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User's Right to Repair and Maintain Software?

• *Julian Gyngell*

In 1986 the House of Lords took the view that there was an inconsistency between selling cars and thereby creating rights of ownership in the purchaser on the one hand, and acting to restrain the free exercise of those rights on the other¹. Accordingly, when British Leyland (BL) sought to use its copyright in the drawings of components of its cars, to restrain the manufacture and supply of spare parts by third parties, their Lordships had to resolve this inconsistency. They did so, by

employing the principle of non-derogation from grant. This is an old land law maxim that:

"A grantor having given a thing with one hand is not to take away the means of enjoying it with the other"².

This principle, said Lord Bridge, was to be distinguished from an implied licence, and enabled His Honour to confidently state:

"I can see no reason to doubt that any owner of a BL car might exercise his right to repair the car..."³

The alternative concept of an implied licence to repair can be traced back⁴ to two cases at the turn of the century⁴. In *Sirdar Rubber* Lord Halsbury said:

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"The principle is quite clear although its application is sometimes difficult; you may prolong the life of a licensed article but you must not make a new one under the cover of repair."

The principle was employed by the Court to overcome the effect of a literal application of the exclusive right of a patentee to "make, use, exercise and vend" an invention. To avoid the conclusion that a person who acquired the patented goods would infringe the patent if he used or resold them, the Court had recourse to the doctrine of an implied licence.

Thus, in *Solar Thomson Engineering Co Ltd v Barton*⁵, the Court of Appeal rejected claims of both breach of patent and breach of copyright, holding that what had been done amounted to no more than repair of the patented machinery and that the manufacturer of a replacement part (which prima facie infringed the copyright, in the patentee's drawings) was protected by the owner's implied licence.

Buckley LJ, relying on grounds of "business efficacy" said:

"...purchasers are also impliedly licensed to infringe the plaintiff's copyright in their drawings to the extent necessary to enable such repairs to be carried out."⁶

Lord Bridge in the BL case, however, said it was:

"unnecessary and may be misleading to introduce the concept of implied licence. The owner of a car must be entitled to do whatever is necessary to keep it in running order and to effect whatever repairs may be necessary in the most economical way possible. It is a right inherent in the ownership of

the car itself."⁷

In short, British Leyland could not have its cake and eat it as well. By selling its cars, BL could not then exercise its copyright to prevent owners from repairing them when they broke down.

The distinction between implied licences and the non-derogation from grant principle is significant, because the former can be excluded by contract whereas the latter presumably cannot.

Moreover, the factors which a Court should take into account in inferring a

Society
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Elizabeth Broderick || **Editor**
Ian Adrian & || **Assistant Editors**
Helen Douglas ||
Deanne Braz || **Layout & Design**

C/- Blake Dawson Waldron
Solicitors
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225 George Street
SYDNEY 2000

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(A User's Right ... cont.)

licence, appear to be quite different from those which apply to a recognition of a repair right based on non-derogation from grant. For owners of intellectual property rights the BL case sounded very similar to the reasoning of the European Commission in applying Article 222 of the Treaty of Rome. Article 222 states that the:

"Treaty shall in no way prejudice the laws in Member States governing the ownership of property."

The European Commission interprets this Article to safeguard only the "existence" of intellectual property rights not all forms of their "exercise". Thus intellectual property owners have been prevented from "exercising" their rights where it would frustrate the free movement of goods between Member States. Commentators have long despaired with the philosophical problems of purporting to distinguish the "existence" from the "exercise" of a right. In essence, denying the exercise of a right is tantamount to denying its very existence.

Computer Software

How then does this affect software developers and users?

The BL case received considerable comment for some time after it had been handed down and many thought that it would be confined to its facts.

The implied licence/derogation from grant principles have resurfaced, however, this time being applied, somewhat confusingly, as a basis for holding that the licensee of computer software has the right to copy the source code for the purposes of repair or

maintenance.

The English case of *Sapheng Computing v Allied Collection Agencies*⁸ was a dispute relating to the supply of custom software by the plaintiffs for use in the defendant's debt collection business. Although of limited authority as a precedent, the case is of particular interest in view of the novel approach taken to the scope of protection against copying of software. It is a pity that when the case subsequently went to the Court of Appeal, that Court was not asked to consider the copyright issues further.

