.'

If 24 hours facilities cannot be made available then a copy could be made available to a bank or other organisation under terms providing for release of the program when designated disaster circumstances arise. The organisation should be obliged to inform the licensor whenever a release is made.

To determine what is 'necessary' will be a matter of fact in each case and obviously there is no case law yet as to what will be sufficient.

Decompilation

To limit the right to decompile, licensors should make information available to licensees (possibly at a price, although this may not be lawful) where a licensee may want to use a program to create an independent program which can be operated with a decompiled program or another program. Three proposals are put forward here:

(a) The provision of such interface information would certainly assist, although would not guarantee that the decompilation right will not be applied. Wording such as the following could be inserted into a software licence agreement:

> 'The Licensor makes available [at reasonable charges] a wide range of information which could assist the Licensee in the creation of independent programs to operate with the software licensed or other programs. In view of this ready availability to the Licensor, in accordance with the provisions of Section 50B(3)(a) of the *Copyright, Designs and Patents Act* 1988, prohibits the Licensee from copying (otherwise than through the

use licensed hereunder), adapting, modifying, translating, re-arranging or converting the program into a higher level language.'

There may be additional categories of use or action which the licensor may wish to prohibit.

The Directive and Regulations do not state that a fee may be charged and a fee could be construed as meaning the information was **not** 'readily available' so decompilation could take place. Case law will determine the meaning of this phrase and until such date a cautious approach is recommended.

(b) A second approach is to provide in the licence that if the licensee wishes to decompile he or she must inform the licensor of these aims, the type of program he or she will write etc. so that the licensor can make available only the limited parts of the information needed (as specified in Article 6(1)(c) of the Directive). The licensor then supplies the very limited information actually essential for the licensee to achieve the stated objective.

(c) Finally, licensors can publish publicly minimum interface information and thus argue that there is no need for decompilation. This need not be the best, fastest, most effective information, but the very minimum a licensee needs. The Regulations do not require top of the range, best performing type information to be available.

Error correction

If a company's software licences do not prohibit the copying or adapting of the program, when such copying or adaptation is necessary for the lawful use by a licensee, then under the new law the company will not be able to prevent such copying or adaptation. Many software licences will prohibit adaptation and therefore no changes will be necessary. However, for those who do not provide such a restriction in their licence serious consideration should be given to the insertion of such a restriction. If the provision is not added then the new law will have the effect that licensees will have a right to copy or adapt the software even for the purposes of correcting errors. There are no particular words recommended here, simply a prohibition on copying and adapting, with a general exception for actions allowed under the Regulations, such as decompilation (but expressly excluding error correction).

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Observing ideas

A condition in the contract will be void which prohibits or restricts the use of a device or means which observes, studies or tests the functioning of the program in order to understand the ideas or principles which underlay it. There is no exception for this provision which can be drafted into an agreement. Licensors should simply check their licences to ensure that there is no such restriction.

As a footnote the effect of a clause being void should be considered. Unless it is the principal basis for the agreement, which none of the potentially void provisions covered by the Regulations would be likely to be, then the provision itself would simply be unenforceable and deemed deleted from the contract or severed by a judge using the so called 'blue pencil' rule. This means that if the part can be struck out and the rest makes sense and has meaning and can continue on its own, then the other provisions will still be enforceable. Provisions which potentially could be void, such as provisions trying to get around the back-up or decompilation provisions, should always be placed in separate clauses or sections and a general provision added at the end of the agreement that if a provision is held to be unenforceable then it can be severed and the other provisions will not be affected.

Conclusion

The existing UK approach to software protection has largely been adopted and reinforced in the Regulations and major changes to new licence agreements will not be needed. No changes to existing licences should need to be made. However, consideration should be given to the provisions discussed above otherwise provisions in new licences could be void and unenforceable. ✍

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