

NEWSLETTER

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Intellectual Property Newsletter

Welcome to our first Intellectual Property newsletter

The newsletter will be distributed regularly and will provide updates, information and our opinions on recent developments in the world of intellectual property.

Following is a list of the articles included this issue. To be taken directly to an article, please click on the relevant description:

- a dispute between two telcos over copyright infringement in the broadcast of sports matches;
- infringement of IP rights on social media;
- the *Personal Property Securities Act 2009 (PPSA)* and intellectual property;
- the attempt by Hollywood studios to make an ISP liable for authorising copyright infringement; and
- recent amendments to trade mark and copyright laws aimed at 'raising the bar' in Australia.

Please don't hesitate to contact us if you would like more information on any topic, whether covered in this newsletter or not. We hope you find the newsletter informative and useful.

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Cornwalls' Intellectual Property Team Member Profile

David Moore, Special Counsel and Head of Intellectual Property

David joined Cornwall Stodart after practising for five years in Dubai, UAE, where he led the trade marks practice of his firm and supervised a team of lawyers and paralegals. He has also practised in both Australia and New Zealand, focusing on copyright and trade mark law.

His expertise includes providing strategic advice on trade mark portfolio management, advising on and conducting trade mark opposition actions in multiple jurisdictions, and conducting due diligence enquiries on target companies' intellectual property. He also advises on and negotiates the settlement of disputes, and prepares multijurisdictional coexistence and settlement agreements.

Clash of the Titans: Optus v Telstra over AFL Broadcast Rights

On 1 February 2012, Justice Rares of the Federal Court delivered judgment in *Singtel Optus Pty Ltd v National Rugby League Investments Pty Ltd (No 2)*. The case, brought by the AFL, the NRL and Telstra (collectively, the **Rightsholders**), centred on whether Optus' new service, 'TV Now', breached copyright law in offering Optus users the ability to play back recorded broadcasts of live football matches onto their mobile phones, personal computers or other 3G devices. The

service enabled users to then watch the recording at a later time. In some cases, users were able to watch the broadcast on a 'near live' basis, within minutes of the start of the broadcast.

The Rightsholders alleged that Optus had infringed their copyright by:

- making unauthorised recordings of football or rugby league matches; and
- communicating these unauthorised copies to the public, namely the users of their TV Now service.



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Optus argued that it was the users, rather than Optus, who had made the film copies. They argued such use was not a copyright infringement on the basis of an exception provided in the *Copyright Act 1968* (Cth) allowing a person to make a film or recording of a broadcast for their private and domestic use.

Trial judgment

In his judgment, Justice Rares made the following findings:

Who made the recording?

Justice Rares found that it was the user, rather than Optus, who made the recording of the broadcast when they activated the 'record' function on their phone/computer. The user was solely responsible for the creation of the films – they decided whether to make the films, and only they had the means to view them. The

scenario was substantially the same as a person using a VCR or DVD recorder to copy a television broadcast for later viewing.

Further, the act of recording the broadcast by the user was not an infringement of the Rightsholders' copyright because the private and domestic use exception applied. Even in the cases of recording to devices that allowed for 'near live' viewing, Justice Rares still found that the ability to watch the broadcast at a more convenient time, even if only by a few minutes, still constituted 'private and domestic use'.

Who communicated the film?

Justice Rares also found that it was the user who was responsible for the communication of the film to their device. Although it was Optus' TV Now that enabled the user to determine the content of the communication and when it would be communicated to them, it was the user who effected the communication.

However, this too was not an infringement of the Rightsholders' copyright because the communication was not made 'to the public'. The judge found that a communication made by the user to him or herself was not made 'to the public'; this was so even if the user may have been with other people, such as family or friends, when the communication was received.

Accordingly, Justice Rares held that the Optus TV Now service did not infringe copyright.

On appeal

On 27 April 2012 the Full Federal Court overturned the trial judgment, finding in favour of the Rightsholders. The court also considered the primary issues:

1. Who was the 'maker' of the unauthorised films of the broadcasts?
2. Did the 'private and domestic use' defence apply?

Who was the 'maker'?

The Full Court held there were four possible scenarios:

1. Optus made the films but only as agent for the subscriber;
2. the user made the films, even though the actual 'making' of the films required Optus' technology;
3. Optus made the films in its own capacity; or
4. Optus and the user were jointly the makers of the films.

