

Share and Share Alike: *Trumpet v OzEmail*

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Cyberspace is a new frontier, and like the Wild West, maintaining law (and order) poses a challenge. Recently a dispute came before the Federal Court in Hobart involving the appropriation of a new form of computer software called 'shareware'.¹ The software involved, called 'Trumpet Winsock', is widely used around the world and is recognised as the best available program for obtaining access to the Internet.² The Court was asked to decide whether an outside company could use the software as part of a promotion without obtaining the permission of its author.

Background

Trumpet Winsock is a computer program that facilitates access to the Internet by establishing a connection via the telephone lines between the computer on which it is installed and the computer of an Internet Service Provider (ISP). ISPs allow members of the public to access the Internet for a fee. Trumpet Winsock was created by Peter Tattam, and is marketed by his company, Trumpet Software Pty Ltd (Trumpet), the applicant.

OzEmail Pty Ltd (OzEmail), the respondent, is an ISP. In late 1994, OzEmail put to Mr Tattam a proposal which would involve OzEmail distributing copies of Trumpet Winsock to readers of *Australian Personal Computer* as part of an OzEmail promotion. At trial, OzEmail asserted that it believed that it was not in fact legally obliged to obtain permission from Peter Tattam before proceeding with the promotion, but did so as a matter of courtesy.

Shareware

Why did OzEmail believe that it could proceed with a promotion that would involve reproducing a computer program without its author's permission? Because Trumpet Winsock was marketed as shareware, a

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1 *Trumpet Software Pty Ltd & Another v OzEmail Pty Ltd & Others* (1996) 34 IPR 481.

2 According to *More Internet for Dummies*, cited in the judgment at 484.

form of marketing in which software is made available for evaluation by users free of charge, via disk or CD-Rom or on the Internet where it can be downloaded. Users can try the software out, and if they like it, pay a registration fee to the owner.

Thus shareware is the software equivalent of 'try before you buy'.³ The anonymity of the Internet meant until recently that the fees recovered by shareware distributors depended entirely upon the honesty of users.⁴ New technology in the form of a 'timelock' reduces this risk of shareware theft by disabling the program after a given time if registration fees are not paid.

A non-timelocked version of Trumpet Winsock (version 2.0) was available on the Internet⁵ as shareware. Notices contained in the program notified users that they could use the software free of charge for 30 days before sending \$25 to Trumpet to register the program. The software's status as shareware led OzEmail to believe that it was entitled to distribute Trumpet Winsock without Trumpet's express permission. As we shall see, Heerey J failed definitively to decide whether this belief was correct.

Permission Refused

In a telephone conversation on 10 March 1995, Peter Tattam told OzEmail that he did not want them to distribute Trumpet Winsock version 2.0 in their promotion because it was not timelocked and he was concerned that people would use the program without paying the registration fee. A timelocked version, version 2.1, would soon be available, and Tattam agreed to the distribution in the magazine of this new version once it was ready.

By this time, OzEmail was committed to the promotion which consisted of computer disks and an instruction booklet to be sold with the April 1995 edition of *Australian Personal Computer*. Facing tight publishing deadlines, OzEmail pressed Tattam to supply the timelocked version of Trumpet Winsock, but when it was not forthcoming, OzEmail decided to proceed with the promotion using version 2.0. They did not notify Trumpet of their decision.

3 *Trumpet v OzEmail* per Heerey J at 485.

4 Shareware distributors are not only interested in revenue, however: by releasing some of their programs as shareware, computer companies can encourage 'brand loyalty' in users which may bring profits from regular sales and marginalise competitors.

5 The program could be downloaded from the University of Tasmania's File Transfer Protocol (FTP) site.

Around this time, Tattam discovered that OzEmail was dealing with the non-timelocked version of Trumpet Winsock against his wishes and he notified OzEmail that he was pulling out of the promotion deal. OzEmail Managing Director, Sean Howard, wrote to Tattam, notifying him that the promotion had already gone ahead. Howard defended OzEmail's actions on the basis that in going ahead with the promotion OzEmail had acted in accordance with the terms of the shareware notice in the program itself—which provided that the Winsock 'programs are shareware and are not to be resold or distributed for sale with other programs which are for sale'—and with the 'spirit' of shareware distribution: OzEmail was doing Trumpet a favour by distributing Trumpet Winsock to a wide audience 'at great expense to OzEmail'.

