

Intellectual Property Forum

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Co-Editors
Fiona Phillips
Fiona Rotstein



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Intellectual Property Forum

The Journal of The Intellectual Property Society of Australia and New Zealand Inc ABN 056 252 558

Co-Editors

Fiona Phillips
Fiona Rotstein

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c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833
Facsimile: (+61 3) 9761 2899
Email Address: ipsanz@ipsanz.com.au
Website: www.ipsanz.com.au

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Co-Editors

Fiona Phillips
Fiona Rotstein

c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833
Email: editors@ipsanz.com.au

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The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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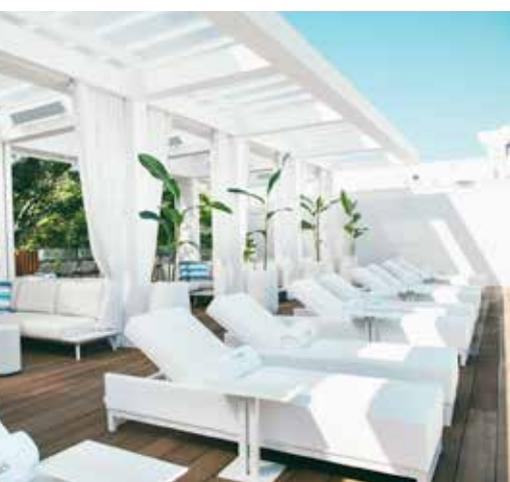
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33rd IPSANZ Annual Conference

6-8 September 2019

The 33rd Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Sofitel Noosa Pacific Resort, Noosa Heads, Queensland over the weekend 6 – 8 September 2019.



Friday

2:00 pm – 6:00 pm Early Registration
6:00 pm – 8:00 pm President's Welcome Drinks

Saturday

8:30 am – 9:00 am Registration
9:00 am – 5:30 pm Conference Sessions
6:30 pm – 11:00 pm President's Dinner

Sunday

9:00 am – 12:30 pm Conference Sessions
12:30 pm – 2:00 pm Lunch
2:00 pm Close

For further information contact:

The Intellectual Property Society of Australia and New Zealand Inc.

GPO Box 2491
Melbourne Victoria 3001
Australia

T: (61 3) 9761 2833

E: ipsanz@ipsanz.com.au

W: www.ipsanz.com.au

Editorial – Fiona Phillips and Fiona Rotstein



Photo by Claus Hattenmarch 2018

Fiona Phillips
Co-Editor



Photo by James Grant 2018

Fiona Rotstein
Co-Editor

This issue of *Intellectual Property Forum* marks 50 years since the *Copyright Act 1968* (Cth) (the “Copyright Act”) came into force in Australia and begins with messages of congratulations from Francis Gurry, the Director General of the World Intellectual Property Organization and the Minister for Communications and the Arts, Senator the Honourable Mitch Fifield.

Our regular “In Conversation” features the Honourable Judge Julia Baird of the Federal Circuit Court (“FCC”), who reflects on her career in intellectual property (“IP”) and provides some useful insights on the Court’s new IP Practice Direction. For readers wanting to know about the FCC’s *National IP Pilot Scheme*, Dr Dimitrios Eliades has prepared a report which also features in this issue.

Libby Baulch has written an article, *Some reflections on 50 years of the Copyright Act in Australia*, which traces the history of the Copyright Act and looks at some of the features of the Act that are peculiar to Australia. As Baulch notes:

In any area, an understanding of the history – even recent history – provides context and a frame of reference for current issues. Copyright is no different.

The author’s vast experience shows in her ability to draw common threads between what has happened in the past and current copyright controversies. One of the issues Baulch identifies as a future challenge for copyright is artificial intelligence (“AI”).

This leads us directly to the next article featured in this issue, *Robot vs Rightsholder: Machine Learning and Copyright in the Film and Television Industries* by Eloise Chin. In her article, Chin looks at the way that text and data mining is used in the film and television industries and attempts to devise a solution that balances the needs of both data miners and rightsholders. This issue is certainly very topical given current discussions about text and data mining in Europe, Singapore and New Zealand as part of their respective copyright reforms.

Providing a different perspective on technology and the law, Elizabeth Englezos looks at *A New World Standard? Why Australian businesses should be ensuring their Compliance with the EU General Data Protection Regulation*. In her article, Englezos tracks the development of the European Union (“EU”)’s *General Data Protection Regulation* and the implications for Australia, which unlike New Zealand, has not been granted third country “adequacy” status. Englezos’ article is particularly interesting in the context of Australia’s current Free Trade Agreement negotiations with the EU and the Australian Competition and Consumer Commission’s *Digital Platform Inquiry*.

Keeping the focus on Europe, we feature a report by Eleonora Rosati, *Brexit and Copyright: a Pyrrhic Victory* in which she outlines the possible copyright ramifications of Brexit. We then return to home soil for Shaun Miller's report on *The Case for Perpetual Copyright in Albert Namatjira's Artistic Works* in which Miller sets out why the circumstances of Albert Namatjira mean that copyright in his work should not expire 70 years after his death.

We also bring you a book review of *Non-Conventional Copyright: Do New and Atypical Works Deserve Protection?* edited by Enrico Bonadio and Nicola Lucchi which explores some of the themes relevant to this issue, such as copyright protection for AI, traditional music and the press publishers' right in the EU.

We round out the issue with updates on current developments in IP across Australia, New Zealand, Asia, Europe and North America. These cover everything from the copyright reviews in New Zealand and Singapore, the Court of Justice of the EU's recent decision denying copyright protection for a cheese spread, the changes to Canada's trade mark law and

an insider's guide to trade mark prosecution in China. We thank our regular contributors and are pleased to welcome Dr Marc Mimler, our new contributor from the EU.

It is now a year since we took over the editorship of *Intellectual Property Forum*. We hope that you are continuing to enjoy the journal. As mentioned in previous issues, we welcome feedback from our readers. We invite you to share your ideas by emailing us at editors@ipsanz.com.au. We look forward to hearing from you.



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Message from World Intellectual Property Organization Director General Francis Gurry

Congratulations to Australia's copyright community on the 50th Anniversary of the *Copyright Act 1968* (Cth)! Australia has been a global and regional leader in copyright since the passage of that Act.

For the World Intellectual Property Organization ("WIPO"), multilateral copyright treaty membership is one of the most important indicators of leadership in the global copyright ecosystem. Here too, Australia has been a leader, becoming a party to the *WIPO Copyright Treaty* ("WCT") and *WIPO Performances and Phonograms Treaty* ("WPPT") more than 10 years ago, in 2007.



Francis Gurry

Photo by WIPO Bernad

Australia also played an extremely important role in the adoption of our newest copyright treaty, the *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired and Print Disabled* ("Marrakesh Treaty"). This treaty with a humanitarian dimension provides tools to harness the multilateral copyright system to address the global book famine for treaty beneficiaries. At best, the World Blind Union estimates that about 10 percent of books are available in accessible formats, and in many developing countries far fewer books are available. The treaty provides for national exceptions to copyright so permission is not needed each time an entity serving the treaty beneficiaries wishes to convert a work into an accessible format.

Prior to the Marrakesh Treaty, exceptions were assumed to be limited to national geographical boundaries and each country had to make its own accessible format version of the same work. However, under the Marrakesh Treaty those versions can be shared across borders, freeing resources to make more works accessible. Because of the traditional territorial approach to copyright, this cross-border system is the most innovative aspect of the treaty.

Australian representatives played a key role in the treaty negotiations in the Standing Committee on Copyright and Related Rights ("SCCR") and the Diplomatic Conference that led to its adoption in June 2013. Australia was one of the first countries with a significant collection of accessible books to join the treaty. Australia had a functioning copyright exception for the creation of accessible works before the Marrakesh Treaty and made further amendments related to its implementation in the *Copyright Amendment (Disability Access and Other Measures) Act 2017* (Cth).

Now Australia is a leader in Marrakesh Treaty implementation and works closely with the WIPO Accessible Books Consortium ("ABC") to ensure it realises its full potential.

To mark the entry into force of the treaty, a cross-border exchange of accessible books was made between libraries for the blind in Canada and Australia using the ABC Global Book Service platform. Australia continues in its leadership role, sitting on the ABC Advisory Board, alongside Vision Australia. Australia is also well-represented in the ABC Global Book Service with both Vision Australia and VisAbility as members. Moreover, generous support by IP Australia for ABC projects is helping to build local capacity in developing and least developed countries so that treaty beneficiaries and local supporting organisations can create educational books in accessible formats, all in national languages.

New Zealand has also strengthened its ties with the global copyright framework with its recent accession to the WCT and WPPT and conforming amendments to the *Copyright Act 1994* (NZ). New Zealand is the 99th country to sign up to these "Internet Treaties", which are steadily expanding their membership. WIPO also welcomes New Zealand as a party to the 1971 Paris Act of the *Berne Convention for the Protection of Literary and Artistic Works* (New Zealand was previously party to an earlier act). These steps will support New Zealand's digital creative economy through benefits for authors, sound recording producers and performers. WIPO applauds New Zealand's decision to join the Marrakesh Treaty and the process underway to implement that decision.

Rapid technological change underlines the continual need to update legislation to ensure the copyright framework is fit-for-purpose. Australia's Copyright Modernisation Review and New Zealand's Copyright Review are testimony to this. In this process, Australia and New Zealand have heard calls to take the next logical step for a party to the WPPT – to join the *WIPO Beijing Treaty on Audiovisual Performances* ("Beijing Treaty"). That treaty brings the benefits of the digital copyright era to audiovisual performers, who are not covered by the WPPT. It is an integral piece of the digital

copyright framework that WIPO Member States started to set up with the WCT and WPPT. Becoming a party would enable international mechanisms to bring additional benefits to the important performer communities in Australia and New Zealand. The Beijing Treaty was adopted in 2012 and is expected to enter into force this year.

The final piece of this digital copyright and related rights framework – protection for broadcasting – continues to be discussed in the SCCR. Consensus has been reached on key points, including using a signal-based approach that would not give broadcasters another layer of rights over program content. Incremental progress toward resolving outstanding issues continues. At the 2018 WIPO Assemblies, Member States encouraged work toward completing the treaty, the last piece of the related rights framework from the *Rome Convention* to be updated for the digital era. The 2018 WIPO General Assembly adopted a detailed recommendation on copyright, focused on broadcasting, directing the SCCR to “make best efforts to achieve consensus on the remaining outstanding issues” and, if the consensus is achieved, to recommend that “the General Assembly [...] approve a date and venue for a diplomatic conference to adopt the treaty”.

Even during a challenging environment for multilateral collaboration, two new copyright and related rights treaties were adopted in recent years. Many WIPO Member States are calling for the conclusion of the broadcasting treaty, which would close the circle in updating the multilateral copyright framework for the digital era.

The SCCR also continues to work actively on limitations and exceptions to copyright. The Committee has adopted ambitious action work plans on limitations and exceptions for libraries, archives, museums, educational and research institutions and persons with other disabilities. All the studies, analyses, and regional seminars on these issues since June 2018 will culminate in a conference in October 2019 to consider the opportunities and challenges offered by various international solutions.

Broadcasting and exceptions and limitations have been on the SCCR agenda for many years. More recently, Member States have proposed other topics for the agenda. These “other matters” range from copyright in the digital environment to the resale royalty right and the rights of theatre directors. Although not yet officially included in the SCCR agenda, significant work is being done on these issues while the SCCR devotes most of its meeting time to discussion of broadcasting and limitations and exceptions. A study on digital music services is underway, a task force is working on practical aspects of the resale royalty right, and a scoping study on the rights of theatre (stage) directors in various jurisdictions will be presented later in 2019. Many Member States are eager to spend more time on these and other topics, suggesting that the stream of copyright subjects offered for multilateral discussions will not dry up any time soon.

Work continues at WIPO on the infrastructure needed to make copyright and related rights function in the real world and to support the development of thriving national creative economies. Projects in this area, in addition to the above-mentioned flagship ABC public-private partnership, include a new “tool kit” of good practices for collective management organisations (“CMOs”), the WIPO Connect system to enable CMOs to manage their operations and connect to regional and international networks, and a new Publishers Circle to strengthen national book publishing industries in developing countries.

WIPO has taken an important albeit preliminary step in 2018 toward providing statistics on the use of copyright with the inclusion of data on the publishing sector in the new Creative Economy section of *World Intellectual Property Indicators 2018*. Insights from expanded data on copyright indicators will support Member States in developing favorable policies for a well-functioning creative economy.

WIPO Member States have also asked for information and guidance on the intersection of artificial intelligence (“AI”) with innovation and creativity. This has led to fascinating discussions about how the many results of AI that resemble literary and artistic works – a computer-generated painting that looks like a Rembrandt, news articles, songs, video games – fit within the copyright and related rights framework. We will continue to explore these and many other questions about cutting-edge issues with our Member States and stakeholders, including in a conference in 2019 that will bring together leading thinkers on AI, innovation and creativity.

WIPO looks forward to continuing to work closely with Australia and New Zealand as the wide-ranging multilateral copyright agenda continues to evolve in the years ahead.

Message from the Minister for Communications and the Arts, Senator the Honourable Mitch Fifield

I am very pleased to provide this message to the readers of the *Intellectual Property Forum* as we mark the 50th anniversary of the commencement of the *Copyright Act* 1968 (Cth) (“Copyright Act”).

On the statute books, age doesn’t necessary correspond with wisdom, and governments need to be vigilant in ensuring our legislation continues to be relevant and up-to-date. Although the Copyright Act has been with us for half a century, it remains a critical piece in our regulatory framework, underpinning investment and jobs in our creative sector and, ultimately, ensuring that Australian stories, images and voices continue to be told, seen and heard.



Senator the Hon. Mitch Fifield

But there is no question that copyright reform is warranted. In addition to marking 50 years since the commencement of the Copyright Act, 2019 also marks the commencement of new copyright duration provisions introduced by the *Copyright Amendment (Disability Access and Other Measures) Act* 2017 (Cth). These changes will enable a wealth of historical material to be published – the first such infusion of works available for use by cultural institutions, academics and historians into the public domain since 2005.

This is one of a number of changes to the Copyright Act that the Australian Government has progressed over the past two years. But before I canvass those changes, it is relevant for us to take a look back at the environment in which the Copyright Act emerged.

In 1905, Australia passed its first federal Copyright Act, marking the first steps in copyright regulation in this country. Australia, and indeed the world, has changed greatly since 1905. Australia went on to adopt the British copyright system with the passage of the *Copyright Act* 1912 (Cth). As we know, a revolution in mass entertainment soon followed, led by the advent of radio and the growth of the motion picture industry.

From a copyright perspective, this presented new challenges for copyright ownership and licensing, given the new mediums and subject matter. This era also coincided with the development of the public performance right. This led to a period of significant disagreement between, on the one hand, music publishers and record companies, and on the other hand, broadcasters, local councils, cinema owners and businesses over the ability to licence public performances of music.

The debate over appropriate licence fees prompted many Government reviews, including a *Royal Commission on*

Performing Rights in 1933. And who could forget the iconic moment in 1956 when Bruce Gyngell introduced Australia to a new broadcasting medium with the line “good evening, and welcome to television”?

Perhaps unsurprisingly, television brought with it familiar copyright challenges – some of which would be considered in the 1959 *Spicer Committee report on copyright*. Following years of debate on issues such as broadcasting and performing rights, compulsory licences and a new dispute resolution body, Australia would finally welcome the new Copyright Act in 1968.

The new Act recognised that the creativity and investment of sound recordings, films and broadcasts was also worthy of protection. Amongst its changes, it introduced statutory licences to ensure that broadcasters could continue to provide information and entertainment to all Australians.

The Act also established the Copyright Tribunal to serve as an arbiter of licence fees. Given the number of matters being considered by the Tribunal today, it clearly continues to perform an essential role in hearing disputes over licensing and royalties. Fittingly, the Australian Copyright Council, an independent non-profit organisation representing Australian artists and content creators was also established in 1968, and their important work continues today.

But just as the new Act commenced, so would a new era of rapid technological progress. Significantly, the commercial photocopier was reaching widespread usage around the world. Soon after, the videocassette recorder or “VCR”, which allowed the recording and playing back of television programs, proved to be another significant moment in copyright law and policy. And so the legal debate over the copyright implications of photocopying and VCRs began just as the new legislation commenced.

Message from the Minister for Communications and the Arts, Senator the Honourable Mitch Fifield

More changes emerged with the beginning of modern computing in the 1970s and the golden age of music in the 1980s. Australia joined the World Intellectual Property Organization (“WIPO”), the premier international forum for copyright, established an educational statutory licensing scheme, and amended the Act to protect copyright in computer software.

There were also developments in the collective management of copyright in Australia following the commencement of the 1968 Act. The music rights organisation, Australian Performing Right Association (now APRA|AMCOS), which was established in 1926, would later be joined by the Phonographic Performance Company of Australia (“PPCA”), Copyright Agency Limited (now Copyright Agency) and Screenrights. These collecting societies continue to perform the important functions of collecting and distributing royalties on behalf of their members, advocacy and administering licenses, including the government and education statutory licences.

It is uncontroversial to say that the internet has changed our lives immeasurably. It’s also clear that when the World Wide Web became publicly available in 1991, the copyright landscape was changed forever. The widespread ability of consumers to produce, copy and distribute copyrighted works at the click of a button has presented numerous challenges and opportunities to copyright industries around the world.

Creative and cultural content is being increasingly digitised and made more widely available than ever before. However, online copyright piracy became, and remains, a massive problem for our creative industries, particularly in the motion picture, music, broadcasting and software sectors. The impact of the internet on copyright was recognised by WIPO when, in 1996, 130 countries, including Australia, adopted the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty*.