Scenario one was quickly rejected by the court, which found that '[e]ven if Optus could properly be characterised as making the copy as agent, it would, nonetheless, "make the copy" and be jointly and severally liable with the subscriber for that making'.

Scenario two (the approach the trial judge adopted) was also rejected. Justice Rares had analogised the use of the TV Now service to the use of a VCR or DVD recorder; the ability to record programs was provided by Optus (equivalent to a manufacturer providing a VCR/DVD recorder) but it was still the user who operated the service and so it was ultimately the user who made the copy. The Full Court disagreed, however, holding that the TV Now system had been 'designed in a way that makes Optus the "main performer of the act of [copying]"'.

Instead, the court found that either scenario three or four (or both of them) was the correct analysis. The court held that Optus' role in the making of the copy was 'so pervasive that, even though entirely automated, it cannot be disregarded when the "person"



who does the act of copying is to be identified... Put shortly Optus is not merely making available its system to another who uses it to copy a broadcast...it captures, copies, stores and makes available for reward, a programme for later viewing by another.

The court held that although it was not strictly necessary for it to determine whether Optus alone was, or whether Optus and the user jointly were, the makers, they preferred the latter interpretation. However, such distinction was moot because under either analysis, Optus was still liable for infringing copyright by making the films.

Did the 'domestic and personal use' defence apply to Optus?

The Full Court held that Optus was not protected by this defence. The court stated that, although it could be said that Optus copied the programmes so that others could use the copy for the purpose envisaged by the defence (that is, for personal and domestic use), in truth Optus made no use of the copies itself. Optus' only purpose in providing the services, and hence in making copies of the broadcasts, was to derive a commercial benefit and so it was not for domestic and personal use.

Where to from here?

Optus has stated it intends to seek leave to appeal the Full Federal Court decision to the High Court. Such leave will not necessarily be granted given the Full Federal Court decision was unanimous. However, given the potential profits at stake, it is not likely that Optus will go out without a fight.

Authored by: **Matt Foley**, Cornwall Stodart

For further information on copyright protection please contact **David Moore** or **Graeme Scott**.

Social media and infringement on IP rights

The proliferation of social networking websites and the rapidly increasing amount of users has created a number of new areas of risk both for users of social media and for platform operators. Any website that allows user generated content will need to plan carefully for the management of privacy breaches, obscene conduct, publication of defamatory statements and disputed claims to ownership of material.

Additionally, in the 'cut n paste' era, infringement of intellectual property has never been easier.

There are two broad scenarios in which a business' IP may be infringed on social media. This article looks at the two types of infringement and considers what, if anything, can be done by owners of IP to deal with the changing landscape.

Classic infringement

In this scenario, a commercial competitor (which could include an ex-employee) breaches a business' trade mark rights or copyright via a social media platform for the purposes of commercial gain. Examples would include reproducing a company's logo on Facebook to direct traffic away from the original site to the infringing party's own site, or posting via Twitter information directly copied from a competitor's website.

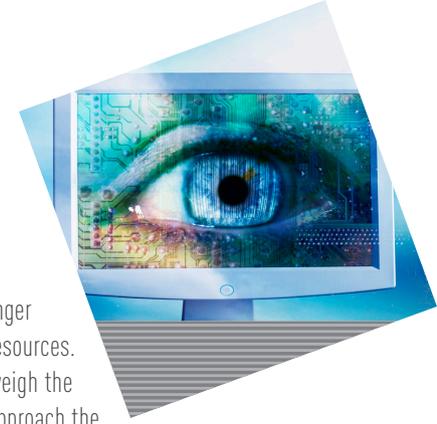
Classic infringement involves the use of a business' IP in a manner that causes confusion. The options available to challenge this infringement are still based on traditional IP laws; these laws will apply regardless of whether the infringing content is online or not. IP owners will, however, need to consider whether or not the traditional infringement approach is the most effective. It can be

difficult to identify the online infringer and the person may have limited resources. The cost of taking action may outweigh the benefit. An alternative may be to approach the host of the platform on which the offensive conduct is occurring and ask for it to be deleted or the account to be deactivated. Most platforms have strict policies governing the conduct of users and are usually willing to cooperate.

