

500 Versions of Software and the Subsistence and Infringement of Copyright – The Full Court’s Decision in *JR Consulting v Cummings*

Anna Spies, King & Wood Mallesons, takes a look at the recent Full Federal Court decision in *JR Consulting v Cummings* and navigates a path through the vexed issue of subsistence of copyright in software releases.

The Full Court of the Federal Court of Australia, in its recent decision in *JR Consulting & Drafting Pty Limited v Cummings* [2016] FCAFC 20, considered the difficult question of copyright subsistence and infringement in the context of multiple releases or versions of software.

The software developer in *JR Consulting v Cummings* had developed and released more than 500 versions or updates of the software in issue, some of which contained a relatively insubstantial update to the previous version. The Full Court ultimately found that copyright subsisted in each version of software. Each was original, taking into account the independent intellectual effort that was required to develop each version.

The Full Court’s decision is important for its analysis of the basic principles of originality, authorship and subsistence of copyright, as well as for its consideration of the relevance of originality in an infringement claim. In particular, the principles established are an important development on the discussion of independent intellectual effort and authorship from the High Court’s decision in *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458. It is also an important case for legal representatives to consider in the context of pleading and preparing evidence on subsistence and infringement of copyright in circumstances where there are multiple similar versions of software, in particular on what inferences might be able to be drawn.

THE FACTS OF *JR CONSULTING V CUMMINGS*

The commercial dispute in the proceeding concerned the ownership and control of the “Quik Series Software” (**QSS**). The QSS was software used in the design and manufacture of cold form metal light gauge wall frames, trusses, flooring and roofing used in construction.

The facts of the dispute and the relationship between the parties are complex, but in broad terms, Mr Cummings, the first respondent to the appeal, developed and was the author of the QSS. The other respondents, Tanmari and FIPL, were companies controlled by Mr Cummings. Between 1990 and November 2011, Mr Cummings developed and released more

than 500 versions and updates of the QSS.

The appellant parties were all associated with Mr Pacione. The appellant parties conducted a business that involved the supply of equipment to manufacture steel frame structures for residential and commercial construction and associated software. The system that was supplied was integrated with computer aided design software and computer aided manufacturing software.

In 2002, Mr Cummings and the first appellant (**JRC**) entered into an agreement for the transfer of a non-exclusive interest in respect of QSS (**the 2002 Agreement**). In February 2004, Mr Cummings’ company, Tanmari, granted the second appellant (**HSFS**) an exclusive licence to use and exploit QSS in Australia (**the Exclusivity Agreement**). In August 2004, Tanmari granted HSFS a perpetual non-exclusive licence in relation to QSS in the world (this excluded Australia, except if the Exclusivity Agreement was terminated or expired) (**the 2004 Agreement**).

The Cummings parties (**the respondents**) contended that copyright in the QSS was infringed by the appellants by the sublicensing by JRC of the QSS to SFSI (**the fourth appellant**) and by SFSI in turn sub-licensing the use of that software to a number of its customers pursuant to contracts between SFSI and those customers. The Appellants claimed that they derived an interest under the 2002 Agreement that entitled JRC to non-exclusively use the QSS and to sub-licence the QSS to others, including its customers.

The Full Court emphasised the need to take a commercial approach to the issue of construction by identifying the commercial purpose or object of the agreement by reference to the interests of both parties

THE CONSTRUCTION OF THE 2002 AGREEMENT

The question of whether the appellants had infringed copyright was dependent in part upon the construction and continued operation of the 2002 Agreement.

The key copyright question in the proceeding was whether copyright subsisted in each update or new version of QSS. The Full Court found that copyright subsisted in each version of the QSS that was created by Mr Cummings up to November 2011

The primary judge found that the 2002 Agreement did not effect an assignment of copyright. Rather, JRC was given a non-exclusive licence in relation to QSS which was limited to the version of software as at the date of that agreement. The primary judge found that it was improbable that the parties could have objectively intended that Mr Cummings would grant a licence to use all future versions of QSS without any time limitation and allow JRC to sublicense others without imposing significant controls on the use of that software. The agreement was directed to the software as it existed at a point in time.

The Full Court upheld this finding on appeal. The Full Court emphasised the need to take a commercial approach to the issue of construction by identifying the commercial purpose or object of the agreement by reference to the interests of both parties. The Full Court found that the 2002 Agreement was poorly drafted, and while there were matters that could be advanced in favour of the construction contended for by the appellant (that the agreement extended to new releases), they were outweighed

by the matters identified by the primary judge's commercial construction. The finding that the 2002 Agreement did not effect an assignment of copyright was not challenged on appeal.

