


CASE COMMENT

– Cantor Gaming Limited v GameAccount
Global Limited

– High Court, England

– 31 July 2007

Playing the right game

 *“To use or not to use; that is the question”*

Nick Rudgard and Paul Bentham urge caution when agreeing use of licensed software because use can mean different things according to context

Cantor Gaming (the claimant) owned the copyright in software known as the ‘Cantor software’ which included two suites, called GA Money and Cantor Golf. GA Money was a database that allowed applications to connect to it in order to update and retrieve information about customers’ accounts and the games which they had played. Cantor Golf enabled a simulated golf game to be played online and for players to select a wager during the game.

During the course of the software development, the original developers left the claimant and set up a new company called GameAccount (the defendant). A ‘collaboration transfer agreement’ (the agreement) was entered into in September 2002 in which the claimant granted a limited licence of the software to the defendant. The agreement gave the defendant a perpetual, irrevocable, royalty-free, non-exclusive licence which was limited in its scope in a number of ways. In particular, the licence was limited under clause 10.3. This made the following actions a ‘material breach’ of the agreement if undertaken by the defendant:

“...entering into any form of collaboration or agreement (whether oral or in writing) with a third party bookmaker (or any member of its group) or any company carrying on an exchange business (or any member of its group) in which any intellectual property rights of [the claimant] are used or proposed to be used”. (Clause 10.3.6)

By 2003, the defendant wished to offer a system to a bookmaker called UK Betting.

Due to the terms of clause 10.3.6, the defendant developed a new database called GA II_Build in order to replace GA Money. By August 2004, the defendant’s new GA II_Build system was launched, but GA Money was not entirely disabled or removed from the system, so that there were still some operational connections between GA Money and GA II_Build. These connections were only entirely disabled after the claimant sent a letter before action to the defendant in 2006.

The defendant conceded that there had been unauthorised use of Cantor Golf because it had provided a golf game to another bookmaker and liability was accepted in relation to that use. The continuing dispute in the case related to GA Money. Various undertakings in relation to both suites were offered by the defendant to the claimant before trial, but were not accepted.

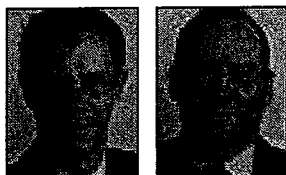
The question at issue

The central question was whether the defendant’s use of GA Money after August 2004 was prohibited by clause 10.3.6. If it was so prohibited, then the defendant would not have had permission to use GA Money and would therefore have been infringing its copyright. This raised the issue as to the meaning of the word ‘used’ in clause 10.3.6, because that word was undefined in the agreement. The court said it needed to decide whether use of the intellectual property rights in clause 10.3.6 meant use in the sense of ‘infringe’. The claimant maintained that if an act of the defendant would, but for the licence,

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constitute an infringement of copyright in the software, that would constitute 'use'. The defendant said that because clause 10.3.6 did not include the word 'infringe', something more than infringement should be implied in the use of the software. It submitted that functionality was the key, so that if the software was not deployed by the defendant for the purpose for which the software was designed or intended, that would not constitute 'use' within the meaning of the clause. The defendant said that kind of interpretation would eliminate the risk that it could be found liable for slight and inadvertent copying through, for example, automatic caching. To address this issue, the court had to construct the agreement and assess the nature of the use that the defendant had made of GA Money by reference to the facts in the case.

In addition, the court had to rule on whether the claimant would be entitled to the remedy of an injunction, if it was successful on liability.

Deciding liabilities

The court decided that the defendant was using GA Money in a way prohibited by clause 10.3.6 and was therefore in breach of contract and had infringed copyright. In reaching this decision, the court analysed the defendant's use of GA Money and concluded that 'use' had to be regarded as copyright use. The court asked itself whether the defendant was using the software in the context of section 17 of the Copyright Designs and Patents Act 1988. In other words, was it "reproducing the work in any material form", "storing the work in any medium by electronic means", or "making copies which are transient or incidental to some other use of the work"? It set out six pointers that were specifically relevant to the facts in the case in ascertaining the context in which the meaning of the word 'use' had to be determined. It then had to decide whether such use was sufficiently substantial both qualitatively and quantitatively to amount to infringement.