Disparaging treatment

In this scenario, the trade mark or content is used to disparage the lawful owner of the IP. There is no confusion because the material is being used for comedic or malicious effect. Such scenarios could involve disgruntled employees or activist groups reproducing a company's IP for posting on various social media platforms in order to criticise and sully the company in question. An example of this was activists modifying the Nestlé image (including modifying the Nestlé Kit-Kat logo in order to include the word 'killer' next to the word Nestlé) in protestation against Nestlé's use of palm oil in the manufacture of some products.

It is difficult to use existing Australian IP laws to prevent disparaging conduct from occurring. Often the material will not cause sufficient confusion or deception such that it constitutes a breach of trade mark or fair trading laws. It may also fall under the protection of the parody or satire defence of the *Copyright Act 1968* (Cth). Further, there is no Australian equivalent of the US 'dilution laws' that prevent the use of material which, although not deceptively similar to another trade mark, nevertheless lessen the uniqueness of that trade mark (even though the infringing material may have little connection and not even be directly competing with the original trade mark).



Businesses may be able to acquire some protection if the platform hosting the disparaging accounts is willing to cooperate and disable the accounts on the basis that not doing so would constitute a breach of their terms and conditions. However, this is not a hole-proof panacea because the person disseminating the disparaging material is still able to create new accounts and continue engaging in disparaging conduct.

Further, the ease of identifying the infringing party can also be difficult. This is because there is no 'trail' of commercial transactions or client solicitations to trace; many social media platforms allow users to sign up for accounts without verifying any personal details provided. This gives people who wish to make the disparaging comments a degree of anonymity (and thereby makes it harder to trace them in order to institute proceedings). Further,

given the internationality of social media users, jurisdictional issues also frequently arise.

However, social media is not necessarily all gloom and doom for businesses wishing to protect their IP. A proactive and progressive approach to social media can often greatly benefit a business. An example of this is the Coca-cola Facebook page. Originally started by two fans who had a passion for the soft-drink, the page (which adopted Coca-cola IP) was discovered by Coca-cola; however instead of attempting to quash the site, the company worked with the original creators and continued to build the page. By being involved, the company could then steer the page into representing the brand in a manner consistent with its business model. The page currently has over 38 million Facebook friends as of publication of this newsletter.

What can be done?

Monitor

An important starting point for protecting your IP in any forum is putting in place a monitoring strategy. Regular internet searches for examples of infringement are a good idea to minimise damage.

Policy

Businesses should have a framework for dealing with IP infringements. This means setting some thresholds for when action should be taken and how aggressively it will be pursued.

Register

It is good practice to register key trade marks. This at least gives you a tool on which to base an infringement action. There is no 'international' registration available in the sense that you cannot

file one application to cover all countries. You should therefore devise a strategy focusing on which jurisdictions require protection and the scope of goods and services to cover.

Authored by: **David Moore**, Cornwall Stodart

For more information on IP related issues, please contact **David Moore**.

The Personal Property Securities Act 2009 (PPSA) and Intellectual Property

Did you know . . . ?

- Owners, and in particular licensors, of intellectual property can lose control of, or their rights in, intellectual property if they fail to record their rights on the PPS Register.
- Financers who lend funds secured against intellectual property should also register their claim under the PPSA (as well as on the Trade Marks or Patents Registers).
- Cases already decided under comparable legislation in New Zealand have confirmed that IP owners' rights can be 'trumped' by another party who has recorded an interest under the PPSA.

The PPSA commenced on 30 January 2012 and significantly changes the law and processes concerning giving and receiving security interests in personal property, including intellectual property. Among other things, the new regime involved the migration of existing federal and state security registers onto a single national Personal Property Securities Register (**PPS Register**).



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Intellectual property is specifically covered by the PPSA. The introduction of the PPSA and PPS Register may affect any business that assigns or obtains rights in intellectual property.

What is the PPS Register?

The PPS Register is now the sole national register for the registration of rights (now called 'security interests') over personal property. 'Personal Property' concerns any non-land asset or property, including intellectual property, regardless of whether that asset is being used on a domestic, consumer or corporate basis.

The PPS Register replaces over 40 different registers of security interests in Australia, including the IP registers such as the Patents, Trade Marks and Designs registers.¹ Unlike security interests registered on some other registers (such as ASIC's register), there will be no automatic migration from the IP registers to the PPS Register. Therefore secured parties should ensure they take the necessary steps to secure their interests on the PPS Register.