Modifications

Despite these claims, OzEmail's intentions in using Trumpet Winsock in their promotion were not entirely altruistic. They modified the program in a number of ways to enhance the commercial benefits which would flow to OzEmail from the promotion:

- the login file was modified so that rather than connecting the user's computer with any ISP selected by the user, connection was made automatically with OzEmail.
- a README file containing a message which stated 'This package is now shareware' and identified Peter Tattam as the author was deleted.
- a file called `INSTALL.TXT` informing the user of copyright and disclaimer information, registration details for registering the software with Trumpet and the status of the program as shareware was deleted. This information was stored in ASCII format which can be read by any computer. A duplicate file containing the same information remained, but it was designed for computers with specific word-processing software⁶.

The effect of these changes was significant. Users installing the unmodified Trumpet Winsock program would be directed to the README file and then to the `INSTALL` file containing copyright and disclaimer information, registration details and the shareware status of the program. Users of the OzEmail-modified version, on the other hand, were able to bypass these notices, largely because their task of installing the program was simplified since connection with an ISP (OzEmail) occurred automatically. The only notice users could reasonably be expected to see was formatted incorrectly (because of the

6 Microsoft 'Word for Windows'.

deletion of the ASCII file) and could be mistaken for 'garbage', according to Heerey J, and ignored.

It was clearly in OzEmail's interests to make installation of Trumpet Winsock as straightforward as possible so that inexperienced users could successfully access the Internet using the promotional software. Automatic connection to OzEmail was also an important element of the promotion, of course. However, the Judge found that these changes meant that users of the modified software were not clearly directed that Trumpet Winsock was shareware or that they should pay a registration fee to Trumpet after evaluating the program.

Infringement of copyright

Trumpet Winsock version 2.0 was a computer program for the purposes of s 10(1) of the *Copyright Act* 1968 (the Act). As joint owners of the copyright in the program, Trumpet and Peter Tattam had the exclusive right under s 31(1)(a)(i) and (ii) of the Act to reproduce the work in material form and to publish the work. It was not disputed that, in the absence of a defence of licence, OzEmail infringed Trumpet's copyright in Trumpet Winsock, a computer program,⁷ by making or authorising the reproduction of the program on disk in the April 1995 issue of *Australian Personal Computer* magazine, which was distributed to around 60,000 readers, and in a second promotion in August 1995 in *Australian PC World*.

Licence Defence

OzEmail claimed that it had a licence to do what it had done which arose from the terms of the shareware licence for the software and from the underlying rationale behind shareware as a distribution technique. It argued that the benefits of shareware are maximised by permitting third parties to become involved in distribution.

Justice Heerey found however that by expressly telling OzEmail on 10 March that he objected to them using Trumpet Winsock version 2.0, Peter Tattam revoked any licence⁸ that OzEmail might have had to distribute the program.

7 The compilation of files constituted a computer program for the purposes of the *Copyright Act* 1968 s 10(1); see *Accounting Systems 2000 (Developments) Pty Ltd v CCH Australia Ltd* (1993) 42 FCR 470 at 507.

8 Licence in this context meant 'consent' or 'permission': *Computermate Products (Australia) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

Was Notice Required?

OzEmail may have been facing tight publication deadlines, but the Court found that no obligation rested with Trumpet to give OzEmail reasonable notice that it was revoking the licence. This was because OzEmail was seeking permission for future use. At 498, Heerey J said:

The present case is quite different from that of a bare licensee who, for example, has brought goods on to the licensor's land and thus might be entitled to notice for a period of time sufficient to enable the removal of the goods.