The Full Court also upheld the primary judge's finding that the 2002 Agreement had been abandoned. Even though HSFS was not a party to the 2002 Agreement, the Full Court found that the inference was irresistible that by the date of the 2004 Agreement the parties considered that future licensing of the QSS would be governed by the Exclusivity Agreement and the 2004 Agreement.

SUBSISTENCE OF COPYRIGHT IN UPDATES AND NEW RELEASES

The key copyright question in the proceeding was whether copyright subsisted in each up-

date or new version of QSS. The Full Court found that copyright subsisted in each version of the QSS that was created by Mr Cummings up to November 2011.

The respondents to the appeal contended that each update or new release, being the whole or a substantial part of the previous version with additional material, was a "new literary work". In contrast, the appellants denied that each update or new release of QSS was a new literary work, as each update or new release was "not substantial enough" to be a new work. The deleted or amended material was "not original". In addition, the appellants argued as an evidentiary question that the respondents had failed to establish that Mr Cummings had contributed sufficient effort, skill, labour and judgement, as author, in order to establish that each version of the software was an original work of authorship.

At first instance, the primary judge found that the respondents had established that copyright subsisted only in three versions of the software, being the only versions in respect of which there had been evidence of the time and effort spent by Mr Cummings and a significant increase in the line count of the source code. The primary judge found that the evidence which had been led did not allow a finding that all updates were original in the relevant sense, even though it was likely that many such updates were original.

The principles of originality explained

The Full Court set out an important analysis of the principles applicable to the subsistence of copyright in circumstances where an original work has been altered by a number of changes that are insubstantial in the context of the foundation work (at [244] to [385]). In particular:

- Authorship is central to the overall scheme of Part III of the *Copyright Act 1968* (Cth). There is a "correlative" relationship between authorship and originality. The requirement that a literary work be original requires that the literary work *originated* with the author and that it was not merely copied from another work. In this context, the Full Court extracted and considered the relevant principles set out by the High Court in *IceTV v Nine Network Australia* and in *Data Access Corporation v Powerflex Services Pty Ltd and others* (1999) 202 CLR 1.
- The Full Court stated that the "*contemporary question is simply this: Has the author deployed personal independent skill, labour, intellectual effort, judgement and discrimination in the production of the **particular expression** of the work?*" (at [264]; emphasis original).
- The reference to "effort of a literary nature" in the High Court's decision in *IceTV* was not likely intended to introduce any notion of literary "merit" or "creativity" into the statutory correlation of authorship and originality (at [260]). Neither literary merit nor novelty or inventiveness is required and although the law of copyright does not protect

function and extends only to the expression of a work, a work may serve utilitarian ends ([261]).

- The observations of the High Court in *IceTV* may have “raised the bar” on the threshold skill, labour and judgment required for originality. However, the Full Court noted that the High Court in *IceTV* also affirmed that “too much” has been made of the kind of skill and labour that must be expended: the requirement is that the work “originates” with the author from “some independent intellectual effort” (at [285]).
- In relation to database “compilations” of pre-existing data and information,¹ the Full Court stated that the “selection” and “arrangement” is likely to be the authorial or original contribution and noted that the degree of originality may require close examination for subsistence more broadly. The Full Court also noted that in such cases, it may be difficult to identify which author or group of authors undertook the selection and arrangement (at [282]).

The Full Court found that particular considerations arise in relation to the correlative relationship between the author and original work in the context of a work which requires regular revisions and updates, which may be insubstantial in the context of the foundation work. As an illustrative example, the Full Court considered a hypothetical legal text on equitable remedies which requires relatively regular changes to update the text, which may be individually insubstantial in the context of the foundation work. For example, only a number of paragraphs of the text may be altered to reflect one or more new decisions. The Full Court asked (at [275]):

Is the text as altered, as a whole, to be regarded as a new original work? Are the changes, when analysed, just too insubstantial to bring about a new work? Do the alterations themselves reflect original authorship? If there is no new work as a whole (that is, a revised, updated whole), what “work” is the true source of the rights of the copyright owner? What would be the “work” once the foundation text has been amended in, for example, 30 or 50 “insubstantial” ways? To identify “precisely” the “work” (and thus the source of the author’s rights) is it necessary to identify the state of the foundation text and then identify each and every change by addition and deletion to that text to show that at some point the “work in suit” emerged.