As stated above, the difficulty in this case for the defendant was that when it was designing its new system, it did not completely disable GA Money after August 2004 when its own GA II_Build went live. The factual analysis indicated that the defendant had contemplated removing GA Money in August 2004 but had not done so. One of the defendant's witnesses said that as there had been no functional or

technical reason to remove GA Money, the database developers had not got around to doing so. GA Money was on the defendant's server and GA II_Build was actually using eight out of 105 tables in the GA Money database, making transient copies of all or part of the software.

This meant that GA Money was not functionally redundant in the new GA II_Build system, because part of GA Money was literally being reproduced by the defendant in a functionally useful way. As a result of those findings, the court concluded that the reproduction was sufficiently substantial to amount to copyright infringement.

In mitigation however, the judge stated as follows:

"In my judgment this was a minor breach, committed more through laziness than through any deliberate policy. It was capable of easy remedy and was quickly remedied in 2006 under threat of litigation."

Injunction as a remedy

The court granted an injunction, having decided on balance that an injunction would "have some, albeit probably marginal, utility in enforcing the contractual undertakings previously offered by [the defendant] ..."

This decision appears to have been made primarily because of the (admitted) infringement of Cantor Golf, rather than because of the findings relating to GA Money. The court said:

"It remains to be seen whether an injunction would have been justified had the only matter in issue been GA Money. The use of GA Money, albeit in technical breach and infringing in the manner determined above, is accepted to be of limited importance."

In reaching its decision, the court helpfully assessed the power to grant or withhold an injunction set out in section 37(1) of the Supreme Court Act 1981, looking at *South Bucks DC v Porter* (2003), *Phonographic v Saibal Maitra* (1998) and *Coflexip v Stolt Comex* (2001). It summarised that an injunction was a discretionary remedy and could be granted whenever it was just and convenient to do so. It said it would normally be granted in intellectual property cases when infringement had been found and there was a threat to continue, or no clear unequivocal undertaking not to continue. The importance or triviality of the infringement or breach should, however, be taken into account on a proportional basis.

The judgment does not deal with costs and the court said that it would be

"for separate consideration whether the cost of correcting a degree of casualness on the part of [the defendant] of limited importance to [the claimant]... justifies the benefit of doing so".

Lessons to be learned

There are lessons to be learned from this case for both software developers and lawyers. Software developers need to audit all the links in a system very carefully before it goes 'live'. Lawyers should bear in mind that the word 'use' is capable of meaning different things according to context, when they are drafting an agreement licensing the use of a product such as software. That means that it is very important to look at that context and define the word 'use' in the agreement according to that context, rather than trust in a general understanding of what that word should mean.

Failing to define the word 'use' will lead to uncertainty about whether a licensee is, or is not, using the software product within the terms of a licence and therefore is, or is not, infringing copyright in that software product. If there is any ambiguity in the agreement relating to the interpretation of the word 'use', then the licensor can run the risk of that ambiguity being construed against it in the licensee's favour, under the 'contra proferentem' rule. This rule says that ambiguous language in a legal document can be construed more strongly against the originator of that language.

In the context of copyright infringement there are numerous acts which if carried out in relation to software, without the permission of the copyright owner, could amount to an infringement. For example, the act of loading, executing, storing, transmitting, displaying (or copying for such purposes) software could amount to infringement. These acts will frequently occur by virtue of the running of software. Similarly, the acts of modifying, adapting, enhancing, reverse compiling, decoding, translating (or copying for such purposes) software could amount to copyright infringement. These acts will frequently be carried out in the course of developing or maintaining software. Basically, a licensor is best advised to be clear as to what is meant by 'use' in order to properly control exploitation of its intellectual property rights. The only way to achieve such clarity is to define 'use' so as to cover the acts intimated to be covered. The licensor may otherwise be forced to resort to costly litigation to prove its case. 