

- copyright does not subsist in computer languages by themselves but does subsist in the expression of a program written in a particular language.

### The consequences

This case highlights the limitations of copyright protection in the UK, particularly in cases where there has not been direct copying of computer code but simply access to the operation of a program. The decision

has not fundamentally changed the law but the Court has declined the opportunity to extend the line of isolated cases which had begun to recognise the possibility of protection for the look and feel of programs, generally in the context of ex-employees who have gone off to develop a program in competition with their ex employer. This is in contrast with US copyright law which has tended to offer much greater protection to the look and feel of programs. The judgement will need to

be analysed carefully by any company which seeks to develop a product which mimics the operation of another.

- 1 Paul Golding may be contacted at [p.golding@TRGlaw.com](mailto:p.golding@TRGlaw.com)
- 2 [2004] EWHC 1725 (Ch).
- 3 (1993) 111 ALR 385 at page 388.
- 4 Copyright Law Review Committee, *Report on Computer Software Protection*, 1995.

---

## Telephonic Communicators International v Motor Solutions Australia\*

*Peter Knight, Clayton Utz*

---

Peter Knight is a partner in Technology and Intellectual Property at Clayton Utz.

---

This case is a warning to anyone who is developing valuable intellectual property to make sure that it has sorted out the ownership and protection of it. In this case, Telephonic Communicators International Pty Limited ("TCI") failed in an attempt to prevent a company which had developed software for it to give that software to a competitor.

### Background

TCI was a developer of various hardware and software products used for training those who sell motor vehicles, and this included certain hardware and software for recording telephone calls (for teaching sales persons good telephone skills). TCI's owners did not themselves have the required computer skills, but had the knowledge and expertise required in respect of sales-training techniques, so they engaged one of the respondents, Scribe, to develop the necessary software and hardware in 1996. TCI instructed Scribe in precisely what was required, and Scribe wrote the code. The arrangements between the parties were never clearly documented – certainly, there was no assignment in writing of copyright as required by s. 196(3) of the *Copyright Act 1968* in respect of any assignment of copyright.

In June 2002, TCI learnt that Scribe had agreed to supply one of the products developed by Scribe for TCI,

E-call24.com, to another company, Motor Solutions Australia Pty Limited ("MSA"). To avoid the effect of the ensuing legal proceedings in the Supreme Court, the owner of Scribe, Mr Murray, formed another company, Logea, and said that he had "rewritten" the E-call24.com software in order to create a new product (called "Phone Wizard") which did exactly the same thing, and which Logea duly supplied to MSA. The legal proceedings in the Supreme Court were resolved by a settlement deed dated 15 January 2003 which, although very oddly worded, made it clear that TCI became the owner of the copyright in the E-call24.com software.

The question before the Court was whether the making and selling of the Phone Wizard product after 15 January 2003 was an infringement of the copyright belonging to TCI in E-call24.com. There was a question regarding the ownership of the copyright before that date, but the absence of any assignment in writing and the inability on the part of TCI to prove any agreement to bring an assignment into existence (Mr Murray would apparently have been prepared to sign it, had it been created) made this an impossible proposition.

### Decision of the Federal Court

The difficulty facing the Court was one of evidence. The software of each

of Phone Wizard and E-call24.com was written by Mr Murray using a software development tool called "Delphi", which produced Pascal code. To prove that Phone Wizard infringed the copyright in E-call24.com, TCI had to establish that the Phone Wizard software took a "substantial part" of the E-call24.com software.

The code of each of the products appeared to be different, yet each product did substantially the same thing in the same way. Infringement of copyright in computer software need not be proved by "literal" copying – that is word-for-word identity – but may be established by the taking of the sequence and logic of the code of the original, in the same way that the copyright in a play or a screenplay for a film may be infringed by another play or film which takes the same characters and sequence of events but uses different words.<sup>1</sup> On the other hand, merely adopting the "ideas" behind a work, and then creating your own, is not an infringement of copyright.

Whilst there was no doubt that Mr Murray had access to the E-call24.com source code, the question was whether he copied, even subconsciously, a substantial part of E-call24.com in creating Phone Wizard.

As a result, to prove infringement, TCI engaged an expert, a research fellow and software engineer from the University of South Australia, Mr George, to make a side-by-side comparison of the logic of the two programs.

