Copyright law developments

MILLS & REEVE

Silence is not golden

The recent case of *Infection Control Enterprises Ltd* (ICEL) *v Virrage Industries Ltd* (Virrage) (2009) has highlighted the need to provide explicitly for ownership of copyright in any software development agreement.

A person who commissions the creation of a copyright work will not, in the absence of an express or implied agreement to that effect, own the copyright. In the absence of an express agreement transferring ownership, it is settled law that if a licence to use the work is sufficient to give business efficacy to the agreement, then there will be no implied term that the commissioner will own the copyright in the work.

In this case ICEL had commissioned the development of software by Virrage. The parties fell out before the development of the software had been completed and before ICEL had paid the full purchase price. ICEL claimed that, although there was no reference in the agreement between the parties as to who would own the copyright in the software, it was to be inferred from the overall background that this copyright was at all times to be vested in ICEL.

The court held that there was an implied term that at some point ICEL must acquire ownership of the software under the agreement but that the necessary implication from the agreement was that ownership of the copyright would not transfer to ICEL until it had paid Virrage the full purchase price of the software.

The decision left ICEL without the automatic right to complete the development of the software or further exploit it and emphasises the dangers of not expressly dealing with ownership of copyright in an agreement commissioning the creation of a copyright work and then having to rely on implied terms as a basis for claiming ownership.

It is strongly advisable expressly to agree in writing who will own the relevant copyright and, if relevant, when ownership will transfer and what (if any) licence is granted.

Quality trumps quantity

Copyright in a work is infringed if the whole or a "substantial part" of the work is copied without the permission of the copyright owner. In the recent case of *R v Gilham* (2009), the Court of Appeal provided some further guidance as to the meaning of "substantial" in this context.

The case concerned criminal proceedings against an individual who sold "modchip" devices that enabled pirated video games to be played on Microsoft's Xbox, Nintendo's Gamecube and Sony's Playstation.

The Court of Appeal had to consider whether the playing of a pirated video game on one of these games consoles involved the copying of a substantial part of a copyright work. It noted that the quality or importance of what has been taken is much more important than the quantity, and that this depended not just on the physical amount taken but on its substantial significance or importance to the copyright work, so that the quality, or importance, of the copied part is frequently more significant than the proportion which the copied part bears to the whole.

The Court held that the game as a whole was not the sole subject of copyright and that the various drawings that resulted in the images shown on the television screen or monitor were themselves artistic works protected by copyright. It noted that the images shown on the screen were copies, and substantial copies, of those works, and it was sufficient that only a transient copy was made during the course of playing the game.

This case emphasise that copying a small portion of a copyright work and transient copying (ie copying which does not result in a fixed and permanent copy) can still constitute copyright infringement.

The force is not with Lucasfilm

In *Lucasfilm Ltd v Ainsworth* (2009), the Court of Appeal dismissed a claim that copyright in Stormtrooper helmets (from the film *Star Wars*) had been infringed by the sale of replica helmets, on the basis that they were not artistic works under UK copyright law, and refused to enforce a US judgment against the defendant. Under UK copyright law, it is not an infringement of any copyright in anything other than an artistic work to make an article copying a design. The appropriate claim in such a case is one for infringement of unregistered design rights.

As any unregistered design rights in the helmets would have expired (having a maximum duration of 15 years), the issue was whether the models for the helmets were in themselves artistic works (as opposed to designs), which meant that a copyright infringement claim could be brought. This depended on whether they were "sculptures" within the meaning of UK copyright legislation.

The Court held that the issue did not turn on the purpose for which the helmets were actually used but on the purposive nature of the helmet, ie the "intrinsic quality of being intended to be enjoyed as a visual thing". The Court noted that most people would not regard a real soldier's helmet as a sculpture, but rather as a practical or utilitarian item, which view would not change if this was used as a film prop or by the fictional nature of the Stormtroopers. Therefore the helmets were not artistic works and reproducing them did not infringe copyright.

Lucasfilm Ltd had already obtained a judgment in the United States against the defendant that its copyright had been infringed by the sale of the replica helmets (which had been made to the US through an Internet website) and it sought to enforce this judgment in the UK. The Court rejected this, on the basis that under English law claims for infringement of foreign, non-EU copyrights cannot be heard in the UK courts.

Copyrights recognised under the laws of non-EU countries which are not recognised under UK copyright law can therefore not be enforced in the UK, whether directly or by seeking to enforce a non-UK judgment.

