

# Casenotes & Comments

Case notes and comments concerning computer laws will be welcomed by the editor for subsequent editions of the newsletter. Intending authors should contact us before putting pen to paper to avoid duplication of effort. Please keep contributions to 1500 words or less so that the newsletter nature of the publication is preserved. The three case notes appearing below were prepared originally for other publications and have been condensed considerably from their original length both for this purpose and in an attempt to render them comprehensible to readers who are not lawyers.

## Apple Computer Inc. v. Franklin Computer Corporation

(1983) United States Court of Appeals, Third Circuit (unreported August 30, 1983).

**FACTS:** Franklin manufactured and sold the ACE 100 personal computer which was designed to be "Apple compatible" "so that peripheral equipment and software developed for use with the Apple II computer could be used in conjunction with the ACE 100". Apple sued Franklin for alleged copyright infringement of 14 operating system programs (which the Court distinguished from application programs). Evidence established, and Franklin did not dispute, that it copied the Apple programs. Franklin contended that it was not feasible for it to write its own operating system programs if it wished the ACE 100 to retain 100% compatibility with application programs created to run on the Apple II.

**DECISION:** The Court of Appeals, in considering Apple's appeal against a District Court's refusal to grant an interim injunction against Franklin's alleged copyright infringements, had cause to consider the whole question of copyrightability of software under the U.S. Copyright Act, 1976, and particularly the effect of 1980 amendments to the Act. It considered four major questions:

(1) Are computer programs copyrightable subject matter?

The 1980 amendments, by providing a new S.117 exempting some uses of programs from copyright infringement, clearly implied that other programs were copyrightable, and the legislative history of the amendments confirmed this. Held, that they are copyrightable as literary works which include "numbers, or other.. numerical symbols or indicia."

(2) Are programs in object code so protected?

Held, there is no basis in the Act for distinguishing between programs expressed in source and object code. That the Act did not require protected works to be able to be read by or to communicate directly with a human reader was clear from S.102(a)'s requirement that a copyright work "be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device", and the S.101 definition of a computer program, added in 1980, as "sets of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result", as only object code can be so used directly by a computer.

(3) Is a program embedded in a ROM (Read Only Memory) chip protected?

Held, that a ROM is a suitable "tangible medium of expression".

(4) Are operating system programs protected?

The argument that operating system programs (as distinct from application programs) are not protected because they represent an "idea,

procedure, process, system, method of operation, concept, principle, or discovery" (all uncopyrightable) was rejected because:

(i) It is not a "process" or "method of operation" any more than instructions in English to operate a complex machine.

(ii) It is not a machine or part of a machine, even in a ROM.

(iii) Works "for the purpose of practical application" are copyrightable, and the definition of "computer program" in S.101 makes no distinction between application and operating system programs.

(iv) If Apple's operating programs do not "represent the only means of expressing the idea underlying them" then idea and expression have not merged. Franklin's commercial desire to achieve total Apple compatibility was irrelevant.

**COMMENT:** (i) Apple v. Franklin is the most comprehensive judicial consideration of software copyright under the U.S. Copyright Act, 1976. Its direct application to the same questions under the Australian Copyright Act, 1968 is likely to be limited, as most of the major findings in the decision were based on sections of the U.S. Act which have few close correspondents in the Australian Act, particularly sections 101, 102(a) and (b) and 117.

(ii) The first Australian case to deal substantively with software copyright, Apple Computer v. Computer Edge was heard before Mr. Justice Beaumont of the Federal Court in September, judgement reserved. The case concerns some of the same programs involved in Apple v. Franklin, and it will be of interest to see to what extent, if any, the U.S. decision is of assistance to the Court.

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## Toby Constructions Products Pty Ltd v. Computer Bar Sales Pty Ltd

Supreme Court of New South Wales, Common Law Division, Commercial List, Rogers J., 16 August 1983.

The defendants agreed, by deed, to sell to the Plaintiff "the following computer hardware and software collectively referred to as 'the Equipment'". A description of 3 items of hardware with a nominated price of \$12,230, and 2 items of software with a nominated price of \$2,160, followed. Other clauses relating to delivery, installation, training, maintenance, updating and other matters were held immaterial. The only question considered was whether the subject matter of the deed was "goods" within the meanings of the Sale of Goods Act, 1923 (NSW), and the Trade Practices Act 1974 (Cth), so as to attract the conditions and warranties implied by those Acts. The balance of the action was remitted to the District Court.

Held: a sale of a computer system comprising both hardware and software, as in this case, does constitute a sale of goods within the meaning of both the Sales of Goods Act 1923 (NSW) and the Trade Practices Act 1974 (Cth).

1. Both Acts define "goods" in terms of inclusion, none of the express inclusions being relevant. Therefore the question was whether the sale of the Equipment was a sale of goods in the ordinary sense of those words.

2. In deciding whether a contract was for the sale of goods or for work done and materials to