Due to transitional provisions in the PPSA and significant difficulties with the migration of pre-existing security registers, the PPS Register is not yet an accurate reflection of all potential rights and interests that may exist. Importantly, from 30 January 2012, mortgages and other interests newly recorded on the Patents, Trade Marks and Designs registers may have no legal effect.² Both existing and new security interests over Patents, Trade Marks, Designs and Plant Breeder's Rights will need to be recorded on the PPS Register.

Deemed right in IP rights

The PPSA is complex legislation. Essentially, it provides that a party who has rights over assets (such as intellectual property)

must register those rights in order to enforce them against another party. Registration under the PPSA is called 'perfecting' your rights in the assets. While there are other forms of perfection, including having control of financial assets or possession of the asset, registration will be the most common.

If a party has a right ('security interest') over goods or other tangible property which is properly registered on the PPS Register, under the PPSA that party will also have rights in any IP rights that are necessarily associated with those goods.³ That is, if in order to use or operate goods it is necessary to use an IP right, such as copyright or a trade mark associated with the goods, then a right registered over those goods on the PPS Register is deemed to extend to that IP right as well. This deemed right exists to the extent that exercise of the party's rights in the goods necessarily involves an exercise of the IP rights.

As an example, Frank's Fishing Store sells 'FF' branded fishing equipment. To secure a loan, Frank's Fishing grants the bank a fixed and floating charge (now called a 'security interest over all present and after acquired property' (**APAP Security**)) over all of its assets. Frank's Fishing defaults on the loan and the bank appoints a receiver to sell the stock. To the extent that sale of that stock by the bank requires the bank to exercise rights over the IP associated with the FF branding, the bank is deemed to have the necessary rights in that IP to facilitate the sale.

If the security agreement that provides the creditor rights over the goods clearly excludes rights in the associated IP (or otherwise evidences a contrary intention to such a right), that agreement will take priority and the secured party's rights will not extend to the IP associated with those goods. However unless such contrary

intention is shown in the agreement, a registration over the goods is sufficient. It will not be necessary for the secured party to specifically refer or record its interest over the IP right on the PPS Register; a description of the goods in the registration will be sufficient. If you provide other entities with rights in your goods or property, for example, by granting a bank a fixed and floating charge over your assets (now, an APAP Security) or by selling goods on a retention of title basis, it is important that your agreements clearly state that you do not grant the other party any rights in the associated IP.

IP licences

While the granting of a licence will generally not be covered by the PPSA (that is, it will not create a 'security interest' in the licensed assets), the IP licence itself will be an asset to which the PPSA may apply.

The PPSA provides specific rules regarding IP. One of those rules concerns the following circumstance, best explained by the Explanatory Memorandum example:⁴

1. Licensor A is the owner of copyright, and has licensed Grant A to exercise the copyright.
2. Grant A has granted rights (in the form of an APAP Security) in the licensed rights to Bank A.

¹ IP Australia, Official Notices, PPS REGISTER, 19 December 2011, <http://www.ipaustralia.gov.au/about-us/news-and-media/official-notice-listing/?doc=securities-register&view=Detail>

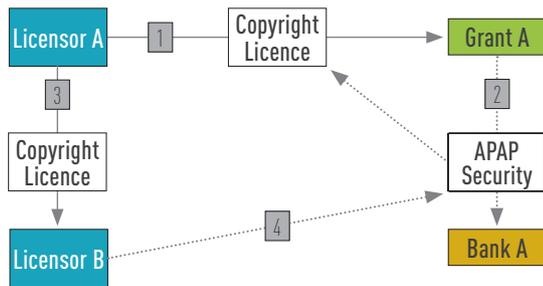
² Ibid

³ Section 105

⁴ Section 105 and Explanatory Memorandum



3. Licensor A transfers the copyright to Licensor B.
4. Licensor B will be bound by the APAP Security interest granted by Grant A to Bank A to the same extent that Licensor A was bound by the security interest.



In essence, this means that the recipient of a copyright licence will be bound by any rights in that licence which the transferor has previously granted other parties. It is therefore essential that, when receiving a transfer of a copyright licence, you determine what rights the transferor has first given other parties to that licence

PPS Register v existing registers

Prior to the introduction of the PPSA and the PPS Register, IP Australia hosted various registers for different IP classes. Ownership of the IP was recorded on these registers and parties could register claimed interests over specific IP. The PPS Register does not replace these registers; they still continue to record ownership and claimants may still record any claimed interests on them in order to receive certain notifications.