In any case, OzEmail did not seek to make out a case of lack of reasonable notice but rather appeared to rely on the 'surprising'⁹ argument that because it was released as shareware, Trumpet Winsock was covered by a licence which could not be revoked at all. The Court found that this argument was without foundation, especially given the lack of any contractual relationship.

Terms of the Licence

For the sake of completeness, Heerey J considered *obiter* whether OzEmail's conduct would have infringed the licence to use Trumpet Winsock, had it not been revoked. Trumpet acknowledged that the shareware notices in the program itself expressly conferred upon users a licence to evaluate the program for 30 days. The express terms of this licence were not in dispute. However OzEmail's aim:

was to use the software as a give-away in the hope of encouraging subscribers to its ISP service. This was not evaluation of the program ... or distribution to other potential users for their evaluation.¹⁰

Thus the issue was whether OzEmail could distribute Trumpet Winsock in a modified form for its own commercial benefit. As this was not dealt with expressly by the licence as set out in the notices in the program itself, the Court was faced with the question whether terms could be implied in the licence which prohibited the use made by OzEmail.

Implied Terms

To establish the implied terms of the shareware licence, Heerey J turned to the doctrine of implied contractual terms as expounded by the Privy Council in *BP Refinery (Westernport) Pty Ltd v Shire of*

⁹ *Trumpet v OzEmail* per Heerey J at 498.

¹⁰ *Id* at 498-9.

Hastings.¹¹ His Honour acknowledged that such doctrine applied by analogy rather than directly because the licence in issue before him was not a contractual one; nevertheless the analogy was a close one, since the shareware licence would mature into a contract once a user paid the registration fee.¹² Justice Heerey selected two criteria from *BP Refinery (Westernport)* which he believed were apposite tests of alleged shareware licence terms:

- Is the supposed term necessary to give business efficacy in the light of the fundamental purpose of the goods?
- Is the term so obvious that it 'goes without saying'?

Evidence of industry practice provided by expert witnesses, even if insufficient to establish industry 'custom' in the legal sense,¹³ could assist in applying these criteria.

Applying the criteria, Heerey J held that the use OzEmail made of the Trumpet Winsock program by distributing the software in the magazine promotions in the way that it did breached the implied terms of any licence which might have existed. The fundamental purpose of the use of software as shareware is for evaluation by the potential user¹⁴ and it therefore goes without saying that a distributor dealing with shareware must distribute it in its entirety and without modification, so that the user can evaluate the product as produced by the author. This condition is necessary to give business efficacy to the shareware licence. By modifying Trumpet Winsock to enhance the commercial benefits flowing from the magazine promotions, OzEmail had breached the implied terms of the shareware licence for the software.

Trumpet contended that additional conditions should be implied prohibiting distribution with other software and preventing distribution for commercial gain. These were rejected by the Court. Justice Heerey did not see as essential or so obvious that it goes without saying a condition that the software not be distributed with any other software, as long as such accompanying software was sufficiently separately identified and did not interfere with the software it accom-

11 (1977) 180 CLR 266 at 283.

12 *Trumpet v OzEmail* at 499.

13 The existence of a custom is 'a question of fact and ... it must be strictly proved. It must be so notorious that everybody in the trade enters into a contract with that usage as an implied term': *Majeau Carrying Co Pty Ltd v Coastal Rutile Ltd* (1973) 129 CLR 48 at 61 per Stephen J. Heerey J said (at 499) that the evidence in the case 'fell well short' of this test, probably mainly because insufficient time has passed for a custom to have emerged.

14 *Trumpet v OzEmail* at 498.

panied. Nor was it a condition of distribution that the distributor make no commercial gain from the arrangement:

There would be no point in the distributor dealing with shareware (a dealing which, if properly conducted, will obviously be to the benefit of software owners) if there is no profit element.¹⁵

Indeed, provided the distribution was bona fide, Heerey J was loath to place a limit on the profits which could be made by a distributor.