The “Internet Treaties”, as they were known, granted authors the exclusive right to authorise the communication of their material over the internet.

In more recent times streaming services and digital platforms have changed the game again by revolutionising the production and consumption of copyrighted material. We have seen both a technological and social shift in entertainment from wide public consumption to more entertainment in the home via online services.

This new era presents a whole new set of copyright policy questions for us to consider. Australia is well placed to consider these questions. Unlike the 1912 Act, which incorporated British legislation, the Copyright Act 1968 is uniquely our own, and has contributed to the development of a distinctly Australian copyright law that continues today.

This key difference has allowed the Government to chart its own path when considering emerging copyright policy issues, including how to protect copyright material on the internet. As I noted in my address to the Sydney Institute last year, the internet is not an ungoverned space, and we will be assessing the need for further reform given the far reaching impact of digital platforms.

The Government has already begun this process in the copyright space. In 2015, this Government introduced the copyright website blocking scheme to allow rights holders to take action against online copyright infringement. In 2018, the Government strengthened the scheme to target a broader range of infringing websites, block proxy and mirror infringing sites more quickly and allow copyright owners to apply for an order requiring search engines to demote or remove infringing sites.

Likewise, we have decided to extend safe harbour protection to a limited range of service providers who provide beneficial services to all Australians and who are working collaboratively with copyright owners to address infringement. Whilst not extending safe harbour further to cover commercial online service providers is a policy that differs from some of our trading partners, the Government’s approach has at all times been guided by significant stakeholder consultation and careful balance of the arguments. Copyright at its core is about creation and use. But there can be no use without creation, and so ensuring creative endeavours continue to receive fair financial reward must remain our primary consideration.

So true to the spirit of the 1968 Act, the Government continues to play a role in balancing the policy objectives of copyright, taking into account the interests of rights holders and the public. The Copyright Act continues to serve us well in a number of key areas, including addressing access to materials through the statutory license schemes, allowing certain uses of material via the fair dealing exceptions, and ensuring adequate dispute resolution mechanisms and providing rights holders the ability to take action against online copyright infringement.

Although the central tenets of the Act remain as relevant today as they did 50 years ago, we cannot ignore the realities of the internet and the digital economy and their impact on the creation, protection and dissemination of copyrighted works. Therefore, we will continue to examine the copyright balance in the online world to ensure Australia is well positioned to maximise all the benefits derived from a robust copyright framework.

In Conversation with the Honourable Judge Julia Baird

Fiona Phillips

After a successful career as an intellectual property barrister at the New South Wales Bar, the Honourable Judge Julia Baird was appointed to the Federal Circuit Court of Australia (“FCC”) in 2018. She sat down with Fiona Phillips on a sunny day in January to discuss the FCC’s role in intellectual property matters, learning trade marks at the foot of Ann Dufy, women in the profession and much more.



Honourable Judge Julia Baird

Q: Let’s start at the beginning. What initially drew you to study law?

A: I came to the law from my love of reading. It seemed to me that within the law, I could balance my love of words and literature and my interest in visual arts. I was also a debater at school (I joined the debating team because I was shy) and I found that I really enjoyed developing and presenting arguments as part of the debating team, and particularly being the reply (third) speaker. So that experience strongly influenced my decision to study law. And of course, I got the marks to get in to law, and I did not want to do medicine!

I had no familial connections with the law, but my family did value education and always encouraged and supported me. And I was brought up with a strong sense of social justice and service.

Q: And how did you come to specialise in intellectual property (“IP”)?

A: I don’t remember a time when I wasn’t interested in IP – probably because as a young law student it seemed to be the subject area that best combined law and the Arts (if I couldn’t be a visual arts professional). I chose intellectual property law as my elective at Sydney University, and was very fortunate to be taught by his Honour Justice Bill Gummow (then a silk at the Sydney Bar), and Jenny Stuckey-Clarke. I was also really fortunate in my last two years of university to be a paralegal in the IP group at Allen Allen and Hemsley (as it was then), which group numbered some great female lawyers who I look upon as my early role models.

In my first year as a solicitor I worked in the media group, and thereafter in the Trade Practices and IP/computer law group at Stephen Jaques Stone James

(now, King and Wood Mallesons). That practice group had great film and television, media and advertising clients, and significant participants in the then emerging IT sector. I had a stint in Melbourne with Mallesons learning at the feet of copyright guru Professor Jim Lahore, and leading trade marks lawyer, Ann Dufty. Back in Sydney, I was headhunted by Morris Fletcher and Cross (now Minter Ellison) which did a lot of collecting society work, before being called to the Bar. I read with two doyens of the IP Bar, David Catterns QC and Justice David Yates (his Honour was then a senior junior barrister). In my last year working as a solicitor, and my first years at the Bar, I also devised and taught the Copyright and Designs courses in the postgraduate program at the University of Technology Sydney.

In those pre-Google and Facebook days, IP was considered a rather obscure niche area, and was not considered “sexy” in the way it has since become. It had a significant proportion of women lawyers, and it attracted a lot of people interested in the creative arts, so it suited me well.

Q: By the time this issue goes to print, it will be a year since you joined the FCC. How are you finding it?

A: I am enjoying it immensely; just how much has surprised me. I was a barrister for over 25 years, including a senior counsel for nearly 10 years, and until I joined the Court, I considered myself “hard-wired” to be an advocate, first and last. The FCC is a national trial court, and I have found the move to the Court exhilarating and energising. I very much like working in the trial court environment. The breadth of the Court’s jurisdiction is amazing. It provides a tremendous opportunity to engage in and with the world, and to appreciate contemporary issues facing Australia and Australians, particularly in its judicial review and employment law jurisdictions,

In Conversation with the Honourable Judge Julia Baird

as well as in IP. It is also the most gender-balanced court in Australia and my fellow judges are extremely welcoming and supportive.

Q: Tell us about the IP Practice Direction that the FCC published a few months ago.

A: The FCC as a forum for IP litigation – particularly for individual creators, and SME rights holders – had been mooted for some time, and over the past few years its IP jurisdiction expanded considerably. When I was appointed, the Court was already conducting an IP pilot program in Melbourne. As I had a profile as a senior IP practitioner, I was tasked with giving the Court’s IP jurisdiction a greater national focus and establishing a National IP list. One of the first steps I took was to tweak the Melbourne IP pilot practice note. The Court launched the IP Practice Direction nationally on 20 August 2018.¹ By describing the National IP list as a “pilot program”, I hope to communicate to practitioners that the Court is open to all suggestions for improvements and modifications.

As of 1 July 2018, I am the National IP list Judge which means that every IP matter that is filed in the Court is docketed to me and comes before me for case management, and depending upon the size of the list, will be set down before me for final hearing. That doesn’t necessarily mean that I will hear and determine all IP matters that are filed in the Court henceforth. Naturally, that will be a question of the most appropriate place and judge, and the availability of judges (noting that there is the flexibility in the Court to hear matters by video, or on the papers).

When Chambers is notified that an IP matter has been filed, the first thing my Associate does is communicate with the applicant about a suitable date for the first case management conference, and request that when the documents are served that that applicant inform the respondent about the IP Practice Direction. I generally conduct IP case management conferences and directions on Wednesdays. The Court aims to list the first case management conference to happen within three weeks of filing (and at 9:30am as determined by the location of the home Registry). When I was canvassing the appropriate time from filing in which to hold the first Court date, overwhelmingly practitioners told me that three weeks was preferred, because parties require some time between filing and the first return date to effect service and engage in discussions.

The Court aims to provide as standardised procedures and times as possible, but adjusting to the needs of

the profession. So, if a matter is urgent, the Court will list it within a day or so of filing. And that’s one of the things about the Court generally hearing short matters (one-three days). It means that there is always a time window available in which to hear an urgent matter.

I have not set up an IP users’ group yet. Presently I am looking for feedback direct to my Chambers. I communicate that feedback to the Chief Judge and to the National Practice Area Committee. My Chambers also work directly with the registrars, and in particular, the national operations registry team of the Federal Court of Australia which also supports the FCC, to try and ensure consistency across the registries nationally.

Q: The FCC (and before it, the Federal Magistrates Court) has had jurisdiction in IP matters (excluding patents) for some time. And yet, there has still been a tendency for applicants to commence proceedings in the Federal Court. Do you think this is changing with the establishment of a national practice area devoted to IP in the FCC?

A: Yes, I do. Some litigants have always made good use of the Court. However, filings have increased and turnaround times have improved since I started conducting the National IP List, and since the IP Practice Direction was published. I think that there is an opportunity, if the profession gets on board, for the Court to make a significant contribution to the efficient and cost-effective conduct of IP litigation in this country. IP professionals have an opportunity to be involved in developing the best that the Court can be “at ground level”. We have a great opportunity to see what works and doesn’t work, or could be improved. I hope that there will be an on-going dialogue between the IP profession and the Court.

Q: The FCC still does not have jurisdiction to deal with patents or site blocking orders under s.115 A of the *Copyright Act 1968* (Cth). Do you have a view about this?

A: If we think of the FCC as the court for IP disputes where the law is settled, or the legal questions are not seriously in issue, or for disputes where although important to the parties, what is at stake is not significant (in dollar terms, or time periods, or geographic reach, or extent of the infringement), or where the case is one where the arguments should not take a substantial amount of Court time, then the FCC is a court for everyone and everything: trade marks, copyright (including site blocking

injunctions), designs, and maybe even some patents. But that is for the future.

The Federal Court also has the power to remit matters to the FCC where appropriate. One of the advantages of the FCC is that it is not only located in the capital cities, and this is something that parties should consider when choosing where to file.

Q: Since the commencement of the new IP Practice Direction, you have been able to turn around matters very efficiently. For example, *Phonographic Performance Company of Australia Pty Ltd & Ors v Hairy Little Sista Pty Ltd & Anor* [2018] FCCA 2794 took two months from filing to final orders and *Google LLC v Weeks* [2018] FCCA 3150 was dealt with in a matter of weeks. But, the applicants in both those matters were sophisticated companies with skilled legal representation and the matters were dealt with on an ex parte basis. How well do you think that the FCC is set up to assist individual IP owners? For example, a photographer whose copyright has been infringed? What else should be done, if anything?

A: Within about two weeks of my appointment, I heard and determined *Carshare Australia Pty Ltd v Singh* [2018] FCCA 1446 which was a trade marks infringement matter. What I learned from that experience, and what I would ask practitioners to think about if they are coming before the FCC are:

- What is the relief that you really need?
- What are your best grounds?
- Do you need to run five arguments to succeed or can you run two?

Running every possible argument available to a party – no matter how unnecessary, because of a fear that if you don't argue all possible grounds you might miss something, or because of a fear of the (often theoretical) consequences of limiting issues, is one of the biggest contributors to costs for many applicants and respondents. And of course, the better prepared your case, the more you will facilitate a well-reasoned and prompt decision that will stand up to scrutiny.

Having said that, I think that there is a need that has not been met (until now) for a forum for the determination of disputes involving individual creators, small and medium-sized enterprises (SMEs), and for matters where the legal issues are not complex. The FCC is a court that is much more used to dealing with individual litigants, and self-represented litigants, than the Federal Court. It truly is a people's court. An individual litigant may not have the benefit

of deep pockets or expert advice, but they may have strong rights. They shouldn't be disadvantaged in their ability to enforce their rights by the practices and procedures of the Court.

Q: The IP Enterprises Court ("IPEC") in the United Kingdom is often cited as a model for dealing with smaller disputes in IP matters, most recently by the Productivity Commission in its inquiry on *Australia's IP Arrangements*. The Australian Government has not accepted that recommendation and has instead proposed to rely on the FCC. My understanding is that much of the success of the IPEC is owed to its founding judge, the Honourable Mr Justice Birss. Are you ready to be Australia's own answer to Justice Birss and the IPEC?

A: [Judge Baird did not directly answer this question but spoke of her aim of establishing a system for the conduct of IP cases in the FCC for the present and into the future, and will not be dependent upon her stewardship. She also referred to her educative role within the Court. And, as she noted, the FCC has the power to place a cap on costs where appropriate (which has been important in the case of the IPEC determining patent matters). Hearing Judge Baird talk about active management, from the interviewer's perspective, she already **is** Australia's answer to Justice Birss.]

Q: You recently chaired a seminar for the NSW branch of IPSANZ "Diversity – Why it's Good for your Brand". As a woman who has been practicing in IP since the 1980s, how do you think we are tracking as a profession? What more could be done, if anything?

A: I think that over the time I have been in practice, IP has been a welcoming and civilised sector of the law for women to practice in, and the IP profession has been further advanced in recognising and rewarding women practitioners than many other areas of law. There are many strong, capable and deeply learned women in IP, and some great role models for junior practitioners. As the great feedback from the IPSANZ seminar I chaired last year demonstrates, when there are more of "us", it is good for the profession as a whole. That said, much more could be done to encourage women in the legal profession, and diversity more generally. For example, when you look at most of the large IP cases that come before the Federal Court, even now, there is seldom a gender balance among counsel appearing. And to forestall the response, it is simply not the case that there aren't enough good women advocates. Practitioners need to educate their clients, and clients need to demand of their IP advisors, that when it comes to who appears

before the Court, the Court is gender-blind, and gender-neutral. It is the merit of the argument, and the professionalism and civility of the advocates, that engages the Court.

I also think the profession needs to do more to ensure that practitioners have sustainable careers. The answer isn't only in family friendly sitting hours or quotas. It's also about mentoring and deliberate putting into practice policies "giving people a go" – cultural change is required.

Q: How do you relax, when you can?

A: I've always tried to balance the hard work with fun and a life outside Chambers. Family, friends, fashion, food. And travel. I'm a keen racegoer during the Easter and Spring Racing carnivals – ever since I lived in Melbourne, the Melbourne Racing Carnival has been a highlight in my year, combining the best in horseracing, fashion and restaurant-going. I am also fortunate in living near a Harbour beach, and I walk on the beach and swim whenever possible. I am also a very amateur ceramicist. The challenge is ongoing!

¹ For a detailed overview of the FCC's IP Practice Direction, see Dr Dimitrios Eliades' report on the 'Federal Circuit Court's National IP Pilot Scheme' which appears in this issue of *Intellectual Property Forum*.

Some reflections on 50 years of the Copyright Act in Australia

Libby Baulch¹

Introduction

In May this year, the *Copyright Act 1968* (Cth) (“Copyright Act”) will have been operating for 50 years.² In an environment of seemingly endless copyright reviews, in Australia and internationally, what stands out from the last 50 years? And how might it be relevant to the future development of copyright law?

This article is not (thankfully) a comprehensive review of the last 50 years. Instead, it highlights some of the key developments, many of which have continued relevance for the future directions of copyright. It also highlights areas in which Australia took a lead, in the international arena, on copyright reform.

What’s it all for?

The Copyright Act followed the 1959 report of the *Committee Appointed by the Attorney-General of the Commonwealth to Consider What Alterations are Desirable in the Copyright Law of the Commonwealth* (1959), better known as the *Spicer Committee Report*.

The Committee said that the objective of copyright law was:

*to give to the author of a creative work his just reward for the benefit he has bestowed on the community and also to encourage the making of further creative works.*³

The objectives of copyright are the subject of extensive academic and other consideration, in Australia and elsewhere, but the Committee recognised that it can reward people who create material that is valued by society, irrespective of their motivations for creating it. A writer of a best-seller is entitled to royalties even if she was not driven by the promise of fame and fortune. The point is often lost in debates about copyright, particularly those that involve economists. The focus can become short-term motivations for creation of content, rather than the longer-term societal interest in continued creation of quality material for the benefit of all.

The Committee also recognised that copyright must be framed in a way that produces desirable social outcomes like research and education:

*On the other hand, as copyright is in the nature of a monopoly, the law should ensure, as far as possible, that the rights conferred are not abused and that study, research and education are not unduly hampered.*⁴

And it recognised that copyright is an international system:

*In weighing up these factors we must, of course, have regard to our existing and possible future international obligations.*⁵

Sticking with the British Connection

The Spicer Committee’s terms of reference were:

*to examine the copyright law of Australia, and to advise which of the amendments recently made in the law of copyright in the United Kingdom should be incorporated into Australia copyright law and what other alterations or additions, if any, should be made to the copyright law of Australia.*⁶

Its starting point was thus the United Kingdom (“UK”) *Copyright Act 1956*, which was based on the 1952 *Gregory Committee report*.⁷ In a speech on his role assisting the Committee when he was in the Attorney-General’s Department, Professor Leslie Zines remarked:

*It seems to me that the most striking feature of the establishment and work of the [Spicer Committee] ... was the pervasive force of what I would call the British Connection ... It was, in fact, I believe, an important element still, despite General MacArthur’s role in much of Australia’s social life at the time, and was to remain that way, with decreasing emphasis perhaps, over the next decade or so.*⁸

The privileges of governments

Government use of copyright material

One of the rare matters on which the Spicer Committee departed from the British Connection was government use of copyright material. The Committee (by a majority) recommended a very broad compulsory licence for Crown use of copyright material:

The Solicitor-General of the Commonwealth has expressed the view that the Commonwealth and the States should be empowered to use copyright material for any purposes of the Crown, subject to the payment of just terms to be fixed, in the absence of agreement, by the Court. ... The occasions on

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*which the Crown may need to use copyright material are varied and many. Most of us think that it is not possible to list those matters which might be said to be more vital to the public interest than others. At the same time, the rights of the author should be protected by provisions for the payment of just compensation to be fixed in the last resort by the Court.*⁹

That recommendation was given effect by section 183 of the Copyright Act (with disputes about terms to be determined by the Copyright Tribunal rather than a court).