Unfortunately, Mr George appears to have been hampered somewhat in preparing his evidence because he was not provided with complete sets of all relevant software – including the software with which each of Phone Wizard and E-call24.com were meant to interact – and indeed was not able to actually operate either program. As a consequence, he was unable to identify what use particular files, with which he was supplied, might serve. He did establish that large sections of the code of each of Phone Wizard and E-call24.com were identical or nearly identical, but he was unable to say whether that came about because of the simple fact that both programs performed the same functions and were both written using Delphi, or whether this similarity came about by copying, or subconscious copying, on the part of Mr Murray. Mr George observed that the two programs were similar, but it seems he might have been saying this simply because they performed the same functions. The evidence was simply inconclusive.

In the circumstances, it was not surprising that the Court decided against TCI. On a separate issue, it is noted that TCI was also unsuccessful in adducing sufficient evidence that the functionality of the training programs which TCI taught Scribe were confidential or secret, so TCI could not make out a claim of breach of confidence.

### **Comment**

TCI's problems prior to 15 January 2003 were undoubtedly caused by its failure to look after its own interests during the creation of the E-call24.com software and related products, and stand as an object lesson for all creators of new products using contractors to assure ownership of intellectual property in writing, and to consider the entry into appropriate restraints of trade.

However, the decision of the Court in relation to the manufacture and sale of Phone Wizard after 15 January 2003 should be considered much more

critically, notwithstanding the Court's criticism of the evidence of Mr George.

Notwithstanding the finding of the Court that 28% of the lines of code of the TCI program was to be found in the Phone Wizard program, and that "there are large numbers of lines of code which are not only the same, but which are more or less in the same sequence",<sup>2</sup> the Court in finding that this was not a "substantial part" relied on the decisions of the High Court in *Data Access* and *Autodesk*:

*"that in determining whether something is a reproduction of a substantial part of a computer program the 'essential or material features of the [computer program] should be ascertained by considering the originality of the part allegedly taken'. This is to be assessed with 'respect to the originality with which it expresses the algorithmic or logical relationship' which is the essential feature of a computer program."*<sup>3</sup>

With respect, the idea that something "essential" must be copied is questionable, and likewise the notion that "originality" – in the sense used by the High Court which appears to require some form of inventiveness, a notion foreign to copyright law – of what is taken is to be considered.

The notion of "essentiality" in *Autodesk* led to the conclusion that a string of 127 bits, the equivalent of no more than 16 alphanumeric characters, was a substantial part of a computer program of hundreds of thousands of lines of code, simply because it was a form of password without which the code would cease to function. This was a curious outcome, not only because this short string of numbers was deduced by the alleged infringer from observation, and not by copying in any meaningful sense, but because on any objective test this tiny piece of code was *not* a "substantial part" of the AutoCAD program the subject of those proceedings. Remove any line from any computer program and it will cease to function – does this make it essential? This is a notion which is simply irrelevant to copyright law. Do we ask, when comparing alleged infringing music with that from which

it is said to be taken, whether the alleged infringing material is "essential" to the original work?

Likewise with "originality". The notion of originality in copyright law is concerned solely with authorship. It has never been required, and frequently rejected, that the worth or merit of what has been taken should be assessed.<sup>4</sup> Of course, there is a relevance to substantiality in certain cases of the amount of "labour, skill and judgement" shown by the author. This is particularly so when an author is re-using earlier materials not of his or her creation or where the subject matter is banal, in which case very exact copying may be required to establish infringement.<sup>5</sup> This may be relevant in a situation such as this, where a code authoring tool has been used, but to require in respect of the part of a computer program said to be taken consideration of "the originality with which it expresses the algorithmic or logical relationship" seems to require a consideration of inventiveness which is the proper domain of patent law, not copyright. Consideration of this here is questionable given that the author of both the original work and the alleged infringement was the same person.

In addition, the Court relied upon the same decision of the High Court in *Data Access* as well as *Australia Video Retailers Association Ltd v Warner Home Video*<sup>6</sup> to conclude that it must be established by the plaintiff in an infringement action that both the material said to have been copied and the resulting copy are "computer programs". The Court found that there was no evidence at all that the "relevant files" in this case were computer programs at all!<sup>7</sup>

This finding is troublesome, but there is no doubt that it is derived from the problematic drafting of the relevant provisions of the *Copyright Act*, which appear to require of computer programs, unlike any other literary work (including lists of meaningless words and codes)<sup>8</sup> that they have a particular purpose, namely "to bring about a certain result". However, nowhere does it say in the Act that that purpose must be achieved. In *Data Access* the issue had some relevance because part of the material alleged to have been infringed were the words of a computer language

devised by the plaintiff in those proceedings, and not a computer program as such. This line of reasoning had no bearing here where there was no doubt that the parties were concerned about competing software products.