Estoppel

The Judge rejected OzEmail's argument that an estoppel arose from Mr Tattam's failure to complain about the alterations made to his program at the earliest time he became aware of them—he may have failed to detail every complaint, but Mr Tattam complained vigorously from the outset about OzEmail's conduct. Moreover, OzEmail could not show that they relied on Mr Tattam's failure to protest: in Heerey J's view, it was clear from OzEmail's conduct that far from relying on Mr Tattam's representations, OzEmail was ignoring them.

Nevertheless, his Honour did flag another interesting estoppel issue relating to Trumpet's right to revoke the shareware licence. In *Computermate Products Pty Ltd v Ozi-Soft Pty Ltd*,¹⁶ the Full Federal Court stated that:

where [a] bare licence has been acted upon by the licensee to the detriment of the licensee, in an appropriate case there may be an estoppel against the licensor preventing the revocation of the licence, either at all or otherwise than upon notice: *Waktons Stores (Interstate) Ltd v Maher* (1988) 164 CLR 387.

This potential defence was not raised by the respondent. OzEmail would have needed to show that Trumpet was estopped from revoking the licence, either entirely, or with the notice that it gave. As discussed above, the licence was for future use, so the notice given was probably sufficient in any case. Making out the alternative argument that the licence could not be revoked at all would have been very difficult, especially given that the licence was not supported by consideration.¹⁷

Furthermore, Heerey J was of the view that although OzEmail suffered detriment in arranging the promotions, the requisite reliance was lacking. OzEmail was merely taking a 'punt' that the necessary

¹⁵ Id at 500.

¹⁶ *Computermate Products (Australia) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

¹⁷ *Trumpet v OzEmail* at 498.

permission would be forthcoming from Trumpet. As already mentioned, OzEmail paid scant attention to Trumpet's wishes.

Infringement of Trade Practices Act

In addition to infringements of the *Copyright Act*, OzEmail was also held to have breached sections 52(1) and 53(c), (d) and (f) of the *Trade Practices Act 1974* by misleading or deceiving readers of the magazines into believing that OzEmail had the permission, licence or authority of Trumpet to publish the software, and that users of the software did not need to pay Trumpet a registration fee. As we have seen, modifications made by OzEmail meant that Trumpet's shareware message was obscured. Further, notes in the accompanying booklet emphasised OzEmail's fee of \$25 (the same price as the Trumpet registration fee), and Heerey J found that this would tend to mislead users into thinking that the OzEmail fee was all that was payable.¹⁸

Remedy

An assessment of damages has yet to be made. Costs were awarded against OzEmail. Infringements of the *Trade Practices Act* are usually remedied in damages (according to the tort measure¹⁹), while a range of remedies are available under copyright law, including an account of profits.

Analysis

The Court faced a novel problem in this dispute over implied rights to use shareware without the copyright owner's permission. Can third parties play a role in the distribution of shareware between authors and users, and if so, on what terms?

The problem is not a trivial one. The information technology industry is booming and fortunes are being made from successful software marketing. Shareware is likely to remain a popular marketing technique for the foreseeable future, and while timelocking reduces the risk of illegitimate unregistered use, it does not give copyright owners any greater control over the uses made of their software by distributors or others. It is important that authors' intellectual property rights are protected, or the wrong people may reap the commercial rewards.

¹⁸ *Id* at 502.

¹⁹ *Sellars v Adelaide Petroleum NL* (1994) 179 CLR 332.

The outcome of the dispute between Trumpet and OzEmail was resolved by looking to the express wishes of the copyright owner. Regardless of the niceties of shareware licences, in the Court's opinion there could be no doubt that if OzEmail had a licence to use Trumpet Winsock in the first place, the express wishes of the creator of the licence were sufficient to revoke it.

The decision appears to establish however that merely by publishing their software as shareware, copyright owners impliedly license others to distribute it—in unmodified form—for purposes of evaluation, possibly with other software, and for a profit. Distributors need not seek copyright owners' permission before becoming involved in distribution, but they must abide owners' objections because the licence may be expressly revoked by the owner.

Uncertainty

This interpretation of the decision is offered cautiously. Because the copyright owner's wishes were determinative of the dispute between Trumpet and OzEmail, the Court avoided dealing conclusively with the precise nature of the shareware licence as it applies to distributors.

