The UK Implementation of the EC Software Directive

by E. Susan Singleton

The *Copyright (Computer Programs) Regulations* 1992 implemented in the UK from 1 January 1993, the European Commission's Directive on the protection of computer programs, which harmonises copyright law for the protection of software throughout the EC.

The Regulations amend provisions of the *Copyright, Designs and Patents Act* 1988 which deal with the legal protection of computer programs under UK copyright law. By and large the Regulations do not comprise major changes to UK copyright law. Their essential function is to implement the Software Directive requiring computer software to be protected by copyright. This was already the case under UK law, although it was not the case in some other European countries. For those who license software throughout Europe it will be important to keep track of when the Directive is implemented abroad. All EC member states had a deadline of the end of last year to implement the Directive. It is believed that only Italy, the UK and Denmark made the deadline.

Preparatory Design Material

The fact that computer programs are 'literary works', like books, is confirmed in the Regulations and is extended to include preparatory design material for a computer program. This clarification is to be welcomed. Some of the initial design will not comprise the program itself and will now, without doubt, be capable of protection by copyright.

Infringement by Issuing Copies within the EC

Under s.18 of the 1988 Act issuing copies of a work to the public for the first time, where they have never before been issued in the UK 'or elsewhere', in an act restricted by copyright.

Regulation 4 of the Regulations brings in a new s.18(3) for computer programs providing that issuing to the public occurs where copies have not previously been in circulation in the UK 'or any other member state'.

Now, uniquely for computer programs, it is a primary infringement of copyright to put into circulation in a member state programs previously circulated in a non-member state, by, or with the consent of the copyright owner. The right to prevent primary infringement is no longer totally 'exhausted' by having first put programs in circulation outside Europe.

Adaptation of Computer Programs

There is now a special definition for computer programs of what an 'adaptation' is in Regulation 5 of the Regulations, imposing a new s.21(3)(ab) into the 1988 Act. Not only is it infringement of copyright to copy a literary work, but also to make an adaptation of the work. In relation to a computer program an adaptation 'means an arrangement of altered version of the program or a translation of it'.

'Translation' is defined. It was defined in the 1988 Act as including 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'. Previously this was the case only where it was otherwise than incidentally in the court of running the program. Now there is a translation whether or not this is incidental to the running of the program. As both the old and new law made it clear that the making of transient copies was, and is, an infringement it was always a little strange that incidental adaptations did not infringe. This change, therefore, removes that ambiguity.

Infringing Copy

A literary work infringes copyright where it is made in infringement of copyright. An article will also be an infringing copy if it is imported into the UK and if, had it been made in the UK, that would have been an infringement of copyright. So a software pirate cannot escape English law by going to an obscure jurisdiction which provides no protection for computer software and making a copy there and then bringing that copy into the UK. The law has not changed on this point except that the EC has required, in the Directive, that where a copy of a program has previously been 'sold' in another Member State, with the consent of the owner or by the owner, then the owner cannot object to that copy being brought into the UK subsequently (by Regulation 6, the new s.27(3A) of the 1988 Act). This reflects the EC's free movement of

goods rules in Articles 30-36 of the Treaty of Rome. Once goods have been sold within the EC by or with the consent of the owner of the intellectual property rights (patents, trademarks, copyright etc.) in the goods, then the owner cannot prevent their being brought back into the UK or any other EC Member State. Measures taken to restrict parallel importation of products will attract heavy fines from the European Commission. This amendment to the 1988 Act, therefore, reflects those free movement of goods provisions. The position of exhaustion of rights in software licensed outside of the EC is considered at point 2 above.

Fair Dealing

There is an exception to copyright infringement for fair dealing for the purposes of research or private study, criticism or review etc. This is separate from the issue of whether a substantial party of a work has been copied. If a substantial part has not been copied then there will be no infringement in any event. By Regulation 7, new s.27(4) of the 1988 Act, there will be no defence of 'fair dealing' to an individual who converts a computer program expressed in a low level language into a version expressed in a higher level language or who copies it incidentally in the course of converting the program in that way. This is even if the individual is sitting at home undertaking these activities for his or her own intellectual interest, for private study purposes. Those activities may, however, be permitted under the decompilation right discussed below. Presumably this removal of fair dealing is imposed in an attempt to ensure that the boundaries of permissible decompilation are entirely clear.

Back-up Copies

Prior to 1st January 1993 unless a computer software licence said that one was entitled to make a back-up copy then the making of such a copy could have been an infringement of UK copyright law unless an argument, such as an implied licence or an acquiescence could be raised. Of course, many software licences do expressly permit the making of back-up copies. However, it is helpful to have the law reflect practice.

Regulation 8 (the now s.50A) provides that lawful users of a copy of the software are allowed to make a back-up copy even if not expressly permitted by the contract if it is 'necessary for him to have for the purposes of his lawful use'. Software owners may be able to argue that they have such good and immediate facilities for providing licensees with the copies in the event of a disaster that there is therefore no necessity for the licensee to be entitled to make a back-up copy. In those circumstances the right to make a back-up copy would not apply. One is a lawful user if one has the right to use the program. In addition, any condition in the licence which prohibits the making of a copy for back-up purposes will be void where it is necessary for the licensee to have such a back-up copy.

