

BY LUIS C. SCHMIDT, PARTNER

COPYRIGHT WORLD, MARCH 1996

Discussion will be centred on the specific issues of enforceability, in Mexico, of shrink-wrap, box-top, and tear-open licences that come with computer software copies and packages directed for mass distribution and consumption. These, in Mexico as in other parts of the world, have become valuable instruments for retaining control over the reproduction, distribution and use of copies of programs. They also represent the tools by which software publishers avoid decompilation and disassemblance of their programs by licensing them to customers under an obligation of confidence or non-disclosure, and finally a mechanism for imposing limitations and waiver of Warranties.

In Mexico, a shrink-wrap licence is considered to be a kind of adhesion contract with many unique features. As its name indicates, the licence is wrapped or packaged in the box also used as the container for the copy of the computer program. The notion is that the user has accepted the licence's terms and conditions if he or she opens the wrapper. As mentioned, the principal clauses of the agreement relate to limitations placed on the user's ability to decompile, disassemble and copy the program. For some years, the popularity among Mexican and foreign publishers of shrink-wrap and similar types of licence has grown. However, the issue of their enforceability has never been brought to the attention of the courts. We believe the reason is two fold:

a) An understanding of software and a culture based on its protection has only recently developed in this country; there is little knowledge among the public, legal community and judges of the existing rights of software publishers and similarly little knowledge of the rights of the users of computer programs.

b) Additionally, shrink-wrap licences have been basically thought of as supporting copyright ownership of computer programs. In this regard, the licences have represented an acceptable medium for distinguishing between copies and clones. The General Attorney's Office and Criminal Courts have accepted such type of agreements in several piracy cases that have been filed

before them. Mexican Copyright Law grants an exclusive right for preventing anybody from reproducing or using a computer program without previous authorisation. Accordingly, as it is possible to impose copying limitations in line with the Law itself, shrink-wrap licences have been viewed by said authorities as an acceptable form for recognising copyrights, especially given the difficulties in having a formal licensing agreement signed by the parties.

Shrink-wrap licences have never been tested before with regard to decompilation, disassemblance and warranty limitations. We believe that these would represent real issues under Mexican Law and the question has arisen whether shrink-wrap licences could be used for limiting such type of rights, especially where the particular limitation may contravene the provisions of the Law. A further question arises as to whether the agreement between the owner and the user should be considered a sale or a licence and whether it can be considered a legally binding and hence enforceable agreement, if the purchaser of the copy is able to look at the agreement only after paying for the package. Finally, the question arises as to whether shrink-wrap licences are subject to formalities.

With regard to the first question it is hard to tell whether shrink-wrap licences can function as a measure for imposing limitations on decompilation and disassemblance and even more so with respect to warranties.

Mexican copyright Law protects the expression of a particular idea, but not the idea itself. In the case of decompilation or disassemblance, any person engaging in such activities would be taking the idea of the program, and the Copyright Law would probably not serve as an appropriate legal instrument for prevention. Under the foregoing the shrink-wrap agreement sustaining such a limitation could be considered illegal and unenforceable. However, if from the underlying idea the person obtains an identical program or something substantially similar and then reproduces or uses it, such use could be prevented, having stemmed from the access to the underlying program.

Trade secret protection may also not be the appropriate means for solving the problem, if it is taken into account that reverse engineering and independent development constitute proper means for obtaining ideas that have remained secret and legally protected as a result.

Warranties could only be waived if permitted by the Law and if no express or implied obligation has been imposed on the contracting party to provide a specific warranty. If this is not met, it is likely that the corresponding shrink-wrap provision would be found illegal.

The question whether shrink-wrap licenses constitute a binding agreement under Mexican contract law and if they represent licenses or sales, is hard to answer. The Mexican Commerce Code establishes that agreements between absent parties shall be binding whenever an offer is answered by offeree, accepting the entire terms of the offer. If the operation is made via telegram, telex or facsimile, it would have to be previously agreed so in writing by the contracting parties.

The above rules are difficult to apply in shrink-wrap situations. Although the system followed by the Mexican Commerce Code does not necessarily require that the offeror actually receives the response given by the offeree, this provision may not support shrink-wrap licences. The buyer of the copy may believe that he or she is paying for a purchase and then discover that the shrink-wrap pretends to modify the original deal by imposing limitations and considering the agreement a licence instead of a sale.

Regarding the type of agreement issue, it could be possible to see the courts arriving at the conclusion that shrink-wrap conditions were never accepted by the buyer. However, it has to be borne in mind that under Mexican Law the Buyer would only be paying for the copy of the program that is being bought and that the corresponding copyrights remain with the software publisher unless expressly transferred. We thus believe that a copyright licence is implied allowing the buyer of the copy to use the program with all restrictions imposed by the Law.

With respect to formalities, Mexican Law would surely regard shrink-wrap licences as adhesion contracts that could be subject to recordal and scrutiny by the Consumer Protection Office, if this authority considers this necessary. So far, the Consumer Protection Office has never manifested an intent to exercise such authority.

Finally, the Mexican Copyright Law provides that those agreements entered into

by authors modifying, transmitting, encumbering or extinguishing patrimonial copyrights shall take effect after they are recorded with the Copyright Office. It should be understood that only agreements representing transfer, modification or extinction of copyrights have to be recorded; copyright licences in general and shrink-wrap agreements in particular should not be considered as falling into any of those categories. Recording formalities should not be mandatory for agreements entered into by a publisher and an end user of computer programs. However, it remains to be seen if this view would be shared by the Copyright Office and eventually the Courts. We have so far no notice of any shrink-wrap agreement having been recorded with the Copyright Office. Should this requirement arise at all, it should be restricted to a single recordal for one particular form of agreement. This would meet the standards required by law and avoid the impossible situation of recording on a multiple user basis.