Two members of the Committee thought the compulsory licence should be confined to uses made for defence purposes (as it was in the UK). Their thought there was insufficient justification to depart from the UK approach and that:

*Even if provision is made for effective compensation the copyright owner might be put to great difficulty and no little expense in establishing before a court what compensation should be paid in any particular case.*¹⁰

There have in fact been a number of cases before the Tribunal on section 183, including those brought by the designer of the Aboriginal flag, Harold Thomas,¹¹ and former member of The Seekers, Bruce Woodley (for use of his song “*I am Australian*”).¹² The Copyright Act was later amended to enable the appointment of collecting societies to manage some aspects of the compulsory licence (government copies). The Tribunal is currently considering an application brought by Copyright Agency against the State of New South Wales (due to be heard in October 2019) which, among other things, will consider the relationship between the compulsory licence and other (unremunerated) exceptions in the Act.¹³

Government ownership of copyright

Governments are also in a privileged position regarding ownership of copyright. A government is the first owner of copyright in anything made under its “direction or control” (unless there is an agreement to the contrary).¹⁴ And it becomes the owner of copyright in anything published under its direction or control.¹⁵

This can lead to outcomes that are unintended and/or unfair, which is why the Copyright Law Review Committee recommended repeal of the provisions in its 2005 report on *Crown Copyright*.¹⁶ The provisions remain, however, perhaps partly because most recent reviews of copyright law have focused on exceptions to copyright rather than rights and ownership.

Many governments, including the Commonwealth, now publish material in which they own copyright under a Creative Commons licence. This resulted, at least in part, from the 2010 report of the Government 2.0 Taskforce.¹⁷ Some governments also have policies or guidelines about when it is appropriate to acquire copyright.¹⁸

The authors' influence

The development of copyright law after the introduction of the Copyright Act was influenced by a visionary, if at times eccentric, writer called Gus O'Donnell. Gus was the Chair of the Australian Society of Authors (“ASA”) and recognised, very early on, the significance for authors of copyright law coupled with technological developments, particularly photocopying.

He also founded copyright institutions, still operating today: the Australian Copyright Council, Copyright Society of Australia, and Copyright Agency.

Authors remain active in copyright debates, in Australia and abroad. For example, recently the Authors Guild in the US started a public campaign against the Internet Archive for “lending” scanned copies of recent books.¹⁹ It has been supported by its counterparts in the UK and Australia.²⁰ The ASA has made submissions in all the major copyright reviews affecting authors.²¹ These are organisations whose members seek payment for their writing and regard writing as a profession.²²

Responsibilities of facilitators

Gus and the Copyright Council's first step in response to the photocopying phenomenon was to establish the responsibility of universities for photocopying done by students using machines provided by the universities. Gus saw this as depriving authors of income and referred to it as “the great brain robbery”.²³ The Council, led by Peter Banki and David Catterns with plaintiff Frank Moorhouse, was successful in the High Court.²⁴ It remains the leading case on authorisation of copyright infringement, an issue that has become a topic of increased debate in the light of online intermediaries and their role in the dissemination of content. The most contentious provision in the current draft European Union *Directive on Copyright in the Digital Single Market* (“EU DSM Directive”) is Article 13, which would make online platforms take more responsibility for content uploaded and shared using their facilities than they do now. In Australia, copyright industries have for some time been seeking changes to the Copyright Act to increase the responsibility of online platforms for content disseminated using their services.²⁵

The photocopying problem: Franki Committee report

The Copyright Law Committee on Reprographic Reproduction, known as the Franki Committee, was appointed in 1974 to:

examine the question of the reprographic reproduction of works protected by copyright in Australia and to recommend any alterations to the Australian copyright law and any other measures the Committee may consider necessary to effect a proper balance of interest between owners of copyright and

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*the users of copyright material in respect of reprographic reproduction.*²⁶

Being a reference from Attorney-General Lionel Murphy, under the Whitlam Government, it was a marked departure from the British Connection as the Australian Government investigated solutions that were not based on international precedent.

In its 1976 report, the Committee made a series of recommendations. They dealt with:

- (1) fair dealing for research or study;
- (2) copying by libraries; and
- (3) “multiple copying” in education institutions.

In a paper on his role as Secretary of the Committee, John Gilchrist noted that the Committee:

was not only concerned with the question to what extent should copyright owners benefit from the use of the new technology (reprography) on the grounds of principle, but to what extent it was practical for them to do so

and:

*The recommendations have been characterised accurately as tending to favour the interests of users of copyright material as against the interests of copyright owners.*²⁷

Australia's fair dealing exceptions

One outcome of the Franki recommendations was the enactment of an Australian version of fair dealing for research or study that is unlike equivalents in other countries such as the UK and Canada.²⁸ Section 40 of the Copyright Act allows people to copy defined components of publications for research or study without reference to the “fairness factors” set out in sub-section 40(2). The components are, for books, 10 percent or a chapter, and for periodicals (newspapers, magazines, journals) one article (or more if on same “subject-matter”). The copying of these components is deemed to be fair even if they can be purchased on their own, and irrespective of any actual or potential market for individual chapters, extracts or articles that may have emerged since the enactment of the exception in 1980. This aspect of the current fair dealing exception is usually overlooked in arguments that Australia's fair dealing exceptions should be “aligned” with those in other countries.

Internationally, some of the legislation with fair dealing exceptions has “fairness factors” (like Australia and New Zealand) and some doesn't (like the UK and Canada).²⁹ Of those that do, Australia is one of a small number of countries that has five rather than four factors: the fifth (an outcome of the Franki Report) being “the possibility of obtaining the work ... within a reasonable time at an ordinary commercial price”.³⁰

Australia also led the way in the introduction of a fair dealing exception for satire in 2006.³¹ Fair use for parody was established in the US, but parody was distinguished from satire.³² In 2014 the UK introduced a fair dealing exception for “caricature, parody or pastiche”.³³

The mass photocopying solution: permitted but paid

Authors and publishers opposed the Franki Committee's recommendation for a statutory licence for photocopying in education institutions. Their view was that authors and publishers should voluntarily license their rights rather than have them compulsorily acquired. One of the considerations for the Committee was enabling the photocopying of content from other countries, particularly English language countries, in an era when collective licensing of written content was in its infancy. As John Gilchrist notes, there was only one similar scheme operating at the time, in a non-English speaking country (the Netherlands).³⁴

The statutory licence for education was first introduced in 1980.³⁵ It was an early manifestation of what Professor Jane Ginsburg has more recently dubbed the “permitted but paid” solution for large-scale socially desirable uses of content.³⁶ It set up a compensation mechanism for the compulsory acquisition of rightsholders' entitlement to refuse a licence or set terms. It was a compromise: education institutions did not want to pay for the photocopying, and publishers wanted education institutions to stop photocopying and buy books instead.

The statutory licence scheme had a rocky start. The New South Wales Department of Education issued a memo saying that schools could choose to rely on the exception for fair dealing for research or study, and avoid paying the compensation required under the statutory licence. This led to a decision of the Federal Court, later upheld by the Full Court, that the memo was misleading.³⁷ Payments were eventually negotiated, and now nearly every education institution in Australia is copying and sharing content under the statutory licence.³⁸

Collective licensing solutions are part of current copyright debates, usually in the form of an extended collective licence (“ECL”) rather than a statutory licence (the key difference being that an ECL allows a rightsholder to “opt out” of the licence). For example, the draft EU DSM Directive includes provision for extended collective licences to enable digitisation of “out of commerce” works.

Accessible formats for people with a disability

The 1980 amendments also introduced a statutory licence for the institutions assisting “handicapped readers”.³⁹ The provisions were extended by amendments in 1989, 1998 and 2000. They entitled rightsholders to seek payment from the institutions, but they did not act on the entitlement.

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The Copyright Act was also amended in 2006 to introduce a “flexible” exception to assist people with a disability to get a copy of material in an accessible format.⁴⁰

As a result of these provisions, Australia was one of the few countries in a position to immediately ratify the 2013 *Marrakesh Treaty* developed by the World Intellectual Property Organization (“WIPO”).⁴¹

In consultation on the National Interest Analysis conducted as part of Australia’s treaty accession process, the Attorney-General’s Department, stated:

*The Copyright Act ... includes a statutory licence scheme and exceptions for the disability sector that currently comply with the Treaty and therefore, no legislative amendment to the Copyright Act is necessary in order to implement the treaty obligations that Australia will assume upon ratification of the Treaty.*⁴²

It also said that it intended “to make some technical amendments to the disability provisions to ensure that they respond flexibly to the needs of the sector”. Those amendments were introduced by the *Copyright Amendment (Disabilities and Other Measures) Act 2017* (Cth). The Act extended the existing exceptions so that they now cover all types of copyright material and all types of disabilities.

In the meantime, the Australian Publishers Association has established an annual stakeholder forum with the aim of increasing the accessible content available to people with a disability in Australia, known as the “Australian Inclusive Publishing Initiative”.⁴³ It includes representatives from institutions assisting people with a disability, libraries, publishers, authors, agents and government. The forum started in 2016, and reconvened in 2017 and 2018 to assess developments and achievements, and review the future action plan for the group. Its outputs include a practical, plain English guide to the copyright provisions assisting people with a disability.

The Australian Government is also one of the few that has contributed financially to the Accessible Books Consortium overseen by WIPO, and is represented on its Board.⁴⁴

Who gets into the copyright club?

Computer programs

A key development in the 1980s was copyright protection for computer programs (as “literary works”). This resulted from amendments to the Copyright Act that occurred in parallel with a test case that ended with a High Court decision (by a 3:2 majority) that computer programs were not protected by copyright under the pre-amendment version of the Copyright Act.⁴⁵ Similar test cases were run in the United States of America (“US”) and in Canada, resulting in findings that computer programs were protected by copyright. Eventually, copyright protection for computer programs was adopted as an international norm.⁴⁶

The inclusion of computer programs in the copyright club has remained controversial, but practically impossible to unwind now after so many years. It has been the most significant addition to the club, at least in the last 50 years.

Applications by prospective new entrants occur from time to time. In the EU DSM Directive, the second most controversial issue is a proposal for a “press publishers’ right”, a mechanism intended to compel online platforms to compensate creators of news content for the contribution of that content to their platforms’ business models (advertising and collection of personal data). While this is more like being an “associate” than “full” member (a “neighbouring right”), it demonstrates the attraction of joining an existing framework rather than trying to develop something from scratch.

And sometimes members get ejected, as has been the case with “non-original” databases. Below are some of the developments in this area.

Datasets: slog is not enough

In 2009, the High Court held, in the *IceTV case*, that compilations and databases must result from “independent intellectual effort” for copyright to subsist.⁴⁷ The decision brought Australia more into line with other jurisdictions, including the US and the European Union (“EU”), but overturned previous Australian decisions that “sweat of the brow” is enough. The case changed the way that subsistence of copyright needs to be established, at least for compilations.

After *Ice TV*, the Federal Court held that telephone directories were not protected by copyright,⁴⁸ in contrast to the pre-*IceTV* decision in *Desktop Marketing v Telstra*.⁴⁹

In Australia there is no “backup” protection for non-original databases, as there is in the EU under the *Database Directive*. There has, however, not been a big push for it since *IceTV*.

Performers and film directors

The Copyright Act was amended in 1989, following a report by the Copyright Law Review Committee (“CLRC”), to introduce rights for performers, and further amended in 2004 (to comply with the *WIPO Performances and Phonograms Treaty*).⁵⁰ The Copyright Act requires consent from performers to record live performances, and gives them remedies in relation to unauthorised recordings. It also grants them moral rights. These rights only apply to sound recordings.

Film directors, apart from their moral rights in films they direct, have limited other rights. In 2006, the Copyright Act was amended to grant film directors an entitlement to a share of statutory retransmission royalties in films certain circumstances.⁵¹ They continue to seek better recognition in the Copyright Act.⁵²

CLRC “blank slate” proposal for categorising copyright subject matter

In 1999, the CLRC released the second of its reports from its inquiry into Simplification of the Copyright Act, principally dealing with “categorisation” of subject matter, and associated rights.⁵³

The majority of the Committee, led by Professor Andrew Christie, recommended an “open-ended” approach to protectible subject matter, as opposed to a “closed list” of defined categories. It proposed:

- two categories of subject matter, with different rights: a “high” and “low” category;
- potential protection for “all embodiments of material within the literary and artistic domain” but with a “flexible interpretation so as to embrace both traditional and non-traditional expressions of textual, aural and visual material”;
- no requirement that the material has any “tangible embodiment”;
- the level of effort involved determines which of the two categories applies; and
- the “high” category is for material that results from “significant intellectual effort by the person who undertakes its creation”, and the “low” category for material that results from “the application of time, effort and resources by the person who undertakes its production”.⁵⁴

In the end, the *Simplification Report* (Part 1 covered exceptions) was eclipsed by other copyright reform initiatives, particularly the “digital agenda” amendments.

The trade trade-off

In the late 1980s, copyright and other areas of intellectual property (“IP”) became part of international trade negotiations. The *Trade-Related Aspects of Intellectual Property (“TRIPS”) Agreement* was one of the outcomes of the Uruguay Round of the General Agreement on Tariffs and Trade. It came into force in 1995, and required changes to Australian copyright law. The *TRIPS Agreement* differs from previous international treaties on copyright, principally the *Berne Convention for the Protection of Literary and Artistic Works* 1886 (“*Berne Convention*”) administered by WIPO, in two important respects. In addition to requiring certain standards of copyright protection, it also deals with enforcement of IP rights, and it has processes for dealing with disputes between countries about inadequate compliance with *TRIPS*.

Subsequent attempts to review the standards in the *TRIPS Agreement* have been unsuccessful, and countries have instead pursued bilateral or plurilateral trade agreements that include IP clauses. These negotiations continue the idea, started with the *TRIPS* negotiations, that countries will implement better protections for IP in return for market access. This was the

case with the *Australia-US Free Trade Agreement* (“AUSFTA”), the most controversial to date, at least for IP, of Australia’s free trade agreements. The Australian Government agreed to changes to Australian copyright law in return for market access, including the extension of most terms of copyright protection from 50 years to 70 years after the author’s death (or from publication in some instances). The legislation implementing AUSFTA was followed reasonably quickly by a “user-focused” set of amendments to the *Copyright Act* in 2006.⁵⁵

The consequences of the term extension continue to be felt. The Productivity Commission (“PC”), in its recent report on *Intellectual Property Arrangements*,⁵⁶ was very focused on it, despite evidence that the practical consequences of the extension are limited.

The PC also has strong views about negotiation of free trade agreements more generally. Its report on *Intellectual Property Arrangements* picked up the matters canvassed in its 2010 report *Bilateral and Regional Trade Agreements*, and made a number of recommendations about future negotiations involving IP matters.⁵⁷ In its response to the PC report, the government “noted” these recommendations.⁵⁸

The WIPO “Internet Treaties”

In parallel with the trade negotiations that led to the *TRIPS Agreement*, WIPO was developing new international standards to address some of the consequences, for copyright, of digital technology.

In 1996, WIPO finalised two new treaties: one for “core” copyright subject-matter⁵⁹, and the other for “neighbouring” subject matter (phonograms – sound recordings – and performances).⁶⁰ The treaties set new international norms for the creation and dissemination of content in digital form, and were dubbed the “WIPO Internet Treaties”. They recognised the value of *access* to content, contained three new areas of international regulation:

- (1) extension of the right to “communicate” (by “wire or wireless means”) to include “making available to the public ... in such a way that members of the public may access these works from a place and at a time individually chosen by them”;
- (2) prohibitions regarding the circumvention of technological protection measures (“TPMs”) that “are used by authors in connection with the exercise of their rights”; and
- (3) prohibitions regarding the removal of “electronic rights management information”.⁶¹

While TPM circumvention got a lot of attention early on, these days it is the scope and application of the communication right, particularly in the EU.

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Embracing digital

The “Digital Agenda” amendments, passed in 2000, were prompted by the WIPO Internet Treaties but intended as a broader updating of Australia’s copyright law to encompass the consequences of digital technology.

On introducing the *Copyright Amendment (Digital Agenda) Bill 1999* (Cth), the Minister said that it:

implements the most comprehensive package of reforms to Australian copyright law since the enactment of the Copyright Act 1968. The reforms will update Australia’s copyright standards to meet the challenges posed by rapid developments in communications technology, in particular the huge expansion of the Internet. This extraordinary pace of development threatens the delicate balance which has existed between the rights of copyright owners and the rights of copyright users. The central aim of the bill, therefore, is to ensure that copyright law continues to promote creative endeavour and, at the same time, allows reasonable access to copyright material in the digital environment.

He went on to say that the amendments:

are at the cutting edge of online copyright reform and clearly place Australia among the leaders in international developments in this area

and

will update Australian copyright law for the 21st century and its passage will be a key milestone in the successful development of our information economy.⁶²

The amendments were intended as a “something for everyone” package. Along with a new right of communication (encompassing both the pre-existing broadcasting and cable transmission rights, as well as the new “making available online” right), it also introduced “an important package of exceptions”, particularly for education and cultural institutions.

Unusually for copyright legislation, the *Digital Agenda Bill* set out a list of objectives:

- (a) *ensure the efficient operation of relevant industries in the online environment by:*
 - (i) *promoting the creation of copyright material and the exploitation of new online technologies by allowing financial rewards for creators and investors; and*
 - (ii) *providing a practical enforcement regime for copyright owners; and*
 - (iii) *promoting access to copyright material online; and*
- (b) *promote certainty for communication and information technology industries that are investing in and providing online access to copyright material; and*

- (c) *provide reasonable access and certainty for end users of copyright material online; and*

- (d) *ensure that cultural and educational institutions can access, and promote access to, copyright material in the online environment on reasonable terms, including having regard to the benefits of public access to the material and the provision of adequate remuneration to creators and investors; and*

- (e) *ensure that the relevant global technical standards which form the basis of new communication and information technologies, such as the Internet, are not jeopardised.*

The Digital Agenda amendments were reviewed in 2004 (in accordance with an undertaking given at the time the legislation was introduced),⁶³ and some amendments were subsequently introduced as a result of the review,⁶⁴ but the changes made by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) have mainly remained intact.