"Measures taken to restrict parallel importation of products will attract heavy fines from the European Commission"

Decompilation

The provisions concerning 'decompilation' were subject to intense lobbying in Europe. By a new Section 50B in the 1988 Act it is not an infringement of copyright for a lawful user of a copy of a computer program, expressed in a low level language, to convert it into a version expressed in a higher level language or, when so converting it, to copy it. This is how 'decompile' is defined in Regulation 8, the new s.50B(1). The first point to note is that it is only lawful users of a computer program who can undertaken this decompiling. In other words one must obtain an express or implied licence beforehand. The second point is that there are strict conditions which must be met. These are as follows:-

(a) It must be necessary to decompile the program to obtain the information necessary to create an independent program which can be operated with the program decompiled or with another program. This is known as the 'permitted objective'. Therefore there is no right to decompile simply to create an independent program. That program must be one which operates with the decompiled program or another program.

(b) The information obtained from the decompiling should be used for no purpose other than the permitted objective. There will be no right to decompile where any of the following four conditions apply:-

(i) Where the user has readily available to him or her the

information necessary to achieve the permitted objective. There is much scope for argument over what readily available means. It may mean that the user must have the information to hand or from public sources or it may be sufficient that the licensor could supply the information. What timescale would ensure ready availability and whether a fee can be charged is not clear.

(ii) The user can only decompile where he or she confines the acts to those which are necessary to achieve the permitted objective. If he or she goes further in decompiling, whether out of intellectual curiosity or for the purposes of developing a separate program for business uses, then there will be no right to decompile. It appears that the DTI has given wider rights under this provision than under Article 6(1)(c) of the Directive.

(iii) Again there is no decompilation right where the information which is obtained is given to a third party where that is not necessary to achieve the permitted objective. This section does allow for the fact that a third party could be supplied with the information although it will be interesting to see how the courts interpret this provision.

(iv) The user should not use the information to create a program which is substantially similar in its expression to the program decompiled. This would appear to be the case even if that substantially similar program is to be operated with the program decompiled. Note that it should be substantially similar in its 'expression' and this is consistent with copyright protecting the expression of ideas rather than the ideas themselves. Nor must the information be used to do any act restricted by copyright. For example, the information could not be used to import infringing copies.

Any condition in the contract which prohibits any of the activities of

"Decompilation is only allowed in the very restrictive circumstances set out for the permitted objective"

decompilation which are allowed will be void. Those who use competitors' software, where lawfully or not, will need to have close regard to the provisions of Section 50B to ascertain whether their activities are legitimate decompiling or infringement of copyright.

There can be no doubt that the law has been changed to give greater rights to decompilers, but, on the other hand, there is no licence generally to decompile. Decompilation is only allowed in the very restrictive circumstances set out for the permitted objective. Policing this provision will be extremely difficult. Infringers will raise a decompilation defence, arguing that they were pursuing the permitted objective at the relevant time.

Error Correction

It is now not an infringement of copyright for a lawful user to copy or adapt the program where that is necessary for his or her lawful use and also it is not prohibited under any term of the licence agreement. Therefore, subject to the decompilation right and the right to make back-up copies, a licence agreement can prohibit copying and adaptation. In particular it is specified in Regulation 8 (now s.50C(2)) that it may be necessary for lawful use of a program to copy or adapt it for the purpose of correcting errors. Many licensors will not permit error correction by licensees and licensors can continue to prohibit that. The right to copy and adapt where necessary for lawful use in the absence of a prohibition does not apply to the right to make a back-up copy and to decompile.

Copy Protection Devices

Section 296 of the 1988 Act provides that those supplying articles which are made or sold specifically designed to circumvent copy protection employed on an article can be proceeded against as if an infringement of copyright took place. There will be rights to obtain an order for delivery up or seizure of articles. This section is amended by the Regulation 10 (a new s.296(2A)), so that where the copies which are issued to the public are copies of a computer program which circumvents copy protection the rights apply not only where an individual advertises for sale or hire the device, but also 'possesses in the course of a business'. Therefore where an individual or a company has in its possession in the course of a business a device to circumvent a copy protection device then, whether or not he or she has advertised it for sale or

hire, the device can be ordered to be delivered up.

Studying Functioning

There is also provision (in Regulation 11, now s.296A(1)(c)) that conditions in a licence will be void when they prohibit or restrict the making of back-up copies and decompilation as discussed above, but also where they restrict the use of any device or means to observe, study or test the functioning of the program in order to understand the ideas and principles which underlie any element of the program.

Transitional Provisions

When the law is changed what can be of crucial importance is how existing programs or licences are treated. Regulation 12 states that:-

(a) Any agreement, term or condition of an agreement entered into before 1st January 1993 will not be affected. Existing software licences will therefore not need to be changed. This is not necessarily what the Directive provided. Pre-1993 licensees could be in a worse position than new licensees which could be of a concern to companies in a dominant position required by Article 86 of the Treaty of Rome to treat like cases alike.

(b) The provisions will apply, however, to computer programs created before 1st January 1993 as much as to programs created after that date. The relevant question will therefore be whether the agreement was entered into before the date. A footnote here is that the agreement should not be back-dated, which may therefore comprise a forgery. It should be dated on the day when the last party signs, although it is permitted to include a clause that the provisions will have effect from an earlier date. Such a clause would not, however, help an individual attempting to enter into a licence back-dated to avoid the new law.

Summary

The principal changes which will have implications for those involved in licensing and in particular writing and studying software are those giving the right to decompile. The effect on contracts is discussed in the second part of this article, published in the next edition of *Computers & Law.*

E. Susan Singleton is a Solicitor with Bristows Cooke & Carpmael, London, UK and Editor of IT Law Today and joint editor, Computer Law and Practice. This article first appeared in the legal newsletter, IT Law Today (February 1993 issue), published by Monitor Press.