However, the right of a registered owner to deal with their IP will now be encumbered only by those interests registered on the PPS

Register. Any security interest should therefore be registered on the PPS Register.

As a result of the dual register system, registration of a security interest on both the PPS Register and the appropriate IP Australia register is recommended.

Due diligence

Any party conducting due diligence should perform searches on both registers. Simply performing a search on the PPS Register will only provide details of any rights covered by the PPSA. Any rights not covered by the PPSA, such as a licence in IP, will not be noted on the PPS Register.

Other considerations

When registering a right on the PPS Register, it is important to adequately describe the personal property (ie assets) being secured. Providing insufficient details may mean that a right you have been given is unable to be enforced against the assets not covered by the registration.

This is particularly important in instances where the IP has been given a serial number (eg the serial number given to a trade mark upon being registered with IP Australia). Rights concerning serial numbered IP should not be incorporated into a broader registration over a variety of assets. It is necessary to register such rights separately by their individual serial number.

If the serial number is not entered, or is entered inaccurately, in the PPS registration, it is likely that the security interest rights will be lost if the company enters administration or liquidation, or another creditor claims rights over the associated assets. The

PPSA allows no forgiveness for inadvertently omitting the serial number registration, or for typographical errors in entering the serial number in the PPS Register.

Accordingly, it is important that you take care when entering the PPS registration in order to fully protect your rights in assets and the associated IP.

Transitional arrangements

The PPSA provides a two year transitional period for most rights and agreements that existed prior to 30 January 2012. Rights recorded on IP Australia's registers will continue to be effective until 30 January 2014. Secured parties must be proactive in registering their security interest on the PPS Register correctly and accurately before the end of the transition period. An incorrect registration can have the same effect as failing to register at all.

If you have a security interest over IP that is currently recorded on the Australian Designs Register, Patents Register or Trade Marks Register, it is important that you also record that security interest on the PPS Register. Failure to do so could result in loss of security rights.

Where to from here?

- Check any agreements involving IP and seek legal advice to determine whether there are any rights that can or should be registered on the PPS Register.
- Check any existing rights recorded on IP Australia's registers and seek legal advice to ensure they are recorded on the PPS Register before 30 January 2014.
- In relation to new agreements involving IP, or IP that has not already been migrated onto the PPS Register, seek legal



advice to determine whether section 105 of the PPSA should be excluded.

- Consider the application of the PPSA when granting an IP licence and seek legal advice to determine whether it should be a clause of the licence agreement that the licensee is prohibited from granting a security interest over the licence.
- Be aware that the PPS Register only records security rights in IP assets. To assist in ascertaining the full picture, IP Australia registers should also be searched in addition to the PPS Register when performing due diligence.

Authored by: **Matt Foley, Alon Cassuto, David Moore** and **Katherine Payne**, Cornwall Stodart

For further information on how the PPSA may affect your business, please contact **David Moore** or **Katherine Payne**.

ISP triumphs over Hollywood – *Roadshow Films Pty Ltd v iiNet Limited*

A group of thirty four Australian and US film and television companies (**Studios**) alleged that the internet service provider (**ISP**) iiNet Limited (**iiNet**) authorised its customers' primary infringement of the Studios' copyright through the illegal downloading and sharing of content via BitTorrent or peer-to-peer networks. On 20 April 2012, the High Court held that the conduct of iiNet did not constitute authorisation of its customers' acts of infringement.

The Studios claimed that iiNet had received credible information of customers' copyright infringement and had failed to enforce the terms of its agreements with the customers through a system of

warnings, suspensions and terminations and that iiNet, therefore, had 'authorised' the infringing activity.

The High Court held that the information contained in the infringement notices from the Studios did not provide iiNet with adequate information and iiNet's technical ability to prevent infringement was limited. iiNet had no direct power to prevent its customers from using the BitTorrent system to infringe copyright in the Studios' films or to block access to the Studios' films, which were made available online.

Accordingly, iiNet did not 'authorise' infringement under the *Copyright Act 1968*. In reaching this conclusion, the High Court noted that the only practical course of action for iiNet would have been to terminate its contractual relationship with the customer (by ceasing to provide a connection to the internet). This would create several further issues, including the cost to the ISP of administering warnings and terminations, the lack of a genuine resolution of the infringement problem due to customers being able simply to engage alternative ISPs and wrongful termination exposing ISPs to liability.