The Full Court considered the commentary of Professor Ricketson,² who noted that each successive draft needs to be considered in overall terms as the application of fresh authorial effort in revising, reviewing and “settling” what has gone before. Providing the work is not a mere slavish copy, it will constitute an original work in its own right if the author has ex-

pended sufficient independent skill and labour in bringing it into material form. Professor Ricketson stated that it may be assumed that the author has carefully reviewed and considered the preceding text as a whole. The Full Court stated that this “assumption” might be properly regarded as an inference from foundation facts.

The Full Court’s findings on the QSS

The Full Court found that the evidence was sufficient to prove that Mr Cummings was the author of all source code for the QSS and that Mr Cummings had applied enough skill and judgement to make each version an original work in its own right. The Full Court took into account the history of the development of QSS by Mr Cummings, his authorship of each sequential change to the code, the dedication of his time, effort and judgement to writing the code and his release of “entire package” of programs after making each set of changes or updates. The Full Court concluded (at [304]):

*To the extent that each sequential update ... reflects changes to the source code by addition or deletion (whether the rectification of errors or a new set of instructions to bring about a certain result) that might be regarded as, quantitatively at least, insubstantial, an **inference arises** from the circum-*

*stance of his authorship of the entire programs comprising QSS, over time, and his election to release, with each numerical version of QSS, the entire program as updated, to the following effect: that he has carefully considered the preceding state of the suite of programs and that the alterations, insertions or deletions are intended to be consistent with and enhancements of what has gone before. In other words, Mr Cummings has undertaken a **particular revision of the programs on each occasion as part of the whole of the work with the application of sufficient skill and judgement to make each version as updated and released an original work in its own right.***

(emphasis added).

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¹ The present proceeding did not concern database compilations and the database and compilation cases were mentioned by the Full Court for the principled approach to originality and subsistence (see [284]).

² Ricketson S and Cresswell C: *The Law of Intellectual Property: Copyright Designs and Confidential Information*, Thomson Reuters.

INFRINGEMENT OF COPYRIGHT

Since the Full Court found that copyright subsisted in *each* version of QSS, it necessarily followed that any version of the QSS reproduced by SFSI or communicated, to its customers, without licence, infringed copyright.

The appellants argued that the respondents failed to prove objective similarity between the software used and licensed by SFSI and a relevant work in suit. They argued that it was necessary to identify the version or update of the QSS relied upon and then demonstrate that the relevant work has been infringed. It was not permissible, the appellants argued, to use a "representative sample" of the work in suit to draw an inference of infringement about all elements of the work at all moments in time (including for new versions and updates).

The Full Court found that the evidence demonstrated that SFSI was supplying a version of QSS. In addition, there had been no contest of whether SFSI was supplying something to its customers other than a version of QSS. Accordingly, there was no probative or forensic need for the appellants to conduct an analysis of a version of QSS with the version used and licensed by SFSI in order to prove objective similarity. Accordingly, the Full Court upheld the finding of copyright infringement.

As part of its discussion of originality in the context of subsistence of copyright, the Full Court also (obiter) considered the question of originality in the context of infringement. The Full Court stated:

- The analysis of whether a substantial part has been reproduced necessarily engages a consideration of the *quality* of the part of the work alleged to have been reproduced. The fact that a part reproduced "originates" from the author does not of itself necessarily mean a substantial part has been taken, having regard to the

quality, because the part taken may be something that is itself largely unoriginal (at [267]).

- In determining whether the *quality* of what is taken makes it a substantial part of the copyright work in suit, as the source of the rights, it is important to enquire into the importance which the taken portion bears in relation to the work as a whole. Is it an essential or material part of the work in suit (at [268])?
- In the context of a computer program, it is therefore necessary to examine what was allegedly taken, the set of statements or instructions comprehended by what was taken and compare it with the original. A person will be unlikely to have reproduced a substantial part where they reproduce parts that are "data" or "related information" and which are not relevant to the statements or instructions to be used to bring about a certain result (at [269]-[271]).

CONCLUSION

The Full Court's decision constitutes an important development in principle on the question of originality and copyright subsistence. In deciding whether copyright subsists in a version of software, the question was not whether a particular change made in that version was substantial or insubstantial. The question was whether there has been some independent intellectual effort deployed in the context of making that small change that was sufficient to establish that each version was protected by copyright. This independent intellectual effort might include careful revision and consideration of the preceding version as a whole.

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