Moral rights

In 2000, the Copyright Act was finally amended to introduce comprehensive “moral rights” for creators, in conformity with the requirements in Article 6 *bis* of the *Berne Convention*.⁶⁵ The amendments introduced legal obligations to attribute creators, and to refrain from treating creators works in a derogatory manner. Before the amendments, there were limited rights regarding false attribution in the Copyright Act, and some forms of legal relief outside the Copyright Act.⁶⁶

An important aspect is that creators have moral rights even if they do not own copyright. While it is true that some creators effectively waive their rights, contrary to the stated intention of the legislation, industry practices did change in response to the amendments, to the benefit of creators.

The quirks of our Constitution

Provisions in the Australian Constitution brought down one piece of legislation, and severely constrained another.

In 1989, the Copyright Act was amended to introduce a levy on the sale of blank audio recording media (“the Blank Tape Levy”), payable by vendors of blank tapes.⁶⁷ The scheme was designed to compensate copyright owners for the widespread unauthorised domestic copying of their music.⁶⁸ It was modelled on schemes that have been operating in other countries, particularly in Europe, for decades.⁶⁹

The legislation was challenged in the High Court by blank tape manufacturers, and the Court held (by a majority) that the scheme constituted a tax that did not comply with the requirements in the Constitution, and was thus invalid.⁷⁰ The Court also considered the provision in the Constitution on acquisition of property on other than just terms.⁷¹ The requirements of the Australian Constitution thus denied Australia the sort of scheme that has been operating successfully in other countries for a long time. For a while, the music

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industry and the Government considered a new version of the scheme that would meet the Constitutional requirements, but the idea was not pursued and the moment passed.

Constitutional provisions also constrained the artists' resale royalty scheme.⁷² Under the scheme, five percent of the sale price from the resale of an artwork is set aside for the artist (whether or not the artist owns copyright). Artists and their representatives had pushed for the scheme, modelled on schemes in Europe and elsewhere, for more than 20 years, but the Constitution was a relatively late consideration. In reviewing options for the introduction of a scheme in 2008, the Government received advice that the application of the scheme to artworks acquired before the commencement of the scheme could be an acquisition of property on other than just terms, requiring compensation. Artists' representatives sought their own advice from a constitutional expert (different to that that the Government had received), and the Parliamentary Committee that reviewed the draft legislation recommended that the Government seek alternative advice on the Constitutional point. The Government did do that, but stuck to its initial proposal that the scheme only apply to artworks acquired after commencement of the legislation. This differentiates the Australian scheme from those operating in other countries, such as the UK.

Despite this constraint, the scheme has delivered significant benefits for artists in its nearly eight years of operation. Much of that benefit, as noted below, is for Australian Indigenous artists.

Indigenous art and culture

Issues associated with protection for Indigenous intellectual and cultural property have continued to evolve over the last 50 years. Early consideration focused on the aspects of Indigenous IP that are not covered by copyright, principally cultural works like songs and stories that are not captured in "material form", and works (like rock paintings) in which copyright has expired. The 1994 Issues Paper released by the Attorney-General's Department, *Stopping the Rip-Offs*, acknowledged the practical difficulties of legislative protection for Indigenous IP:

*There would be considerable practical difficulties to be overcome in framing the necessary legislation to establish a workable scheme. If there was no requirement of material form, proof of the existence and nature of the work would be one difficulty. Identification of the membership of a group claiming collective ownership of a work would be another. The determination of the ownership of copyright in works with a perpetual copyright, particularly when claimed by a community, will be increasingly difficult as time goes by.*⁷³

Terri Janke's 1998 paper for the Australian Institute of Aboriginal and Torres Strait Islander Studies and the Aboriginal and Torres Strait Islander Commission, *Our Culture: Our Future – Report on Australian Indigenous Cultural*

and Intellectual Property Rights, refers to the development of protocols, and these were subsequently developed in a range of areas.⁷⁴

There were, however, successful cases that found infringement of copyright in Indigenous art, and recognised the special considerations that apply to the creation and "ownership" of art that embodies Indigenous IP. In *Milpururu v Indofurn*,⁷⁵ the court awarded additional damages for harm suffered by the applicants in their cultural environment.

In 2003, there was an attempt to address some of the issues for Indigenous communities via new moral rights provisions. A draft bill was circulated for comment, but was never introduced into Parliament.⁷⁶ The draft bill did highlight some of the difficulties of recognising and protecting Indigenous IP via legislation such as the Copyright Act, including the challenges of effective definitions.⁷⁷

Another important development for Indigenous artists was the introduction of the artists' resale royalty scheme in 2010. While not solely for Indigenous artists, the scheme has delivered significant payments to Indigenous artists and their communities. From June 2010 to 30 June 2018, the scheme generated royalties totalling more than AUD\$6.3 million for more than 1,600 artists, of whom more than 60 percent are Aboriginal or Torres Strait Islander artists. Of the 50 artists who have received most money under the scheme, 22 are Aboriginal or Torres Strait Islander.⁷⁸

The current focus is on fake Indigenous art, and the economic and cultural harm this causes to Indigenous people. In December 2018, the House of Representatives Standing Committee on Indigenous Affairs tabled its Report on *The impact of inauthentic art and craft in the style of First Nations peoples*.⁷⁹

The Committee notes, in the chapter on possible solutions, at [5.32]–[5.33]:

Copyright laws are designed to protect the artistic and intellectual output of an individual over a period of several decades, but not an ancient and typically communal ownership of a particular form of Indigenous expression. The committee acknowledges that amending existing copyright legislation to achieve this would be difficult and complex.

First Nations cultural expressions will likely need a separate framework to be protected under law. Introducing stand-alone legislation to protect First Nations cultural expressions is a complex task that is not likely to be achievable in the short term, but the committee believes this is achievable and should be considered.

Australia's academics

Australian academics played a key role in developing copyright as an area of international scholarship in the 1970s and '80s. We exported some of them (Bill Cornish,⁸⁰ Adrian Sterling)⁸¹

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and kept some, at least some of the time (Sam Ricketson,⁸² Jim Lahore⁸³). They wrote rigorously researched, insightful and reliable guides to the law, consulted by practitioners and academics alike. Their names remain associated with this scholarship and their contribution to the understanding of the law.

Various experiments in copyright law review

Australia has tried all sorts of copyright law review processes, from the recent Productivity Commission review, to the previous Australian Law Reform Commission, to various other ad hoc committees (such as the Ergas review, the Phillips Fox review of the Digital Agenda amendments, and the Copyright Convergence review), and reviews by government departments responsible for copyright.⁸⁴ One experiment we have not yet tried is a review by a former journalist, the model adopted in the UK for the Hargreaves review⁸⁵ and the Gowers review.⁸⁶

After the early reviews headed by Spicer and Franki, Australia had a standing body, the CLRC for more than 20 years, from 1984 to 2005. In that time, it produced 13 reports on matters such as parallel importation, computer software, moral rights, copyright and contract, and Crown copyright. Most were targeted inquiries on specific issues, the exception being the ambitious Simplification of the Copyright Act inquiry.

The Committee had seven to 10 members for each inquiry, with a range of experience and expertise relevant to the inquiry. For the first 15 years, it was chaired by a Federal Court Judge, the Honourable Justice Sheppard, who was also President of the Copyright Tribunal. It had secretariat support from the Attorney-General's Department, which provided research as well as administrative support.

While people may quibble with various aspects of some the reports, the CLRC process had the benefit of bringing together a group of people who had experience in the practical application of the law in daily life. That can help to distinguish the "real" from the trivial and hypothetical, particularly with legislation that has grown in such an unwieldy way, and guard against ideological hijack.

What next?

While some of the current debates are definitely in the Groundhog Day category (for example, "fair use") there are big, complex policy issues with broad-reaching consequences that are difficult to resolve partly because they don't have any precedents that are clearly analogous.

One is use of artificial intelligence. For the short term, the discussions about text and data mining (for example, in connection with the EU draft DSM Directive) have segued into references to artificial intelligence, but the implications will obviously be broader than this in the longer term.

Another is, of course, the responsibilities of online platforms like Google and Facebook regarding the future production of quality content, given the business benefits they derive from it. These are clearly not responsibilities they will take on voluntarily, as indicated by their response to the draft EU draft DSM Directive. One of the ironies, as Dominic Young noted in a recent blog, is they have become the conservatives in copyright reform, arguing for the status quo, using catchphrases like "don't break the internet".⁸⁷ And copyright is just one part of a much broader regulatory landscape, which includes competition, tax, privacy and data security. The inquiry by the Australian Competition and Consumer Commission ("ACCC") into digital platforms is regarded as world-first, and the recommendations in its preliminary report are extensive and ambitious.⁸⁸

In a 2011 speech, the Director General of WIPO, Francis Gurry, set out principles underpinning a successful policy response for copyright that remain relevant:⁸⁹

- **Technology and business models:** *the purpose of copyright is : "to work with any and all technologies for the production and distribution of cultural works, and to extract some value from the cultural exchanges made possible by those technologies to return to creators and performers and the business associates engaged by them to facilitate the cultural exchanges through the use of the technologies".*⁹⁰
- **Comprehensive and coherent policy response:** *"an adequate response is more likely to come from a combination of law, infrastructure, cultural change, institutional collaboration and better business models".*
- **More simplicity in copyright:** *"[w]e risk losing our audience and public support if we cannot make understanding of the system more accessible".*

In conclusion

In any area, an understanding of the history – even recent history – provides context and a frame of reference for current issues. Copyright is no different. It's partly "How did we get here?": both for proposed changes that succeeded and those that didn't. But it also helps in understanding what's sometimes referred to as the "copyright ecosystem": a complex environment that includes legislation, court decisions, commercial arrangements and behaviours. The history also shows that, despite Australia's comparative size, Australian policy makers have demonstrated a capacity to develop new solutions and approaches rather than merely borrowing from other countries.

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- 1 Policy Director, Copyright Agency.
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- 4 *Spicer Committee Report* [13].
- 5 *Spicer Committee Report* [13].
- 6 *Spicer Committee Report* [1].
- 7 *The Report of the Copyright Committee, 1951, of the United Kingdom* (Cmd. 8662).
- 8 Leslie Zines 'The Spicer Committee (1958)' in Fitzgerald, Brian, and Benedict Atkinson eds. *Copyright Future Copyright Freedom: Marking the 40th Anniversary of the Commencement of Australia's Copyright Act 1968* Sydney: Sydney University Press, 2010, 47 available at <https://ses.library.usyd.edu.au/bitstream/2123/7316/1/Zines_9781920899714_TEXT.pdf>.
- 9 *Spicer Committee Report*, [404].
- 10 *Spicer Committee Report*, [1].
- 11 *Harold Joseph Thomas v Brown, David George & Anor* [1997] FCA 215; 37 IPR 207.
- 12 *Pocketful of Tunes Pty Ltd v The Commonwealth of Australia* [2015] ACopyT 1.
- 13 *Application by Copyright Agency Limited* [2018] ACopyT 3.
- 14 *Copyright Act 1968* (Cth) s.176(1).
- 15 *Copyright Act 1968* (Cth) s.176(2). In *Copyright Agency Limited v State of New South Wales* [2007] FACAC 80, the Federal Court held that the State of New South Wales had not first published survey plans that were registered with Land and Property Information (LPI): they were first published when supplied by the survey firms to their customers.
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- 20 See 'Update on Internet Archive and call to action', 13 February 2019, on the ASA's website at: <<https://www.asauthors.org/news/update-on-internet-archive-and-call-to-action>>.
- 21 See, for example, the "campaign" page of the ASA's website at: <<https://www.asauthors.org/campaigns>>.
- 22 As opposed to those whose members "just want to be read".
- 23 Robert Pullan, 'Gustaf Charles O'Donnell (1912-1989)', *Australian Dictionary of Biography*, Volume 18, (MUP), 2012. Available at: <<http://adb.anu.edu.au/biography/odonnell-gustaf-charles-15395>>.
- 24 *University of New South Wales v Moorhouse* (1975) 133 CLR 1.
- 25 See, for example, Music Rights Australia, *Submission to the Productivity Commission Inquiry into Intellectual Property Arrangements*, June 2016, 5. Available at: <https://www.pc.gov.au/data/assets/pdf_file/0017/201059/subdr407-intellectual-property.pdf>.
- 26 *Report of the Copyright Law Review Committee on Reprographic Reproduction* ("Franki Report"), Australian Government Publishing Service, Canberra, 1976, [1.01].
- 27 John Gilchrist, 'The Franki Committee (1976 Report) and Statutory Licensing' in Fitzgerald, Brian, and Benedict Atkinson eds. *Copyright Future Copyright Freedom: Marking the 40th Anniversary of the Commencement of Australia's Copyright Act 1968* Sydney: Sydney University Press, 2010, 65, 66,70 available at: <https://ses.library.usyd.edu.au/bitstream/2123/7318/1/Gilchrist_9781920899714_TEXT.pdf>.
- 28 *Copyright Amendment Act 1980* (Cth).
- 29 In Canada, the Supreme Court has developed a series of factors that include an "alternative to the dealing": *CCH Canadian Ltd. v Law Society of Upper Canada* [2004] 1 SCR 339.
- 30 The others are New Zealand and Singapore, and the phrase also appears in Fiji's copyright legislation. A recent report from the Singapore Government recommends that the factor be repealed there. See further the update on recent Singapore developments that appears in this issue of *Intellectual Property Forum*.
- 31 *Copyright Amendment Act 2006* (Cth) s.41A, s.103AA. See further, Australian Copyright Council information sheet *Parodies, Satire & Jokes* available at: <http://www.copyright.org.au/ACC_Prod/ACC/Information_Sheets/Parodies_Satire_and_Jokes.aspx>.
- 32 *Campbell v Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).
- 33 *Copyright Designs & Patents Act 1988* (UK) s.30A.
- 34 A similar scheme was proposed for Switzerland, and there was a voluntary scheme operating in Norway: John Gilchrist, 'The Franki Committee (1976 Report) and Statutory Licensing' in Brian Fitzgerald and Benedict Atkinson eds. *Copyright Future Copyright Freedom: Marking the 40th Anniversary of the Commencement of Australia's Copyright Act 1968* Sydney: Sydney University Press, 2010, 69 available at: <https://ses.library.usyd.edu.au/bitstream/2123/7318/1/Gilchrist_9781920899714_TEXT.pdf>.
- 35 *Copyright Amendment Act 1980* (Cth). It was subsequently extended, including in 1989 and 2000, and re-introduced in a simplified form in *Copyright Amendment (Disability and Other Measures) Act 2017* (Cth).
- 36 Jane C. Ginsburg, 'Fair Use for Free, or Permitted-but-Paid?' (June 2, 2014) *Berkeley Technology Law Journal, Columbia Law and Economics Working Paper No. 481*. Available at SSRN: <<https://ssrn.com/abstract=2444500>>.
- 37 *Haines v Copyright Agency* (1982) 64 FLR 184.
- 38 This occurs under agreements negotiated between Copyright Agency and peak bodies – principally the Copyright Advisory Group to the COAG Education Council for nearly all schools and most TAFEs (except Victoria, and Universities Australia – or with individual educational institutions (there are more than 1,000 of these, including registered training authorities). There are currently proceedings before the Copyright Tribunal to determine equitable remuneration and monitoring arrangements for universities after negotiations in 2018 did not result in a new agreement.
- 39 *Copyright Amendment Act 1980* (Cth) s.53D.
- 40 *Copyright Amendment Act 2006* (Cth) s.200AB.
- 41 *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled* 2013, signed on 27 June 2013 and came into force on 30 September 2016.
- 42 National Interest Analysis [2015] ATNIA 9 with attachment on consultation, [24] available at <<https://www.communications.gov.au/have-your-say/marrakesh-treaty-options-implementation>>.
- 43 For further information see <<https://www.publishers.asn.au/policy-agenda/marrakesh-treaty-forum/aipi>>.
- 44 The Accessible Book Consortium is a public-private partnership led by WIPO. Its aim is to increase the number of books in accessible formats around the world. For further information see <<https://www.accessiblebooksconsortium.org/portal/en/index.html>>. See reference to funds from Australia assisting visually impaired students in Bangladesh in Catherine Jewell, *Accessible Books Consortium: Breaking Down Barriers to Accessibility*. Available at: <https://www.wipo.int/wipo_magazine/en/2014/04/article_0005.html>. See also the Message from Francis Gurry which appears in this issue of *Intellectual Property Forum*.
- 45 *Computer Edge v Apple* (1986) 161 CLR 171.
- 46 In Art. 10 of the *Agreement on Trade Related Aspects of Intellectual Property* 1994 ("TRIPS") and Art. 4 of the *WIPO Copyright Treaty* 1996.
- 47 *IceTV Pty Limited v Nine Network Pty Limited* [2009] HCA 14.
- 48 *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149.
- 49 *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 119 FCR 491.
- 50 Copyright Law Review Committee, *Performers' Rights*, Commonwealth of Australia, 1985. The *WIPO Performances and Phonograms Treaty* 1996 is available at: <<https://www.wipo.int/treaties/en/ip/wppt/>>.
- 51 Section 98(6).
- 52 See, for example, Australian Directors Guild and Australian Screen Directors Authorship Collecting Society, *Submission to the Productivity Commission Inquiry into Intellectual Property Arrangements*, 26 November 2015. Available at: <https://www.pc.gov.au/data/assets/pdf_file/0005/194351/sub010-intellectual-property.pdf>.
- 53 Copyright Law Review Committee, *Simplification of the Copyright Act 1968. PART 2: Categorisation of Subject Matter and Exclusive Rights, and Other Issue*, Canberra 1999. Available at: <<http://www.austlii.edu.au/au/other/clrc/5.html>>.
- 54 Copyright Law Review Committee, *Simplification of the Copyright Act 1968. PART 2: Categorisation of Subject Matter and Exclusive Rights, and Other Issue*, Canberra 1999, Chapter 2.
- 55 The Government considered but rejected the introduction of a "fair use" exception modelled on the exception in the US legislation, and instead addressed exceptions that targeted issues raised by "user" representatives. These included