The judgment contains some contradictions on the issue of how the licence arises. OzEmail argued that a licence to distribute shareware flows automatically from the act of releasing software as shareware, without any need for the owner's express permission. Thus, according to OzEmail, a licence arose merely by virtue of Trumpet's marketing of the Winsock program as shareware through the University of Tasmania's²⁰ Internet site, where it could be downloaded free of charge. Justice Heerey seemed to accept this 'automatic licence' argument. His Honour's extensive discussion of the terms of the licence, while *obiter*, clearly proceeds on the footing that distributors have the right to deal with shareware without the owner's permission, as long as they observe various conditions.

However, nowhere in his judgment does Heerey J accept wholeheartedly the notion that a licence to distribute shareware arises automatically. Earlier in the judgment, his Honour refers to a letter written by Mr Howard of OzEmail to Peter Tattam, in which Howard requests Tattam's confirmation of OzEmail's 'understanding' that it could distribute Trumpet Winsock. His Honour drew an inference from revisions Howard made to drafts of the letter that 'Mr Howard knew that he needed Trumpet's permission for the proposed distribu-

20 See note 5 above.

tion...'.²¹ This suggests that Heerey J believed any licence to distribute shareware arose only with the express permission of the owner.

If OzEmail had ignored courtesy and gone ahead with the promotion without contacting Trumpet, Trumpet may not have had the opportunity to revoke the licence. What would have been the outcome then? Trumpet, the licensor, may have been obliged to give reasonable notice of the revocation before it could take action against OzEmail: Heerey J averted to the possibility that a bare licence not supported by consideration may only be revoked with reasonable notice.²² The doctrine of estoppel may also require notice to be given where there has been reliance on the licence leading to detriment in the licensee.²³ It is feasible that in sufficiently serious cases, a shareware owner may be estopped from revoking the licence at all,²⁴ although given Heerey J's reluctance to endorse the notion that shareware gives rise to an implied distribution licence in the first place, it is unlikely that a court would deem such a licence irrevocable.

Conclusion

If *Trumpet v OzEmail* has established that shareware gives rise to a licence to distribute, it is a licence of fragile construction. It emerges automatically and gives wide powers to licencees, but it can be revoked by the owner at will (perhaps only after reasonable notice). It could be argued that Heerey J should have resisted OzEmail's argument more rigorously and denied that a licence arises for the use of shareware by non-owners other than for evaluation. This after all is the fundamental purpose of the use of shareware. Third-parties would then be excluded from exploiting the intellectual property of the copyright owner without their express permission. The fact that Trumpet Winsock was available for downloading at no cost does not necessarily mean that it thereby becomes a freely available resource to be used by others for profit. Merely preventing program modifications by distributors does not prevent distributors gaining unfair commercial benefits by 'piggy-backing' their software or services onto shareware owned by others.

21 *Trumpet v OzEmail* at 486.

22 His Honour cited *Computermate Products (Australia) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

23 *Waltons Stores (Interstate) Ltd v Maber* (1988) 164 CLR 387.

24 See *Computermate Products (Australia) Pty Ltd v Ozi-Soft Pty Ltd* (1988) 20 FCR 46 at 49.

It must be acknowledged, however, that Australian law is currently ill equipped to resolve disputes involving the modern digital industry. Courts seek guidance in decisions of the past, but such a perspective is unhelpful in this field. Justice Heerey was unable to rely on the evidence given by experienced witnesses as establishing legal custom in shareware marketing because in legal terms, shareware is too new. The Court compared shareware to goods taken on sale or return,²⁵ but shareware has no true parallel in traditional forms of property because it is intangible, endlessly copyable and can be disseminated world-wide.

But shareware is (valuable) property nonetheless. In the absence of legislative reform, it is hoped that future cases will build on Heerey J's somewhat pragmatic decision to ensure that property rights on the cyberspace frontier are protected in a consistent and rational way.

²⁵ *Trumpet v OzEmail* at 499.