Although the Studios failed on this occasion to show that the ISP had 'authorised' infringement, the decision leaves open the possibility that, given different circumstances, the ISP could be liable. For example, if copyright owners improve the level of information contained in infringement notices, the courts may find that it is reasonable to expect the ISP to take action.

Further, in the future, technological advances may make it feasible for ISPs to monitor and control customers' activities and prevent internet users from making illegal downloads. If so, a failure to

control customers' activities could mean the ISP is deemed to have authorised the infringing conduct. ISPs will need to be prepared in the future to collaborate with copyright holders to prevent infringing behaviour.

There is no immediate impact on the average internet user in Australia. However, the decision does serve as a reminder that the internet is not an entirely anonymous landscape. In fact, as evidenced by this decision, illegal downloads may be monitored and IP addresses may be generally identifiable by copyright owners. These addresses may then be passed on to the ISP, or indeed to the Australian Federal Police or the FBI depending on the scale of the problem. Internet users should not presume that they will always be able to get away with downloading content illegally.

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For further information, please contact **David Moore**.

Raising the Bar – amendments to trade mark and copyright laws

The *Intellectual Property Laws Amendment (Raising the Bar) Act 2011* (Cth) (**Act**) came into effect on 16 April 2012 with trade mark provisions taking effect from 16 April 2013.

The Act is set to make a number of changes to intellectual property practice. The Act focuses on reforms targeting patent applications and the development of a 'research exception' to patent infringement. This article looks at amendments that modify the handling of trade mark oppositions and expand the availability of civil remedies for trade mark and copyright infringement.

Trade mark opposition process

The Act streamlines and reduces the complexity of the trade mark opposition process.¹ While further details of the new process will be set out in the Regulations (which are yet to be prescribed), the Act and Explanatory Memorandum stipulate the following changes:

- An opponent to trade mark registration is now required to file the notice of opposition with the Trade Marks Office, who assumes responsibility for forwarding the notice of opposition to the applicant.
- The Act requires opponents to file a statement of particulars within one month of filing a notice of opposition outlining the grounds and material facts upon which the party intends to oppose the registration. This is intended to identify clearly the contested issues in trade mark oppositions at an early stage to avoid unnecessary costs and effort for the applicant.
- An applicant must give notice of its intention to defend an opposition, failing which the application will be treated as withdrawn or abandoned. In instances where opposition is uncontested, the dispute will be resolved in a more streamlined and efficient manner.

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Trade mark infringement

Under the new scheme, the courts will be able to award exemplary damages for trade mark infringement in addition to an account of profits or injunctive relief. The Act also increases penalties for existing offences and introduces new summary offences aimed at combating counterfeiting. The penalty for counterfeiting, for example, has increased from a maximum of two years' imprisonment and/or a fine of 500 penalty units to five years' imprisonment and/or 550 penalty units (at the time of writing this article, this equates to \$67,177.00).

The Act introduces a new class of summary offences for trade mark infringement, penalising negligent trade mark infringement. This new class expands the scope of the previous scheme, which required either actual knowledge of infringement or recklessness on behalf of the offender. The new class of offences imposes an obligation on potential trade mark infringers to take reasonable care to avoid the unauthorised use of registered marks.

The Act also expands the authority of the Australian Customs and Border Protection Service to provide information to copyright and trade mark owners regarding goods seized at Australian borders, thus potentially assisting owners of intellectual property rights to bring actions for trade mark infringement.

In summary

- Opposition(s) to trade mark registration is required to be filed promptly and must be followed by an appropriately detailed statement of particulars.
- An applicant who seeks registration of a trade mark that is the subject of a notice of opposition must file an 'intention to defend' to avoid automatic lapsing of their application.
- Owners of trade marks have improved prospects of achieving a satisfactory outcome in respect of enforcing their intellectual property rights as a result of the expanded authority of the Australian Customs and Border Protection Service and the availability of exemplary damages in any claim(s) for trade mark infringement.

Authorised by: **Lesley Naik** and **Alon Cassuto**, Cornwall Stodart

For further information on trade mark registration or enforcement please contact **David Moore** or **Graeme Scott**.

¹ Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* (Cth)