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- exceptions for private use, parody and satire, and a “flexible” exception (section 200AB) for libraries, education institutions and people with a disability. See *Copyright Amendment Act 2006* (Cth).
- 56 Productivity Commission, 2016, *Intellectual Property Arrangements*, Inquiry Report No. 78, Canberra, Chapter 4, Finding 4.1.
- 57 Productivity Commission, 2016, *Intellectual Property Arrangements*, Inquiry Report No. 78, Canberra, Recommendation 17.2.
- 58 *Australian Government Response to Productivity Commission Inquiry into Intellectual Property Arrangements*, August 2017. Available at: <https://www.industry.gov.au/sites/g/files/nct3906/f/government_response_to_pc_inquiry_into_ip_august_2017.pdf>.
- 59 *WIPO Copyright Treaty* 1996.
- 60 *WIPO Performances and Phonogram Treaty* 1996.
- 61 The treaties – the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty* – are available at: <<https://www.wipo.int/treaties/en>>.
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- 63 Attorney General's Department and Phillips Fox, *Digital Agenda Review Report and recommendations*, January 2004. Available at: <<https://static-copyright-com-au.s3.amazonaws.com/uploads/2015/05/R00345-FOX-Final-reportpassword.pdf>>.
- 64 Attorney General's Department and Phillips Fox, *Digital Agenda Review Report and recommendations*, January 2004. Available at: <<https://static-copyright-com-au.s3.amazonaws.com/uploads/2015/05/R00345-FOX-Final-reportpassword.pdf>>.
- 65 *Copyright Amendment (Moral Rights) Act 2000* (Cth).
- 66 See, *Copyright Act 1968* (Cth), Part IX—Moral rights of performers and of authors of literary, dramatic, musical or artistic works and cinematograph films.
- 67 *Copyright Amendment Act 1989* (Cth), Part VC.
- 68 *Explanatory Memorandum to Copyright Amendment Bill 1988* (Cth) 1.
- 69 Martin Kretschmer, *Private Copying and Fair Compensation: An empirical study of copyright levies in Europe: A Report for the UK Intellectual Property Office*, October 2011. Available at: <https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_econ_ge_1_12/wipo_ip_econ_ge_1_12_ref_kretschmer.pdf>.
- 70 *Australian Tape Manufacturers Association v Commonwealth of Australia* (1993) CLR 480.
- 71 *Commonwealth Constitution* s.51(xxxi). In the majority decision, the Court said that if it had not found that the royalty was a tax, it would have found that the obligation for blank tape vendors to pay the royalty resulted in an unconstitutional acquisition of property on other than just terms. The obligation to pay would result in a transfer of property (money), but the obligation applied to the vendors of blank tapes rather than the beneficiaries of the scheme (people using blank tapes to record music in circumstances that would otherwise infringe copyright): [34].
- 72 *Resale Royalty Right for Visual Artists Act 2009* (Cth). See further the Resale Royalty page of Copyright Agency (who administers the scheme) website: <<https://www.resaleroyalty.org.au/>>.
- 73 *Stopping the rip-offs: intellectual property protection for Aboriginal and Torres Strait Islander peoples: issues paper*, Commonwealth of Australia, 1994, [27].
- 74 See, for example, Terri Janke and Company, *Indigenous Cultural Protocols and the Arts: A book of case studies*, 2016. Available at: <<http://www.terrijanke.com.au/indigenous-cultural-protocols-and-arts>>.
- 75 *Milpururru, & Ors v. Indofurn P/L & Ors* [1994] FCA 975.
- 76 *Copyright Amendment (Indigenous Communal Moral Rights) Bill 2003* (Cth). The Government reviewed the Bill in 2006 with a view to introducing a revised version, but that did not occur. See Arts Law Centre of Australia *Indigenous Communal Moral Rights (ICMR) II, March 2006*. Available at: <<https://www.aibt.com.au/advocacy/entry/indigenous-communal-moral-rights-icmr2/>>.
- 77 See, for example, Jane Anderson, ‘Indigenous Communal Moral Rights: The Utility of an Ineffective Law’ (2004) 5(30) *Indigenous Law Bulletin* 8, available at: <<http://classic.austlii.edu.au/au/journals/IndigLawB/2004/15.html>>.
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- 82 See biography of Professor Ricketson: <<https://law.unimelb.edu.au/about/staff/sam-ricketson>>.
- 83 Professor Lahore was responsible for the first copyright loose-leaf service. See Kevin Lindgren, Warwick Rothnie et al *Labore Copyright and Designs*, Looseleaf LN LL Publishing.
- 84 Most of these reviews are listed here: <<https://www.copyright.com.au/archive-about-copyright/government-reviews-and-reports>>.
- 85 Ian Hargreaves, *Digital Opportunity: A Report on Intellectual Property and Growth*, May 2011, United Kingdom. Available at: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32563/ipreview-finalreport.pdf>.
- 86 *Gowers Review of Intellectual Property*, December 2006, United Kingdom. Available at: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228849/0118404830.pdf>.
- 87 Dominic Young, ‘Don't be afraid to imagine a better internet’, *Copyright Blog*, 11 September 2018, available at: <<https://copyrightblog.co.uk/2018/09/11/dont-be-afraid-to-imagine-a-better-internet>>.
- 88 Australian Competition and Consumer Commission, *Digital Platforms Inquiry: Preliminary Report*, Canberra, December 2018. Available at: <<https://www.accc.gov.au/media-release/accc-releases-preliminary-report-into-google-facebook-and-australian-news-and-advertising>>.
- 89 Francis Gurry, *Address to Blue Sky Conference: Future Directions in Copyright Law*, Sydney, 25 February 2011. Available at: <https://www.wipo.int/about-wipo/en/dgo/speeches/dg_blueskyconf_11.html>.
- 90 He added: “Copyright should be about promoting cultural dynamism, not preserving or promoting vested business interests”.

Robot vs Rightsholder: Machine Learning and Copyright in the Film and Television Industries

Eloise Chin¹

Summary

The New Zealand and Australian copyright regimes are currently under review. This article analyses the copyright implications of data mining/machine learning, as carried out by the film and television industries. It asks how the law could best strike a balance between (a) protecting the rights of creators whose works are used in machine learning, and (b) ensuring that innovation in the film and television industries is not unjustifiably restricted. A copyright exception, combined with a system of fair compensation, is one possible solution.

Introduction

In the spring of 2016, filmmaker Oscar Sharp collaborated with artificial intelligence (“AI”) researchers to produce the first fully AI-written short film, *Sunspring*.² In September 2016, 20th Century Fox used IBM’s Watson, a supercomputer, to generate a six-minute trailer for the upcoming horror film, *Morgan*.³ Today, a Kickstarter campaign is raising the funds necessary to produce the first AI co-written feature film, *Impossible Things*.⁴

These are all examples of machine learning: a subset of AI where machines are capable of learning new information without being programmed by humans. AI and machine learning is now at the forefront of creative as well as technological developments.⁵ Within the film and television industries, machine learning has numerous applications. It can be used on both the production side of creating new content, as well as in marketing and distribution.

Machines usually “learn” through being fed large quantities of data. The more data a machine is fed, the more effectively it will learn. Data mining is often used in the process of machine learning. It allows large quantities of data to be analysed, uncovering new patterns, trends and insights.

However, there might be legal barriers which prevent the free use and development of machine learning. Such barriers arise when data mining infringes copyright law, and there is no opportunity to licence the copied works from the copyright owners. With the New Zealand and Australian copyright regimes currently under review, investigation into new copyright exceptions is particularly relevant.

This article will explore the possibility of an exception, specifically for data mining as carried out by the film and television industries. Such an exception would acknowledge the value that AI can bring to society, as well as protecting the interests of creators and rightsholders.

Part I will outline key concepts and summarise how data mining may conflict with copyright law. Part II provides

examples of how machine learning is already being used in the film and television industries. Part III will investigate the exceptions contemplated or provided for under various jurisdictions, including the United States of America (“US”), European Union (“EU”), the United Kingdom (“UK”), New Zealand (“NZ”), Australia and Japan. Part IV will suggest a copyright exception suited to the film and television industries, and examine arguments for and against that exception. Finally, Part V will explore how a system of compensation could balance the competing interests of rightsholders and the film and television industries.

Part I: Key Concepts

1.1 Definitions

One definition of “data mining” is “the automated processing of digital materials in order to uncover new knowledge or insights”.⁶ Such digital materials could include text, data, sounds, images or other elements. By analysing vast quantities of data, those carrying out data mining can uncover patterns, associations and other knowledge that would otherwise remain invisible to human eyes.⁷

AI is “the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings”.⁸

“Machine learning” is a subset of AI which studies computer systems that are capable of learning autonomously, without being specifically programmed.⁹ Machines can learn in a variety of different ways, but the most common method is learning from data sets.¹⁰ First, data mining processes might be used to uncover new knowledge – for example, a certain pattern or trend within a data set. Algorithms are then used to allow the computer to “learn” how to identify this pattern in fresh data sets.¹¹

Imagine that an AI scientist wants a machine to learn how many camera shots would be required for any given film scene. The machine would first be fed a data set with training examples. Its algorithm would analyse thousands of examples

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of different film scenes, labelled with the number of camera shots contained in each scene. Eventually the algorithm would learn the relationship between different types of scenes and their associated number of shots. Then, if fed a new data set of film scenes, it would be able to calculate how many shots would be required for each of those new scenes.¹² The machine could then be helpful in creating storyboards for any given film.¹³

1.2 Copyright law

Copyright protects the owner of the property rights in creative content such as literary and artistic works.¹⁴

The law grants the copyright owner of a protected material the exclusive rights to authorise others to use that material. Such rights are referred to as economic rights because they allow the owner to derive financial reward from the use of the material by others.¹⁵ For example, a copyright owner can license the exclusive right to copy their material to another person, and receive compensation for that licensing.

Copyright also grants moral rights to the authors of copyright material, even when those works are owned by someone else. Moral rights include the right to be identified as the author of a work and the right to object to derogatory treatment of the work.¹⁶

Books and other text, musical compositions, films, photographs and plays are all examples of material that may be protected by copyright.¹⁷ Such material must however be “original”, in the sense that they are the author’s own intellectual creation.¹⁸ Under Australian case law material must have human authorship to be “original”.¹⁹

Copyright aims to encourage creativity and social and technological progress. By being provided a temporary monopoly over their work, creators have an incentive to continuing creating and striving for innovation.²⁰

1.3 The reproduction right

This article will focus on the right of reproduction, as one of the economic rights which is most relevant to data mining. It grants the author of a work the right to prevent others from making copies of that work, and the right to authorise the making of such copies.²¹ Its scope is broad; covering many different kinds of reproductions, whether they are temporary or permanent and whether the whole work is copied or only one part.²²

1.4 Copyright exceptions

Copyright exceptions acknowledge that some uses are so socially desirable that they outweigh the rights of the copyright owner.²³ For example, one of the most widespread exceptions is the exception allowing libraries and educational institutions to make reproductions of works so long as they are not for economic or commercial advantage.²⁴

Copyright law will however place restrictions on the use of exceptions, to ensure that the copyright holder’s interests (including the ability to derive income from the work) are not unjustifiably compromised.²⁵

1.5 How does data mining conflict with copyright law?²⁶

In order to understand why data mining for machine learning can give rise to copyright issues, it is useful to have an outline of how the mining process works. While there is no single structure to the process,²⁷ the basic steps are as follows:

Input

1. Target data is extracted from a data warehouse (e.g. horror film scripts are extracted from a general film script database).
2. Data is pre-processed: removing noise, changing sizes, correcting labels.
3. Data is transformed into a suitable format, for compatibility with whatever computer and mining tools are being used to mine the data (e.g. images converted into binary code).

Output

4. Mining tools (e.g. algorithms) are applied to analyse the data. New patterns, rules, models etc. are uncovered.
5. This new knowledge is interpreted and evaluated.
6. The knowledge can then be applied to new data sets.²⁸

In most cases, copies are made at every step of the process.²⁹ The right of reproduction is therefore at the forefront of issues surrounding copyright and data mining (where the data being mined is in fact protected by copyright).

Note that this article is only concerned with copyright issues arising out of the “input” stages of the data mining process. Issues surrounding “output”, such as who owns the copyright in whatever new knowledge is uncovered by the mining, are outside the scope of this research.

Part II: Machine Learning in the Film and TV Industries

2.1 What data is being mined?

A distinction can be made between “high level” and “low level” data. “High level” data can include newspaper or journal articles, music, pictures, film clips and film scripts. “Low level” data covers content such as genetic information, scientific measurements, names and addresses, phone numbers and other forms of numerical or statistical data.³⁰

While “high level” data is likely to constitute an author’s own intellectual creation and so be protected by copyright law, some “low level” data will not have the same protection. Copyright in principle does not exist in isolated facts, or in data which is created from mere technical or functional considerations.³¹

The film and television industries mine both kinds of data, for different purposes. Netflix might mine “low level” data, such as statistics on the search terms used by their subscribers. Because those statistics, by themselves, are factual, they are unlikely to be protected by copyright. Mining of this data is therefore less likely to be a copyright infringement.

Tech-focused film production companies, on the other hand, might mine data from past film scripts in order to teach a machine how to write its own script. Because a film script will invariably constitute an author’s own intellectual creation, it is “high level” data. Film scripts are generally protected as “dramatic works” under copyright law.³² This type of mining is where most copyright issues will arise.

2.2 Purposes for machine learning

Applications of machine learning in the film and television industries can be divided into two categories. The first category covers machine learning in the *production* of TV shows and films. The second category covers machine learning in the *marketing* and *distribution* of TV shows and films. This article will focus on purposes from either category, where the data being mined can be considered as “high level” data. Note that technological developments mean that the possible applications of machine learning will grow year-by-year.

2.3 Machine learning for production

2.3.1 Scriptwriting and screenwriting

Machine learning techniques can be used to teach machines how to write their own film scripts and screenplays.

One example is the short film *Sunspring*, from the production company End Cue. End Cue began by feeding their machine, Benjamin, dozens of sci-fi screenplays including *Star Trek* and *Futurama*.³³ Benjamin then analysed these screenplays in detail, learning to predict which letters tended to follow each other and which words and phrases tended to occur together. Eventually, he could imitate the structure of a screenplay, including stage directions and character dialogue.³⁴ Here, AI not only generated ideas for the film, but wrote the screenplay itself – although, it should be added that the narrative is largely incoherent and the stage directions are impossible.³⁵

2.3.2 Storyboarding

End Cue also uses machine learning to generate storyboards. Machines were trained using scenes and corresponding camera shots from a database of films. They could then be fed a new script, and generate the number of shots required for each scene.³⁶ This example demonstrates how machine learning can be used to make the production process more efficient.

2.3.3 Editing and post-production

An area where machine learning can significantly save on resources is in editing and post-production. One example is the 2016 collaboration between 20th Century Fox and

IBM’s machine, Watson. Watson was trained using 100 samples of horror film trailers, and learnt what made trailers especially frightening. It then used that knowledge to select 10 scenes from a prospective film, *Morgan*, to be used in the trailer. A human editor then created the finished trailer using those selected scenes. The entire process took about 24 hours, as opposed to the labour-intensive, multi-week manual editing that is the norm.³⁷

Machines can be used more generally in the automated syncing and grouping of clips in post-production.³⁸ Adobe and the Beckman Institute for Advanced Science and Technology have even taught a machine how to distinguish and eliminate backgrounds in images. The machine was trained using a dataset of nearly 50,000 images.³⁹

2.4 Machine learning for marketing and distribution

2.4.1 Predictive analytics

Machine learning can also be used to predict the box-office success of prospective films. Vault, for example, trains its machines using film scripts. The machines analyse the different story “features” in those scripts, such as the level of violence or the theme of love. The machines can then predict the box-office success of prospective film scripts, based on these identified “features”.⁴⁰ The business claims it can predict this with up to 65-75 percent accuracy.⁴¹ While Vault does not currently use machine learning to enable their AI to *continually* learn what makes a film successful, we can imagine that further development in this field is very likely.⁴²

ScriptBook is another business that mines data on film scripts. Its machines are trained using large historical databases of film scripts, detecting patterns and trends. Machine learning techniques are then used to build algorithms that can predict the commercial and critical success of new scripts.⁴³

The key benefit of predictive analytics is that it allows production companies to greenlight new scripts with the confidence that they are likely to be successful.⁴⁴

2.4.2 Generating ideas for content

Machine learning can also be used in generating ideas for new content. Online video streaming services, such as Amazon and Netflix, are primarily known as distributors of others’ content. However, they are now focusing on becoming creators of original content as well. This draws in new customers, who want to watch content that they cannot access on other platforms.⁴⁵

Machine learning techniques can pick out the elements of past content which have been most effective or successful with audiences. Distributors such as Amazon and Netflix can then use this knowledge to create the content consumers most want to watch. This arguably gives them an advantage over businesses who are only content *creators*, and so do not have access to data which is gathered through distribution.

Robot vs Rightsholder: Machine Learning and Copyright in the Film and Television Industries

House of Cards is a well-known example. Netflix decided to commission the series without a pilot, knowing that it was almost certainly going to be a success. “Low level” data such as viewing statistics from within Netflix itself showed that subscribers loved content from the director David Fincher, and including the actor Kevin Spacey.⁴⁶ This kind of mining is unlikely to infringe copyright. However, data mining and machine learning processes were also run on the cover imagery of existing films and TV shows. The results were then used to pick the precise colours used in the cover image for *House of Cards*.⁴⁷ This constitutes mining of “high level” data, and is more likely to cause copyright issues.