One of the issues in the case was whether the defendants had a "right to repair" the software supplied to them by making use of source code in their possession, the copyright in which was owned by the plaintiffs. Counsel for the defendants cited the House of Lords judgment in the BL case in support of the assertion that such use of the source code should be permitted regardless of the availability of a licence to do so. In the Official Referees Courts, Mr Recorder Havery QC responded:

"In my judgment, the expression "right to repair" is a convenient shorthand expression but should be treated with caution ... The defendants clearly have no right in the sense of a title or claim which entails a corresponding obligation on another to repair the software, for no-one has a duty to repair the software unless he undertakes to do so. The right which inures in the defendants is a right not to be prevented, in this case by the exercise of the plaintiff's copyright in the software that they have supplied under the Agreement, from inter alia, repairing the software. But there is no further obligation on the plaintiffs to facilitate the repair of the software by

the defendants. If only the object code was supplied under the contract, the plaintiffs are under no obligation to supply or licence the source code to the defendants to enable them to repair the object code. *If the source code was supplied, the plaintiffs have impliedly licensed the defendants to copy it for the purposes of their business, including repair or improvement of the object code.*"

This statement raises as many difficulties as it purports to settle. First, the scope of the terms "repair" and "improvement" as applied to software are not defined. The Recorder noted that the defendants claimed ... "to be entitled to use the source code for the purpose of maintaining (i.e. removing bugs from) and improving object programmes ...", but did not comment further on the issue of improvements. Maintenance can, of course, extend considerably further than bug fixes. The Recorder did, however, observe that the purchaser of standard software products "is not normally in a position, and therefore cannot reasonably expect, either to repair them or to improve them."

Secondly, it is surprising that the Court should appear to accept the defendant's reliance on the BL case but then conclude that the defendants could rely on an implied licence. In the BL case the "right to repair" was expressly not based on an implied licence but was based on the quite different principle of "non-derogation from grant". The principle was applied in the BL case to prevent the car manufacturer from using design copyright in a car exhaust system as the basis for monopolising the supply or replacement of exhaust systems. It is difficult to resist the conclusion that the two concepts became confused in the Saphena case.

Thirdly, the BL case concerned the right to repair a mass-market product, a standard car. The dispute in Saphena, however, was between parties to a contract relating to the supply of custom software, albeit that the precise terms of the contract were in dispute. Public policy considerations would seem to lean less in favour of a sweeping aside of basic copyright rules in relation to an arms-length transaction between business parties than in a mass-market monopoly scenario such as that which arose in the BL case. As Lord Bridge put it in that case:

"If the BL car owner is to enjoy the freedom to have his car repaired in the most economical way possible when the exhaust needs replacing, that will undoubtedly only be achieved by straight copying".

The reliance of the House of Lords in the BL case on the non-derogation from grant doctrine was highly controversial at the time. In the light of all the uncertainties surrounding the attempted application of the doctrine to software repairs in Saphena, it may be that this case too will be confined to its facts. That is not to say, however, that similar defences will not be raised in the future nor that the Courts will be unsympathetic to such arguments in appropriate circumstances.

For companies involved in developing software for third parties the points to remember are as follows:

- (a) the licence agreement should specifically exclude any implied right of the licensee to copy the software for the purposes of repair or maintenance – although if the right to repair arises from the non-derogation from grant

principle then such an exclusion will be of no effect; and

- (b) do not supply source code to the licensee – according to the Recorder in *Saphena* the "right to repair" does not mean the right to insist on the licensor repairing the software.

• *Julian Gyngell is a Senior Associate with Abbott Tout Russell Kennedy, Melbourne.*

FOOTNOTES

¹ *British Leyland Motor Corporation v Armstrong Patents Co Ltd* [1986] FSR 221; [1986] RPC 279; (1986) 1 AC 577.

² *Birmingham, Dudley & District Banking*

Co v Ross (1888) 38 Ch 295 at 313.

³ *Supra*, at Pg 239. Past owners of BL cars may well sympathise.

⁴ *Dunlop Pneumatic Tyre Co v Neal* [1899] 1 Ch 807 & *Sirdar Rubber Co Ltd v Wallington Weston & Co* (1907) 24 RPC 539.

⁵ [1977] RPC 537.

⁶ *Supra*, at Pp560–561.

⁷ *Supra*, at Pg 239.

⁸ Official Referee's Court 25 April 1988 (being part of the Queens Bench Division of the High Court in London).

⁹ In particular the fact that the defendant/licensee was supplied with the source code by the plaintiff/licensor.

The Society apologizes to David Lewis who was omitted from the 1990 Society for Computers and the Law Calendar. Please note that David Lewis is a member of the new committee and can be contacted at:

David Lewis
David Lewis & Associates
2 Crown Street
WOOLLOOMOOLOO NSW 2011

Tel: 357 4777
Fax: 358 37460