Digital revolution

The British Government recently introduced the Digital Economy Bill intended to ensure the UK is at the forefront of the global digital economy. The Bill had its second reading in the House of Lords on 2 December 2009.

One of the key measures in the Bill is the imposition of controversial new obligations on Internet service providers (ISPs) designed to reduce online copyright infringement. ISPs will be obliged to slow or cut off copyright infringers' access to their Internet service. If an ISP fails to observe these obligations, it may be landed with financial penalties.

Equally contentious is the clause that gives broad powers to future Secretaries of State to amend existing copyright legislation. Lord Mandelson claims such a clause is necessary so that the law can keep pace with technological developments and any new methods of copyright infringement this might bring with it. Various Internet companies, including Facebook, Google, Yahoo and eBay are opposed to these provisions, fearing such powers could easily be abused by ministers and could stifle future innovation. This in itself would be contrary to the Government's very objective of revolutionising the UK's digital economy.

This month (January 2010) the Bill will be subject to further detailed examination by the House of Lords. It has yet to reach the House of Commons and it will be interesting to see what final form this legislation takes, if indeed it even manages to be passed by both Houses of Parliament before the next general election.

A single European copyright?

The start of 2010 should see the publication of responses to the European Commission's paper *Creative Content in a European Digital Single Market: Challenges for the Future*. The paper seeks to start a reflection and broad debate about the possible European responses to the challenges relating to the online distribution of creative content such as e-books, music and films with the objective of creating in Europe "a modern, pro-competitive, and consumer-friendly legal

framework for a genuine Single Market for Creative Content Online".

Among other issues, the paper notes that a "European Copyright Law" has been suggested, in which a Community copyright title would create a single market for copyrights and related rights, which it has been claimed would enhance legal security and transparency, for right owners and users alike, and greatly reduce transaction and licensing costs, creating a tool for streamlining rights management across the EU, doing away with the necessity of administering a "bundle" of 27 national copyrights.

It also notes the suggested introduction of alternative forms of remuneration, which would either exist alongside traditional copyright licensing (national or EU wide) or replace such licensing between right-owners and commercial users altogether. Such alternative forms of remuneration might include compensation by ISPs to rightholders for unauthorized mass reproductions and dissemination of copyright protected works undertaken by their customers.

Given that the Internet is rapidly opening up new possibilities for distributing copyright-protected works online, the European Commission may move quickly to establish a simple legal framework for accessing digital works in the EU that ensures fair remuneration for creators.

For further information, visit:
http://ec.europa.eu/avpolicy/other_actions/content_online/index_en.htm

Charitable copyright exemption repeal

UK copyright legislation provides that if a charitable or not for profit club, society or organisation plays a sound recording as part of its activities or for its benefit it does not need to pay royalties to copyright owners provided that the proceeds of any charge for admission to the place where the recording is to be heard are applied solely for the purposes of the organisation.

However, in June 2008 the UK Intellectual Property Office (IPO) launched a consultation on exemptions to assess whether the needs of charities are being balanced fairly against the rights of the owners of the copyright in sound recordings.

One of the options proposed by the IPO was to repeal the exemptions in copyright legislation so that charities and not-for-profit organisations would have to seek licences from copyright owners. The Government has endorsed this option in its response to the IPO's consultation and intends to implement these changes to copyright legislation by April 2010.

The effect of this is that charities and not-for-profit organisations will then need to obtain licences from copyright owners before playing recorded music. But fear not, this should not be such an arduous task as it might initially appear. Alongside the repeal of the exemptions, the PRS and PPL (the collecting societies who issue licences on behalf of copyright owners) have agreed to operate a simplified, joint licensing system for these organisations.

Organisations will have one contact point to deal with and will only need to provide one set of information. Full details of how the joint licensing scheme will work will be agreed before the repeal of the statutory exemptions comes into effect.

Who to contact

Richard Plaistowe
Senior Solicitor
01223 222475
richard.plaistowe@mills-reeve.com

Rachel Witt
Senior Solicitor
01223 222501
rachel.witt@mills-reeve.com

Nicola Kenward
Solicitor
01223 222210
nicola.kenward@mills-reeve.com

Mills & Reeve LLP is a limited liability partnership regulated by the Solicitors Regulation Authority and registered in England and Wales with registered number OC326165. Its registered office is at Fountain House, 130 Fenchurch Street, London, EC3M 5DJ, which is the London office of Mills & Reeve LLP. A list of members may be inspected at any of the LLP's offices. The term "partner" is used to refer to a member of Mills & Reeve LLP.