Part III: Exceptions for Data Mining Around the World

3.1 *Why an exception?*

An exception to copyright is often seen as the best solution to address market failure. Ordinarily, a data miner could obtain a licence from the copyright holder, granting him or her permission to reproduce copyright material.⁴⁸ However, because data mining requires the reproduction of large quantities of data, the creation of a licensing market for data mining is impractical. The transaction costs of acquiring a licence for every item of data used in the mining process would be unreasonably high.⁴⁹ Thus, a licensing solution is generally not seen as a viable solution, and the market fails.⁵⁰

3.2 *The reproduction right*

International treaties set out minimum standards of copyright protection, and also prescribe key exceptions.⁵¹ The following countries are all members of the relevant treaties, and as such define the reproduction right as it is stated under 1.3.

3.3 *The US*

The reproduction right is found in the *Copyright Act 1976* (US) s.106. The US (alongside Japan) is the jurisdiction which is most likely to exempt data mining as carried out by the film and television industries.

3.3.1 *Fair use*

In the US there is no set list of exceptions (as in the EU and many Commonwealth countries). Instead, section 107 of the Act provides for a general “fair use” limitation on exclusive rights. Fair use is a flexible doctrine that allows copyright law to adapt to changing circumstances and new technologies.

Fair use exempts copies made for purposes such as criticism, comment, news reporting, teaching, scholarship or research. In determining whether the use made of a work in any particular case is “fair use”, the court must consider four factors.⁵²

3.3.2 *The fair use factors*

The first factor is “the purpose and character of the use”, including whether the use is commercial or for non-profit educational purposes.⁵³ If a use is for a commercial purpose,

this will weigh against a finding of fair use.⁵⁴ However, a claim of fair use will not fail solely because of the commercial nature of the use.⁵⁵

The first factor is sometimes described as the “transformative use” factor. The concept of transformative use was developed by Pierre N Leval.⁵⁶ According to Judge Leval’s analysis:

The use must be productive and must employ the [original work] in a different manner or for a different purpose than the original. It should transform the original work, creating new information, new aesthetics, new insights and understanding.

The transformativeness of the use should not be overemphasised. The Second Circuit has found that transformativeness is enough to bring a use within the scope of fair use.⁵⁷ However, in *Kienitz v Sconnie Nation* 766 F 3d (7th Circ 2014), the Seventh Circuit criticised this approach, stating that :

*The fair-use privilege under §107 is not designed to protect lazy appropriators. Its goal instead is to facilitate a class of uses that would not be possible if users always had to negotiate with copyright proprietors.*⁵⁸

The touchstone of the fair use analysis should be the fourth factor.⁵⁹

The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work”. According to research by Barton Bebe, historically, it has been the most important factor in fair use analysis.⁶⁰ The question is whether the copy brings to the marketplace a competing substitute for the original, so as to deprive the right holder of significant revenues.⁶¹ If it does, it is unlikely fair use will be found.⁶²

The first and fourth factors are connected. The more transformative a use, the less likely the copy will serve as a satisfactory substitute for the original.⁶³ In an economic sense, the “transformativeness” of the use matters mainly in terms of how the transformation moves the use further away from the market for the original copyrighted work.⁶⁴

The second factor is “the nature of the copyrighted work”. This factor recognises that some works are more likely to be protected by copyright than others.⁶⁵ For example, fictional material is likely to enjoy stronger copyright protection than non-fictional material.⁶⁶

The third factor requires that, “the amount and substantiality” of the portion used in relation to the copyrighted work as a whole should be considered. Where a large and important portion of a work is copied, there is a higher likelihood that the use may act as a competing substitute for the original, weighing against a finding of fair use.⁶⁷

3.3.3 *Mass digitisation and data mining*

US case law has not yet dealt specifically with data mining. However, there have been a number of cases showing that the mass digitisation of works and the creation of digital databases is fair use. Both these uses can facilitate data mining, which requires that works be in digital form.

Authors Guild v Google, Inc 804 F 3d 202 (2d Circ 2015) (“*Authors Guild*”) is a recent case which dealt with the mass digitisation of millions of books. Scanned copies were organised into a searchable database. Members of the public were able to view details about each book as well as “snippets” of text.⁶⁸

The transformative use factor played a significant role in the Court’s decision. Google’s use was considered to be clear transformative use, even when no new works of authorship were created. Public knowledge was increased by making information about books available. The commercial motivations of Google did not outweigh this transformativeness. Importantly, the Court mentioned that the potential for data mining was part of the transformativeness and notable benefits of Google Books.⁶⁹

Some argue there were serious issues with the Court’s interpretation of transformative use. The use was found to be transformative even though Google was not altering the original work or adding any new creative meaning. “Transformativeness” was instead used to describe the fact that mass digitisation was simply a new way of using works. This approach to fair use automatically advantages technology companies such as Google.⁷⁰ The US Courts have been inconsistent in their interpretation of transformativeness.⁷¹ As the case law develops, it is likely the Supreme Court will be forced to reconcile these differences in interpretation.

The Court found that the remaining three factors also weighed in favour of fair use. However, it has been suggested that the Court did not place appropriate weight upon the fourth factor. A market for mass digitisation may not exist currently, but it could emerge in the future. Thus, a negative implication of this decision is that authors may be denied the right to benefit from such a market, because Google (or other bodies) will already hold a monopoly.⁷²

Under current understandings, data mining seems to be considered transformative use in the US – at least in the context of a case such as *Authors Guild*. Though it draws from existing works, the mining process may “add something new” because it uncovers information through analysis of vast bodies of works. Individual works could not yield the same results. The outcome of a fair use analysis would however depend on the facts of individual cases.

3.3.4 *Data mining and the film/TV industries*

Fair use would also tend to protect data mining as carried out by the film and television industries.

These industries are often carrying out data mining for commercial gain. However, this would be outweighed by the likely transformativeness of machine learning. Data mining for the purpose of teaching a machine to write film scripts, for example, seems to be exactly the kind of use that fair use seeks to protect and encourage. It exemplifies Leval’s formulation of “new information, new aesthetics, new insights and understanding”.

Importantly, the fourth factor is also likely to weigh in favour of fair use. An algorithm for how to write film scripts, generated through a data mining process, is hardly a market substitute for the many thousands of film scripts that would have been copied. A machine-written script created from that algorithm is also unlikely to be considered a substitute. Copies of works are transformed to such an extent that the outputs of data mining or machine learning processes are not market substitutes for the original works.

The industries will usually need to make copies of whole works (factor three), and often of fictional works (factor two). However, as the case law has emphasised the importance of the first and fourth factors, these other factors are unlikely to be given as much weight.

3.4 *The EU*

The reproduction right is found in Article 2 of the *EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society* (“InfoSoc Directive”).⁷³ The 2016 *Proposal for a Directive on Copyright in the Digital Single Market* contains a specific exception for data mining.⁷⁴ This Proposal has passed an initial vote but is yet to be confirmed and implemented.⁷⁵ Until then, the film and television industries are governed by the exceptions contained in the InfoSoc Directive and the *EU Directive 96/9/EC on the legal protection of databases* (“Database Directive”).

3.4.1 *Possible exceptions to the reproduction right*

Article 5(1) of the InfoSoc Directive provides an exception for acts of “temporary reproduction”, but it is unlikely to exempt copies made during data mining. *Infopaq International AS v Danske Dagblades Forening* (C-5/08) [2009] ECR I-6569 found that art 5(1) will only apply where the copy is transient and temporary.⁷⁶

An act will only be “transient” if “its duration is limited to what is necessary for the proper completion of the technological process of which it forms an integral and essential part, being understood that that process must be automated so that it deletes that act automatically, without human intervention, once its function of enabling the completion of such a process has come to an end”.⁷⁷ Copies made during the extraction, pre-processing and transformation steps of the mining process are unlikely to be exempted. This is because they require human intervention to be deleted and so are not “transient”.⁷⁸

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The requirement that the act be “temporary” may also pose issues for data mining. In most circumstances, the copies made during the mining process will not be temporary. Copies made during extraction and pre-processing need to last at least long enough for the mining tools to be applied.⁷⁹ For these reasons, the exception under art 5(1) is unlikely to protect data mining.⁸⁰

Article 5(3)(a) allows Member States to provide for an exception for reproductions made for the purpose of illustration for teaching or scientific research. However, it requires that the copies be made for a “non-commercial purpose”. This renders the exception inapplicable to the film and television industries, as they usually carry out data mining for commercial gain.⁸¹

3.4.2 *The sui generis database right*

Where data is not protected under the *InfoSoc Directive*, it may be protected under Article 7 of the *Database Directive*.⁸² This article provides a *sui generis* right: if the maker of a database shows that there has been a substantial investment in creating the database, he or she can prevent extraction and/or reutilisation of the whole or of a substantial part of the contents of that database.⁸³ The right applies irrespective of whether the database or its contents is protected by copyright.⁸⁴

Article 7(2)(a) defines “extraction” as “the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form”. “Extraction” is comparable to the act of reproduction.⁸⁵ As explained under 1.5, the data mining process will generally always involve “extraction” within the meaning of art 7.⁸⁶ It is possible then that a film company will infringe the *sui generis* right if they choose to mine data from a database which comes within the scope of the Directive.

3.4.3 *Possible exceptions to the sui generis right*

Article 8(1) of the *Database Directive* provides an exception to the *sui generis* right. A lawful user of a database is entitled to extract or reutilise insubstantial parts of its contents, to the extent that such extraction does not end up reconstituting (reproducing) a substantial part of the database.⁸⁷

Generally, the purpose of data mining is not to “reconstitute” the whole or a substantial part of a database.⁸⁸ However, the application of this exception would be evaluated on a case-by-case basis, and so provides little certainty for data miners.

3.4.4 *Reform*

In September 2016 the European Commission released its Proposal for a Directive on copyright in the Digital Single Market.⁸⁹ The European Parliament voted in favour of the Proposal in September 2018, however extended negotiations have meant that it may not be implemented until a final vote in March 2019.⁹⁰

The Proposal includes a specific exception for data mining. The proposed exception does not require a “non-commercial purpose”, suggesting that it could protect the types of data mining carried out by the film and television industries.

The proposed exception is provided under art 3. It covers “reproductions and extractions” made by “research organisations” in order to carry out text and data mining. The research organisation must have “lawful access” to the works mined. The mining must be carried out for the purposes of “scientific research”.⁹¹ The exception would be mandatory for all Member States.

The phrases “research organisation” and “scientific research” could be problematic to the film and television industries. Many companies have an in-house team of engineers and scientists developing their machine learning and data mining technology. These teams may not come within the meaning of “research organisation”. Similarly, it is ambiguous whether the industries’ data mining could be considered “scientific research”.

Conversely, because the proposed exception does not state that the mining must be for a “non-commercial purpose”, it is more likely to exempt the film and television industries’ use of machine learning. However, the Commission may consider that allowing the exception for commercial mining purposes is a step too far. Even if the Proposal is implemented, judicial intervention is likely to result in the exception being limited to non-commercial purposes only, reflecting art 5(3)(a) of the *InfoSoc Directive*.

3.5 *The UK*

The UK reproduction right is set out in the *Copyright, Patents and Designs Act 1988* (“CDPA”) ss.16(1) and 17.⁹² In 2014 a specific exception for data mining was introduced, however it is unlikely to apply to the film and television industries because it requires a “non-commercial purpose”. Other exceptions, such as those for temporary copies and copies made for non-commercial research and private study, are also unhelpful.⁹³

3.5.1 *An exception for data mining: Section 29A*

Section 29A provides an exception for “text and data mining”. The creation of such an exception was one of the key recommendations in the 2011 Hargreaves Review of intellectual property.⁹⁴ The Review was commissioned by the Prime Minister in 2010, to better understand how the national and international intellectual property system could best work to promote innovation and growth.

Under section 29A(1), a copy will not infringe copyright where:

- (1) *the person making the copy has lawful access to the work; and*

(2) *the copy is made for the sole purpose of research for a non-commercial purpose; and*

(3) *sufficient acknowledgment is given, unless this would be impossible for reasons of practicality or otherwise.*

The requirement of “lawful access” means that the data miner must have the right to read/view the work before the exception can apply. Essentially, once the miner is licensed to access the work, he or she does not need additional permission to copy it for the purpose of mining.⁹⁵

The exception is expressly limited to data mining for non-commercial research purposes. The meaning of “non-commercial research” will likely evolve through the courts. Yet overall, the purposes for which the film and television industries are using data mining are unlikely to be considered “non-commercial”. The exception is therefore not applicable. The UK government clearly intended for commercial data mining to still be prohibited by copyright.

3.6 New Zealand

The reproduction right is found in the *Copyright Act 1994* (NZ) s.16(1)(a) (“Copyright Act”).⁹⁶ There is currently no specific exception for data mining. However, the exception under section 43 has the potential to apply to the film and television industries’ use of data mining.

3.6.1 Possible exception to the reproduction right

Section 43 provides a fair dealing exception for copies made for the purposes of research or private study. Unlike the EU and the UK, there is no express requirement that the purpose of the research be non-commercial.⁹⁷ Thus, it is possible this exception would apply to the film and television industries.

The court is required to consider a number of factors in determining whether a copy is exempt.⁹⁸ These factors are similar to those under US fair use.⁹⁹ As such, this exception may afford a defence. This would however be decided on a case-by-case basis, offering data miners little certainty.

3.6.2 Reform

A specific exception for data mining could be on the horizon for NZ law. In June 2017 the NZ Minister of Commerce and Consumer Affairs announced the launch of a review of the Copyright Act.¹⁰⁰ A Ministry of Business, Innovation and Employment report was commissioned to examine how the digital age is affecting copyright, and an Issues Paper was recently published in November 2018¹⁰¹

Both the report and the Issues Paper acknowledged the benefits of data mining in terms of developing new knowledge, products, services and technology (including AI).¹⁰² The Issues Paper also noted that other jurisdictions, such as the UK, have already introduced specific data mining exceptions. At the time of writing, submissions are being accepted on the question of whether a new exception should be introduced to allow for data mining in NZ.¹⁰³

If however a new exception is modelled on that in the UK, data mining will be limited to non-commercial purposes, and as such would not be helpful for the film and television industries.

3.7 Australia

The reproduction right is found in the *Copyright Act 1968* (AU) s.31. As in NZ there is no specific exception for data mining.

3.7.1 Possible exception to the reproduction right

Section 40 contains a fair dealing exception for the purpose of research or study, which is very similar to section 43 in the NZ legislation. There is no requirement that the research or study be of a private nature, or non-commercial. Thus, it is possible that this exception could extend to data mining carried out by the film and television industries.

3.7.2 Reform

The Australian Law Reform Commission has carried out an inquiry into potential copyright reform. In its Final Report, the value of data mining was noted.¹⁰⁴ The Commission found that data mining should be considered under the fair use exception recommended by the Report.¹⁰⁵ This would be sufficiently flexible to accommodate both non-commercial and commercial data mining.¹⁰⁶

The Report is still being considered by the Australian Government. If the recommended fair use exception is implemented, then the film and television industries may be protected under the Australian copyright regime.

3.8 Japan

The reproduction right is found in the *Japan Copyright Act* art 21. While Japan already had a broad exception for data mining contained in that same Act, in May 2018 the *Copyright Law Amendment Act* was passed, making data mining and machine learning even more accessible in Japan.¹⁰⁷

3.8.1 The old exception: Article 47-7

Article 47-7 allows copying “for the purpose of information analysis by using a computer”.¹⁰⁸

The Japanese exception is broader in scope than that in the UK. It lacks the requirement of a “non-commercial purpose”, suggesting that the film and television industries are likely to be exempt. Similarly, the “information analysis” does not need to be carried out for the specific purpose of “research”.¹⁰⁹ The definition of “information analysis” itself is also broad.¹¹⁰

3.8.2 The Copyright Law Amendment Act: Article 30-4

Article 30-4 is the key amendment. It permits all users of data to carry out machine learning, for any purpose – whether commercial or for research. The exception is also

technology-neutral, in the sense that users are allowed to engage in any type of “exploitation” that is necessary to carry out machine learning.¹¹¹

Overall, Japan’s copyright law is currently leading the world in its approach toward data mining and machine learning. Under art 30-4 the film and television industries would have seemingly unlimited freedom to invest in and develop machine learning technology.

Part IV: An Exception for the Film and TV Industries

4.1 *What would an exception look like?*

In order to maximise the potential of data mining and machine learning technologies in the film and television industries, a specific exception is desirable. This exception could be incorporated into the respective copyright legislation of New Zealand and Australia. What would this exception look like?

It will only apply to material protected by copyright¹¹²

This proviso acknowledges that there are some purposes for data mining and machine learning which do not require an exception at all. Namely, the copying of “low level” data which may not be protected by copyright. The exception is therefore aimed at the mining of “high level” data – works such as film scripts and video clips.¹¹³

It will expressly allow for commercial purposes

We know that the film and television industries will often be carrying out data mining for commercial reasons. They seek to make a profit from their work. The exception needs to expressly allow for commercial data mining to ensure protection from copyright law. However, it will still need to comply with international law, namely the Berne Convention’s three-step test. See below at 4.3.4.

There will be no limit on who can carry out the data mining

As we saw under 3.4.4, limiting the exception to certain groups of people (eg. “research organisations”) can cause uncertainty. The exception could simply apply to “any person” who carries out the data mining, like the current UK exception. Alternatively there may not be any mention of “who” carries out the mining at all, as under US fair use.