It may well be that these observations of the Court are not material to the findings it made, which were based upon the paucity of the evidence present. It is troubling, however, that in the face of such extensive identity between the two programs in question, and the fact that it took a considerable period of time to create E-call24.com, but only a very short period to create Phone Wizard, there was still no finding of infringement. It may be time that the decisions of the High Court in *Data Access* and *Autodesk* are revisited.

- \* *Telephonic Communicators International Pty Limited v Motor Solutions Australia Pty Limited* and others [2004] FCA 942 (21 July 2004)
- 1 See *AGL v Shortland* (1989) 17 IPR 99; *Telstra Corporation Limited v Royal & Sun Alliance Insurance Australia Limited* [2003] FCA 786 (1 August 2003), derived from older cases such as *Harman Pictures NV v Osborne* [1967] 1 WLR 723 [[1967] 2 All ER 324] (Ch) and *Zeccola v Universal City Studios Inc* (1982) 67 FLR 225 [46 ALR 189] as well as even older decisions.
- 3 Pars 25 - 26
- 4 Par 27, citing *Data Access Corporation v Powerflex Services Pty Limited* (1999) 202 CLR 1; 166 ALR 228; 73 ALJR 1435; 45 IPR 453, itself based upon *Autodesk Inc v Dyason* (1992) 173 CLR 330; 66 ALJR 233; 104 ALR 563; 22 IPR 163; [1992] AIPC 38,182 (¶90-855); see also *Autodesk Inc v Dyason [No 2]* (1993) 176 CLR 300; 67 ALJR 270; 111 ALR 385; 25 IPR 33.
- 5 See *University of London Press v University Tutorial Press* [1916] 2 Ch. 601
- 6 per Peterson J at 608
- 7 See *Kenrick v Lawrence* (1890) 25 QBD 99, but note *Desktop Marketing Systems Pty Ltd v Telstra Corporation Limited* (2002) FCR 491; (2002) 192 ALR 433; (2002) 55 IPR 1 (Full Court - Leave to appeal refused - Unreported, High Court 20 June 2003; per Hayne and Callinan JJ)
- 8 (2001) 114 FCR 324
- 9 Par 36
- 10 see *DP Anderson & Co Ltd v The Lieber Code Co* [1917] 2 KB 469; *Ager v Collingridge* (1886) 2 TLR 291

---

## The CAN-SPAM Act of 2003: An end to Unsolicited Email?

*Dr. John P. Geary & Dr. Dinesh S. Dave, Appalachian State University, North Carolina*

John P. Geary is from the Department of Finance, Banking and Insurance, and Dinesh S. Dave is from the Department of Computer Information Systems, of John A. Walker College of Business, Appalachian State University in Boone, North Carolina.

---

### Introduction

The rapid increase in unsolicited commercial electronic mail (SPAM) on the Internet has not only proven an annoyance to users but has the potential to impact the efficiency of global commercial transmissions on the Web. Unsolicited email poses a particular problem for Internet service providers (ISPs) who have to respond to customer complaints and the possible loss of business. Many Internet access services have been forced to add increased infrastructure and incur the attendant costs. Much of the unwanted mail contains deceptive and untruthful claims about advertised goods and services that confuse consumers and contribute to fraudulent activities on the Web. Responding to these problems, many states enacted legislation whose purpose was to protect recipients from deceptive spam and decrease its volume on the Internet. These state statutes were not that effective because of consistency and jurisdictional issues. What was needed

was a national effort to control the onslaught of unsolicited email and to discourage professional bulk mailers or “spammers” with legislation that contained severe penalties. In this paper, we examine pertinent sections of the CAN-SPAM Act, its probable impact on commercial advertising, and investigate the Act’s efficiency.

### Discussion

#### The CAN-SPAM ACT:

In order to address the issues of unsolicited mail on the Web, Congress passed the “Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003,” Pub. L. No. 108-187 (**CAN-SPAM Act**) and President Bush signed it into law on December 16, 2003. It went into effect on January 1, 2004. Section 2(a) of the CAN-SPAM-Act sets out the findings and concerns of Congress relating to unsolicited commercial electronic mail and its impact on commerce and the Internet.

The following are the concerns and findings of the United States Congress:

- (1) Electronic mail has become an important means of communication utilized by many Americans and offers unique opportunities for the growth of global commerce.
- (2) The rapid increase in unsolicited commercial mail not only results in storage and time costs to recipients but much of it contains fraudulent or deceptive information.
- (3) Some unsolicited email contains sexually explicit materials that many recipients find offensive.
- (4) The increasing volume of such unsolicited mail can impose significant monetary costs on Internet servers and access providers, and other commercial and non-profit organizations.
- (5) Many senders of bulk unsolicited email practice techniques to disguise the source and subject