It will not refer to “scientific” research

What classifies as “scientific” research is already ambiguous.¹¹⁴ Certainly, the industries’ data mining may not be considered “scientific”. Removing the word will prevent uncertainties and ensure the exception applies to a variety of different applications of data mining.

It will require acknowledgement of sources, except where impossible

Arguably the citing of sources does not offer any advantage to creators of works. This is because the output of a data

mining or machine learning process is unlikely to include any excerpt from the works at all. The burden of citing each source is therefore out of proportion with the advantages to creators. Thus, it should be up to the data miners to decide whether they want to cite or not.¹¹⁵

However, this argument only holds up against the acknowledgement of individual creators of works. What of creators of databases which might contain those works? The UK exception requires sufficient acknowledgement “unless this would be impossible by reasons of practicality or otherwise”. A similar approach is desirable for this exception. It ensures that where it is possible, sources (such as database creators) will be cited. But, it caters for the fact that data mining requires so many works that in most cases citation of individual creators is impossible.

It will require lawful access

The UK and proposed EU exceptions require that the data miner have lawful access before the exception can apply. In this context, a film company would be able to mine film scripts in a database without seeking the additional permissions of the filmmakers or scriptwriters, so long as they are licensed to access the database itself.

This requirement will place some limits on the industries’ freedom to mine (and consequently their freedom to develop machine learning). But, it is desirable because it helps to balance the competing interests of rightsholders and data miners.

It will be waivable by contract

The exception is aimed at being as commercially-friendly as possible. It is possible that in the future a market for data mining-specific databases will develop. To ensure such a market is viable, the exception needs to be waivable by contract. Database owners will be able to include a clause in their contract with any database user, so that the user *will* need to obtain additional permission to mine the contents of the database.

It will be technology-neutral

Data mining and machine learning are fields that are developing at a fast pace. The exception should reflect Japan’s *Copyright Law Amendment Act* art 30-4, covering all types of technology and all manners of copying data. This ensures that the exception is “future-proofed” against technological developments which could occur in the future.

4.2 *Arguments for an exception*

4.2.1 *Market failure*

The market failure argument is mentioned under 3.1. It was first articulated by Wendy J Gordon, as one of the reasons behind a finding of fair use.¹¹⁶ She argued that fair use should be applied when the defendant could not appropriately purchase the desired use through the market. This allows the

US courts to permit uncompensated uses that are socially desirable, but are not capable of effectuation through the market.¹¹⁷

The market failure argument is not unique to US fair use. According to the UK *Green Book*, market failure occurs when the usual market mechanisms and transactions do not enable the achievement of “economic efficiency”.¹¹⁸ Economic efficiency or “perfect competition” is the state in which voluntary transactions in the marketplace create a socially desirable pattern of resource allocation.¹¹⁹ Resources are allocated and used to their maximum productivity.¹²⁰

There are several conditions which must be satisfied for perfect competition to exist. One condition is the absence of transaction costs. So long as the cost of making and enforcing bargains is lower than the benefits from those bargains, markets will form. If transaction costs exceed anticipated benefits, however, no transactions will occur and the market fails.¹²¹

Mass digitisation and data mining demonstrate the problem with transaction costs. Such costs could include those needed to identify and locate the rightsholder, negotiate a price, and monitor and enforce the bargain.¹²² These costs would attach to every individual work copied. Because these technologies require the copying of hundreds or thousands of works, transaction costs are likely to exceed the benefit of the technology itself.

Because of this, transactions will not occur spontaneously. Therefore, enforcing copyright does not deprive the rightsholder of benefits he or she would otherwise receive. There is no injury to incentives. On the other hand, there is certainly harm caused to the potential copyright user who is denied access (as well as those who might benefit from the use).¹²³

Overall, an economic justification for copyright exceptions exists only where the desired, consensual transactions are unlikely to take place by themselves.¹²⁴ Because the market for data mining could “fail”, this supports the case for an exception.

4.2.2 *Benefits for the industries*

Benefits for the industries in relation to machine learning for production are most obvious in regards to editing and post-production. As mentioned under Part II, one of the key benefits is saving time and money. If machines can be used to automate some processes during editing and post-production, more resources can be spent on human creators and the truly creative aspects of production. This is especially true for the more technical aspects of editing which require little creative energy, such as eliminating backgrounds.

Overall, machine learning could make producing films less expensive. This makes it more likely that a film company will

break even on a film, thereby encouraging the production of films more generally.

However, the costs associated with developing and using data mining and machine learning technologies cannot be ignored. Given it is a youthful field of technology, the costs will likely be significant. A film company would first have to be willing to pay for people to design the software itself. Experts would need to be hired to run the mining process, explain the results, and use them to teach machines. Neither data mining nor machine learning are fully automated processes. They still require human contribution. Thus, the reduced costs from *using* data mining and machine learning may be dwarfed by the cost of actually *implementing* that technology.

Nonetheless, there are still considerable benefits on the marketing and distribution side of the industries.

Predictive analytics helps content creators decide where best to direct their energy and resources – namely, into projects that are very likely to be successful. Again, this could support business models in making it easier to break even. Distributors (including movie theatres and TV broadcasters) could also have the advantage of choosing which content to licence with greater confidence that it will be popular. Film companies spend millions of dollars promoting films. What if they spent that money only on films which were destined to be a success?¹²⁵

Data mining and machine learning can provide certainty that new content will be successful, making production a safer investment. Perhaps these technologies are not a threat to the industries, but rather a means of updating traditional business models to match the changing times.¹²⁶

4.3 *Arguments against an exception*

4.3.1 *The possibility of an emerging market*

In her seminal article, Gordon goes on to discuss how the US courts (in a fair use context) should consider the injury caused to the rightsholder by the defendant’s specific use. She emphasises that the court should address not only existing harm, but harm which is likely to occur.¹²⁷

There is a likelihood that transaction costs for data mining will decrease over time. At a certain point, transactions may indeed occur spontaneously. A licensing mechanism would then be desirable, and a copyright exception will not be needed. To create an exception would be to make permanent an otherwise curable market failure.¹²⁸

This point is especially true for new technologies. Data mining can be considered as a fairly new use. While transaction costs may be prohibitively high at present, over time rightsholders may wish to set up collective licensing systems specifically for data mining.¹²⁹ This chance that a

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functioning market could form in the future is an argument against the creation of an exception.

4.3.2 *Negative impact on the industries and the public*

Technological innovation is generally seen as socially desirable, and beneficial to the public. Data mining is a field that holds great potential in terms of uncovering hidden knowledge and improving the way businesses run. Its potential extends beyond only the film and television industries.¹³⁰

However, the exception proposed above is also potentially damaging to the industries, and to wider society. One of the most compelling arguments against a copyright exception is the consequent loss of originality. The fact that we *can* teach a machine how to write a script does not necessarily mean that we *should*.

Wellington filmmaker Costa Botes has spoken on the topic:

*What happens to human storytellers? Do they give up? Storytelling is the very essence of what it means to be human. The telling of stories beget culture. It's who we are ... Take that away from humans, and they become less human.*¹³¹

Botes argues that the human ability to imagine, create, and collaborate with one another is something that machines cannot (or should not) emulate. To do so would be to lose something of “what it means to be human”. While technology has transformed film production in positive ways, “the human factor remains central to all creative processes”. An exception is not necessary because true (human) creators do not need to plagiarise others in order to create.¹³²

In regards to predictive analytics, the writer-director Scott Frank describes that the question used to be “What is the best story we can tell?”, and now it is “What is the best story we can sell?”. The result is commercial success at the expense of originality.¹³³ Creating content based on what has already been successful makes investment safer. However, it may discourage human creators from striving for fresh ideas and innovative content, pushing the limits of their creativity. For the public, arguably one of the very functions of film and television is to challenge or provoke the audience. This function may disappear when audiences are simply prescribed content which has been commercially successful.

Practically, advances in machine learning could negatively impact employment opportunities. If a machine can be taught the job, why hire a human to do it? Though true machine autonomy may not be reached within the near future, it is nonetheless an important consideration.

Conversely, humans are still needed to make and run the machines. The use of machines may not be as beneficial as it seems. While a reduction in costs is a key benefit of machine learning, there will still be costs associated with paying for the technology and the machine learning experts. This in

turn could cause inequality within the industries, as only those with money to spare would be able to benefit from data mining and machine learning. Unless funding could be sourced elsewhere, smaller filmmakers would not be able to compete.

4.3.3 *A Google Books for film and television?*

Another concern with the exception is the possibility of a “Google Books” for the film and television industries. We saw under 3.3.3 that the US courts considered Google’s conduct to be a fair use. Would the same conclusion be met in the context of film and television? What would happen if a company like Google was able to mine films, make copies, and form a searchable database that was open to the public?

Such a database would likely affect traditional distribution methods in the industries. Movie theatres would be affected in that customers could choose to watch content from home rather than going to the cinema. Existing streaming service providers, such as Netflix, could also be affected. If a company like Google could gain access to *all* content, they would gain a monopoly over the market. Competition from Netflix and Amazon would be eliminated. The market for streaming services could diminish, which in turn impacts filmmakers and production companies who generate at least some revenue through licensing their content to these services.

A Google Books for film and television would certainly benefit the general public by making works widely available. However, this would likely be at the expense of distributors, exhibitors and creators.

In order to better balance these competing interests, certain restrictions might need to be implemented. In *Authors Guild*, the Court found that the “snippet” feature of Google Books ensured that the service did not provide a competing market substitute for the copyrighted books. In the context of film and television, ensuring that only short clips of films are available for viewing by the public would have a similar effect.

4.3.4 *Compliance with the “three-step test”*

Article 9(2) of the *Berne Convention for the Protection of Literary and Artistic Works* (as amended on 28 September 1979), opened for signature 9 September 1886 (entered into force 19 November 1984) (“Berne Convention”) contains a three-step test for exceptions to copyright.¹³⁴ This test has been incorporated into other international treaties, including the EU InfoSoc Directive and the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (“*Agreement on Trade-Related Aspects of Intellectual Property Rights*”).¹³⁵

Signatories to the *Berne Convention* are required to comply with this test when implementing a copyright exception. Each of the five countries analysed under Part III, as well as Australia, are signatories to the Convention.

Firstly, the exception should be restricted to “certain special cases”. Expanding the exception to include commercial as well as non-commercial purposes could raise doubts as to this first step of the test. Such an exception may be too broadly conceived, and no longer restricted to “certain special cases”.¹³⁶

Secondly, the exempted use should not conflict with the normal exploitation of the work. The exclusive rights under copyright can be understood as protecting the exploitation of a work. The “normal exploitation” of a work refers to the markets that the author is already addressing. It can also encompass markets that he or she is likely to develop in the future, and potential forms of exploitation that could become important.¹³⁷

The economic importance of data mining is set to grow.¹³⁸ This means that data mining, as a mode of exploitation, is also likely to grow and become of greater importance to rightsholders. Those most affected will likely be publishers and rightsholders in the fields of scientific research. However, there is also potential for data mining to become a significant market for creators in the film and television industries.

Data mining will conflict with the normal exploitation of the work where it competes with the ways that rightsholders usually expect to derive value from that work. The question is whether rightsholders in the film and television industries see data mining as one of the normal ways of exploiting their work. At the moment, they may not think this way. However with the rapid development of machine learning technologies, data mining may indeed become part of the normal exploitation of the work. If a licensing market for data mining developed, this would certainly undermine the legitimacy of any exception. Note however that the fact that licensing is practically feasible is not necessarily enough to show that mining is part of the “normal exploitation” of works.¹³⁹ Furthermore, 3.1 demonstrated that it is unlikely such a market would develop, given the sheer quantity of data required for mining and the consequent high transaction costs.

Thirdly, the use should not unreasonably prejudice the legitimate interests of the rightsholder. In order to avoid this prejudice, it may be necessary to pay compensation.¹⁴⁰ To do so could be sufficient justification to extend the exception to cover commercial purposes for data mining. Part V will explore how a compensation scheme could operate for data mining in the film and television industries.

Part V: Alternative Solutions: Compensation Schemes

5.1 *Why a compensation scheme?*

Compensation schemes are legal mechanisms which remove the need for direct authorisation of certain uses, while simultaneously ensuring that creators and rightsholders receive compensation.¹⁴¹ A rightsholder will sacrifice some of his or her rights in order to gain fair remuneration.¹⁴²

The use of digital copies of works (as required in data mining) is more difficult to track and monitor than the use of physical copies. This results in unauthorised usages, without any compensation to rightsholders.¹⁴³ A compensation scheme thus becomes more desirable — especially where traditional licensing is not an option.

Providing compensation is also desirable because it may encourage creators and rightsholders to invest in making their works available in usable, data mining-friendly formats.¹⁴⁴ This in turn will make it easier for data miners to carry out mining, and so support innovation and progress (two of the goals of copyright law itself).

Ultimately the provision of compensation could provide a better balance between the social utility of data mining and machine learning, and the rights of creators.

5.2 *Should compensation be mandatory?*

The first question in deciding how a compensation scheme could be implemented is whether the payment of compensation will be mandatory. The answer to this question would be incorporated into the wording of the exception for data mining, as outlined in 4.1.

5.2.1 *Non-mandatory compensation*

Jane C. Ginsberg has advanced two alternative approaches to compensation (in the context of US fair use).¹⁴⁵ She names a system of non-mandatory compensation the “licence it or lose it” approach. The exception would provide creators and rightsholders with no remuneration, unless there was a collective licence in place for the use and the user was reasonably aware of the licensing scheme.¹⁴⁶

Collective licensing would likely be facilitated through a collective management organisation, or “CMO”. Such organisations are authorised to manage rights under copyright on behalf of rightsholders.¹⁴⁷

The non-mandatory approach is better for data miners, because in some circumstances they will not be required to pay any compensation. For example, if the rightsholder is difficult to locate then a miner will be unable to ascertain whether a collective licence is in place. Mining can then be carried out freely, without fear of legal implication. Less money would be spent on compensating rightsholders, and perhaps this could be funnelled into developing mining or machine learning technologies instead.

Rightsholders would be worse off under this approach. The burden is placed on the rightsholder to organise collective licensing of certain uses. Furthermore, even if a collective licence *was* in place, if the data miner was not reasonably aware of this fact they may still be exempt from paying compensation.

5.2.2 *Mandatory compensation*

Ginsberg calls a system of mandatory remuneration the “use permitted, remuneration required” approach.¹⁴⁸ Here the exception would expressly make the payment of compensation to rightsholders mandatory.¹⁴⁹ Note that compensation might only be mandatory for mining for commercial purposes. Non-commercial data mining, as under the UK and proposed EU exceptions, would not require remuneration.

This approach is better for rightsholders. The burden now lies with the data miner to ensure that compensation is paid. Miners will be worse off, as they will need to allocate more resources into paying compensation. These could be quite significant sums depending on the rate of compensation and the extent of the data mining activity. For example, if mining was being carried out on thousands of works, and on a frequent basis, the payment of compensation will be a significant expense.

5.3 *How will compensation be distributed?*

Assuming that database owners will be responsible for distributing compensation to the individual rightsholder, there are different options as to how money will be transferred from the data miner.

One option is for a proportion of the existing subscription fees to be set aside as remuneration. This would likely require the fee to be increased. Alternatively, data miners could pay a lump sum to the database owner, which would then cover any remuneration.

Where data miners choose to mine the database as a whole, it is fair to split compensation equally between every rightsholder with work contained in the database. Compensation is paid for the act of copying the works itself, it is not reliant on the degree to which an individual work may have contributed to the output of a data mining process.

However, problems could arise where only part of the database is mined. It may be difficult to distinguish which works were or were not copied. This is particularly true if the mined data was chosen on the basis of some specific criteria – picking only horror films out of a general film database, for example. Database owners would need to conceive of some way of only paying compensation to those rightsholders whose works were indeed copied. Otherwise, rightsholders might receive compensation even where their works have not been copied.

5.4 *How will compensation be calculated?*

Another concern is how much compensation should be paid. In the context of data mining, market failure means that this would not be compensation for a lost licensing opportunity, but rather because data mining should not be free. The rightsholder whose work is being mined should be acknowledged and remunerated, despite the lack of a functioning market.

Calculating exactly how much compensation should be awarded is a difficult question. It would likely differ from case to case, depending on the number of works mined, the extent of the mining, and the outcome of the mining. Following are two possible methods of calculation.

Firstly, compensation could be proportional to the revenues generated through the data mining/machine learning process.¹⁵⁰ The amount paid by the data miner to the database owner would differ depending on individual mining projects. For this reason payment would probably be made as a lump sum, as opposed to an ongoing fee included within the subscription fee.

This approach could be difficult given the many different purposes for which data mining can be used in the film and television industries. It is also problematic in that some data mining processes, though they have commercial motivations, will not actually generate revenue. For example, data might be mined in order to train a machine how to edit film clips. What happens if the results of the mining don't work, and the machine fails to learn? There would be no profit made from that individual mining process. Data miners might need to carry out multiple mining processes before they reach a successful result capable of generating profit.

Alternatively, compensation could be set based on whether it is considered “adequate”.¹⁵¹ The amount would be negotiated between the data miner and database owner. It could be paid either as a lump sum or as part of the subscription fee.

“Adequacy” of compensation would depend on what is customary and fair in business (ie. how much other people are paying), and the scope of the data mining which is being carried out.¹⁵² For example, if a data miner is paying compensation for a one-off instance of data mining, compensation could be set lower, and paid as a lump sum. Alternatively if the data miner is mining repeatedly or on a regular basis, a greater sum might be required, and would probably be paid continuously through the subscription fee.¹⁵³

Conclusions

This article does not seek to propose a fully-formed solution for data mining in the film and television industries. However, using the exception suggested in Part IV, I would argue that a provision for mandatory compensation would provide greater certainty in the law.

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This is primarily because the proposed exception requires that the data miner already have lawful access to the work. This will usually mean that the work is already contained within a database, to which the data miner is subscribed. As the database owner has already been licensed to include the rightsholder's work in the database, it should be easier to feed remuneration back into their hands. Issues in locating rightsholders will be lessened.

The general process of paying compensation would be simpler. Data miners would only need to communicate with the relevant database owners to which they are subscribed, rather than contacting what could be numerous CMOs. There would be no question of whether the data miner ought reasonably to have known that a certain mined work was collectively licensed.

Greater certainty in the law benefits data miners in that they can be sure that the exception will protect them from liability. The costs associated with mining may increase, but at least there will be more freedom in carrying out the mining itself. Rightsholders' interests are given sufficient weight in that compensation is mandatory. The competing interests are thus appropriately balanced.

Overall, an exception like this would offer the film and television industries increased freedom to mine data, as they will not have to seek additional permission or communicate with large numbers of rightsholders. Budgets would need to be adjusted so that the appropriate licences to view data can be obtained. But after that "lawful access" is gained, no further action is required to then mine that data (unless the exception has been waived by contract).

For rightsholders, the provision of mandatory compensation helps to recognise their effort in creating works. Because the exception is waivable, more power is given to database owners, and the potential for new markets to develop is protected. At present, this exception should do little damage to incentives, because data mining is not considered part of the normal exploitation of works. However, the legal framework may have to be adapted if in the future, data mining does become a significant form of revenue for creators and rightsholders.

By reforming the law, film and television companies will be encouraged to investigate data mining, develop technologies, and even propose new applications of data mining and machine learning. Reform under the current reviews in Australia and New Zealand will ensure these countries stay up to date with global technological and legal developments. Likely results include the production process of film and television becoming more economical and efficient. The creative potential of machines will also be explored. What is most important is that the creative potential of humans is not forgotten in the process. Machines are still far from being autonomous, and the human element remains vital.

- 1 Eloise Chin is a BA/LLB (Hons) student at Victoria University of Wellington. This article won third prize in the 2018 John McLaren Emmerson QC Essay Prize.
- 2 See Rich Haridy, 'Can A.I. write a Hollywood film?' (4 August 2016) *New Atlas* <<https://newatlas.com>>.
- 3 See Debra Kaufman *Artificial Intelligence Comes to Hollywood* (18 April 2017) studiodaily <www.studiodaily.com>.
- 4 See Kim Arlington 'Artificial intelligence input into film script aims to shake up industry with Impossible Things' *The Sydney Morning Herald* (online) 28 August 2016 <www.smh.com.au>.
- 5 See Margot O'Neill *Explainer: What is artificial intelligence?* (8 August 2017) ABC News <www.abc.net.au>. AI funding has been doubling every two years, and AI's financial backers include many of the world's biggest companies including Google, Facebook and Apple.
- 6 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 17.
- 7 Maurizio Borghi and Stavroula Karapapa *Copyright and Mass Digitization* (Oxford University Press, Oxford, 2013) 47.
- 8 B. J. Copeland *artificial intelligence (AI)* (12 January 2017) Encyclopaedia Britannica <www.britannica.com>.
- 9 Andres Guadamuz 'Do androids dream of electric copyright? Comparative analysis of originality in artificial intelligence generated works' (2017) 2 *Intellectual Property Quarterly* 169, 171.
- 10 Liane Colonna 'A Taxonomy and Classification of Data Mining' (2013) 16 *Southern Methodist University Science and Technology Law Review* 309, 320.
- 11 Andres Guadamuz 'Do androids dream of electric copyright? Comparative analysis of originality in artificial intelligence generated works' (2017) 2 *Intellectual Property Quarterly* 169, 171.
- 12 Vishal Maini *Machine Learning for Humans* (20 August 2017) Medium <<https://medium.com/>>.
- 13 See 2.3.2.
- 14 World Intellectual Property Organization *Guide on Surveying the Economic Contribution of the Copyright Industries* (World Intellectual Property Organization, Geneva, 2015) 22.
- 15 World Intellectual Property Organization *Guide on Surveying the Economic Contribution of the Copyright Industries* (World Intellectual Property Organization, Geneva, 2015) 23.
- 16 *Copyright Act* 1994 (NZ), ss.94 and 98.
- 17 See World Intellectual Property Organization *Berne Convention for the Protection of Literary and Artistic Works* (World Intellectual Property Organization, Geneva, 1982), art 2(1).
- 18 See *Copyright Act* 1994 (NZ), s.14.
- 19 *Desktop Marketing Systems Pty Ltd v Telstra Corporation Limited* [2002] FCAFC 112, [409].
- 20 Ian Hargreaves *Digital Opportunity: A Review of Intellectual Property and Growth* (UK Department for Business, Innovation & Skills, Independent Report 11/968, May 2011) [1.3].
- 21 World Intellectual Property Organization *Guide on Surveying the Economic Contribution of the Copyright Industries* (World Intellectual Property Organization, Geneva, 2015) 23.
- 22 See *EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society*, Art 2: "The Member States shall provide for the exclusive right to authorise or prohibit direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part ...".
- 23 Ian Hargreaves *Digital Opportunity: A Review of Intellectual Property and Growth* (UK Department for Business, Innovation & Skills, Independent Report 11/968, May 2011) [5.5].
- 24 *Copyright Act* 1994 (NZ), ss.44-49, 51-57A.
- 25 Ian Hargreaves *Digital Opportunity: A Review of Intellectual Property and Growth* (UK Department for Business, Innovation & Skills, Independent Report 11/968, May 2011) [5.5]. Article 13 of the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C ('*Agreement on Trade-Related Aspects of Intellectual Property Rights*') requires copyright exceptions to comply with a three-step test: "Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder." See also 4.3.4.
- 26 See Part III for how data mining conflicts with the specific legislation of different jurisdictions.

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- 27 Interview with Bing Xue, Senior Lecturer, School of Engineering and Computer Science (Wellington, 21 December 2017).
- 28 Interview with Bing Xue, Senior Lecturer, School of Engineering and Computer Science (Wellington, 21 December 2017); De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 28.
- 29 Interview with Bing Xue, Senior Lecturer, School of Engineering and Computer Science (Wellington, 21 December 2017). See also 3.5.1 and 3.8.2: Current Japanese and UK data mining exceptions take for granted that the mining process does involve some form of copying. There may be some examples of data mining where copies are not made, for example where the mining software “crawls” through the data, processing each item separately without actually making copies – see Irini A. Stamatoudi “Text and Data Mining” in *New developments in EU and international copyright law* (Wolters Kluwer, New York, 2016) 251, 261.
- 30 FutureTDM *Baseline report of policies and barriers of TDM in Europe* (FutureTDM, April 2017) 19.
- 31 FutureTDM *Baseline report of policies and barriers of TDM in Europe* (FutureTDM, April 2017) 19. Nor would such data, on its own, be protected by the sui generis right (see 3.4.2). Article 9(2) of the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (“*Agreement on Trade-Related Aspects of Intellectual Property Rights*”) states that copyright shall not extend to “ideas, procedures, methods of operation or mathematical concepts as such”.
- 32 *Copyright Act* 1994 (NZ) s.2.
- 33 Jacob Brogan *An Artificial Intelligence Scripted This Short Film, but Humans Are Still the Real Stars* (9 June 2016) Slate <www.slate.com>.
- 34 Annalee Newitz *Movie written by algorithm turns out to be hilarious and intense* (9 June 2016) arstechnica <<https://arstechnica.com>>.
- 35 Deb Ray *Generative AI for Content Creation* (29 September 2017) Data Skeptic <<https://dataskeptic.com>>. Another example is Greenlight Essential’s “*Impossible Things*”, the first AI co-written, full-length film script. A database of scripts was used to teach a machine how to generate ideas for new scripts. While the machine did not write the script itself, it did generate the initial premise and essential plot points of film. From there, human creators developed the story. See Jeff Rivera *In the Near Future, Will Robots Take Over Hollywood?* (9 September 2016) Huffington Post <www.huffingtonpost.com>; Shelly Kramer *Machine Learning Already Changing the Entertainment Industry* (7 November 2016) Futurum Research <<https://futurumresearch.com>>.
- 36 Deb Ray *Data Science and AI in Film Production* (30 September 2017) Towards Data Science <<https://towardsdatascience.com>>.
- 37 Sergey Bludov *Is Artificial Intelligence Poised to Revolutionize Hollywood?* (17 August 2017) Medium <<https://medium.com>>.
- 38 Sergey Bludov *Is Artificial Intelligence Poised to Revolutionize Hollywood?* (17 August 2017) Medium <<https://medium.com>>.
- 39 Debra Kaufman *Artificial Intelligence Comes to Hollywood* (18 April 2018) Studio Daily <www.studiodaily.com>.
- 40 Tom Huddleston Jr *A Computer is Deciding What Movies You’re Going to Watch Next* (21 April 2017) Fortune <www.fortune.com>.
- 41 Nathan McAlone *This startup uses artificial intelligence to predict whether a Hollywood film will be a hit or a flop – just by scanning the script* (30 July 2015) Business Insider Australia <www.businessinsider.com.au>.
- 42 See Dr. Nir Tzchar, PhD. *Vault’s Algorithms Used Only Screenplays As An Input To Predict The North American Box Office*. (29 October 2017) Vault <www.vaultml.com>; Michael T. Lash and Kang Zhao ‘Early Predictions of Movie Success: the Who, What, and When of Profitability’ (2016) 33 *Journal of Management Information Systems* 874.
- 43 *Artificial intelligent screenplay analysis and box office forecasts* ScriptBook <www.scriptbook.io>.
- 44 Predictive analytics can also be used by distributors (including online streaming businesses such as Netflix), to aid in the process of deciding which content to license and distribute.
- 45 Siraj Datoo ‘How Netflix uses your data to work out what you want it to commission’ *The Guardian* (online) 1 March 2014 <www.theguardian.com>.
- 46 Siraj Datoo ‘How Netflix uses your data to work out what you want it to commission’ *The Guardian* (online) 1 March 2014 <www.theguardian.com>.
- 47 Phil Simon *Big Data Lessons from Netflix* Wired <www.wired.com>. See also Nick Nelson *The Power of a Picture* (3 May 2016) Netflix Media Center <<https://media.netflix.com>>; Gopal Krishnan *Selecting the best artwork for videos through A/B testing* (3 May 2016) The Netflix Tech Blog <<https://medium.com>>.
- 48 Christian Geib *From infringement to exception: why the rules on data mining in Europe need to change* (Working Paper 2016/07, CREATE, June 2016) 28.
- 49 Christian Geib *From infringement to exception: why the rules on data mining in Europe need to change* (Working Paper 2016/07, CREATE, June 2016) 29.
- 50 See 4.2.1 for further discussion of the “market failure” argument.
- 51 Examples of key international treaties include the *Berne Convention for the Protection of Literary and Artistic Works* (as amended on 28 September 1979), opened for signature 9 September 1886 (entered into force 19 November 1984) and the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (“*Agreement on Trade-Related Aspects of Intellectual Property Rights*”). See discussion of the Berne Convention at 4.3.4.
- 52 *Copyright Act* 1976 (US) s.107.
- 53 *Copyright Act* 1976 (US) s.107.
- 54 *Harper & Row Publishers Inc v Nation Enter* 471 US 539 (1985), 562.
- 55 See *Campbell v Acuff-Rose Music* 510 US 569 (1994).
- 56 See Pierre N. Leval ‘Toward a Fair Use Standard’ (1990) 103 *Harvard Law Review* 1105.
- 57 See *Cariou v Prince* 714 F 3d 694, 706 (2d Circ 2013).
- 58 *Kienitz v Scornie Nation* 766 F 3d (7th Circ 2014), 6.
- 59 *Kienitz v Scornie Nation* 766 F 3d (7th Circ 2014), 4.
- 60 See B. Beebe ‘An Empirical Study of US Copyright Fair Use Opinions’ (2009) 156 *University of Pennsylvania Law Review* 549.
- 61 *Authors Guild v Google, Inc.* 804 F 3d 202 (2d Circ 2015), 33–34.
- 62 B. Beebe ‘An Empirical Study of US Copyright Fair Use Opinions’ (2009) 156 *University of Pennsylvania Law Review* 549, 617.
- 63 *Campbell v Acuff-Rose Music* 510 US 569 (1994), 591.
- 64 T Randolph Bard, George S Ford and Michael Stern *Fair Use in the Digital Age* (Phoenix Center for Advanced Legal & Economic Public Policy Studies, Policy Paper Number 51, September 2016) 10.
- 65 *Campbell v Acuff-Rose Music* 510 US 569 (1994), 586.
- 66 *Harper & Row Publishers Inc v Nation Enter* 471 US 539 (1985), 563.
- 67 *Authors Guild v Google, Inc.* 804 F 3d 202 (2d Circ 2015), 29.
- 68 *Authors Guild v Google, Inc.* 804 F 3d 202 (2d Circ 2015), 29.
- 69 *Authors Guild v Google, Inc.* 804 F 3d 202 (2d Circ 2015), 7.
- 70 See Authors Guild Petition for a Writ of Certiorari in the Supreme Court of the United States (31 December 2015); Mark Robertson and F. Jay Dougherty *Authors Guild vs. Google: Fair Use or Foul Play* (6 September 2014) LA Review of Books <<https://lareviewofbooks.org>>; David Chavern *Authors Guild v. Google Ruling: An Expansive View of Fair Use* (3 May 2016) Huffington Post <www.huffingtonpost.com>.
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- 72 See Authors Guild Reply Brief to Google’s Opposition Brief in the Supreme Court of the United States (15 March 2016) 9; Mark Robertson and F. Jay Dougherty *Authors Guild vs. Google: Fair Use or Foul Play* (6 September 2014) LA Review of Books <<https://lareviewofbooks.org>>.
- 73 EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society, art 2.
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- 75 John Schranz *Parliament adopts its position on digital copyright rules* (12 September 2018) European Parliament <www.europarl.europa.eu>.
- 76 *Infopaq International A/S v Danske Dagblades Forening* (C-5/08) [2009] ECR I-6569, [54]–[55].
- 77 *Infopaq International A/S v Danske Dagblades Forening* (C-5/08) [2009] ECR I-6569, [64].
- 78 FutureTDM *Baseline report of policies and barriers of TDM in Europe* (FutureTDM, April 2017) 28.
- 79 Irini A. Stamatoudi ‘Text and Data Mining’ in Irini A. Stamatoudi (ed) *New developments in EU and international copyright law* (Wolters Kluwer, New York, 2016) 251, 270; Interview with Bing Xue, Senior Lecturer, School of Engineering and Computer Science (Wellington, 21 December 2017).
- 80 See De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 45-50 for a more detailed analysis.

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- 81 See *EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society*, Art 5(2)(c): “Commercial purposes” is described as “for any direct or indirect economic or commercial advantage”.
- 82 *EU Directive 96/9/RC on the legal protection of databases*, Art. 7.
- 83 *EU Directive 96/9/RC on the legal protection of databases*, Art. 7(1).
- 84 Irini A. Stamatoudi ‘Text and Data Mining’ in Irini A. Stamatoudi (ed) *New developments in EU and international copyright law* (Wolters Kluwer, New York, 2016) 251, 265.
- 85 *EU Directive 96/9/RC on the legal protection of databases*, Art. 7(2)(a).
- 86 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 38.
- 87 *EU Directive 96/9/RC on the legal protection of databases*, Art. 8(1); Irini A. Stamatoudi ‘Text and Data Mining’ in *New developments in EU and international copyright law* (Wolters Kluwer, New York, 2016) 251, 280. Also see De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 79: a “lawful user” is a person who has legitimate access to a database, either through a contract which does not prohibit data mining or through an exception.
- 88 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 79.
- 89 *Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market COM (2016) 593, 2016/0280 (COD)*.
- 90 Danny O’Brien *Article 13 and 11 Update: Even the Compromises are Compromised In This Copyright Trainwreck* (18 January 2019) Electronic Frontier Foundation <www.eff.org>.
- 91 *Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market COM (2016) 593, 2016/0280 (COD)*, Art 3(1).
- 92 *Copyright, Designs and Patents Act 1988 (UK)*, ss.16(1) and 17.
- 93 See *Copyright, Designs and Patents Act 1988 (UK)*, ss.28A and 29. These exceptions reflect those in the InfoSoc Directive, and are unhelpful for the same reasons (see 3.4.1).
- 94 Ian Hargreaves *Digital Opportunity: A Review of Intellectual Property and Growth* (UK Department for Business, Innovation & Skills, Independent Report 11/968, May 2011).
- 95 John Kelly *The text and data mining copyright exception: benefits and implications for UK higher education* (9 February 2016) Jisc <www.jisc.ac.uk>. Also see Intellectual Property Office *Exception for copying of works for use by text and data analytics* (Impact Assessment BIS0312, December 2012).
- 96 See also *Copyright Act 1994 (NZ)*, s.30.
- 97 See *Television New Zealand v Newsmirror Services Ltd* [1994] 2 NZLR 91 (HC), 106, Ministry of Business, Innovation and Employment *Issues Paper: Review of the Copyright Act 1994* (November 2018) [302].
- 98 *Copyright Act 1994 (NZ)*, s.43(3).
- 99 See 3.2.2 and 3.2.3.
- 100 See Ministry of Business, Innovation and Employment *Review of the Copyright Act 1994* (Terms of Reference, June 2017).
- 101 See Ministry of Business, Innovation and Employment *Copyright in the Creative Sector* (December 2016).
- 102 Ministry of Business, Innovation and Employment *Copyright in the Creative Sector* (December 2016) 6, Ministry of Business, Innovation and Employment *Issues Paper: Review of the Copyright Act 1994* (November 2018) [296]–[298].
- 103 See further, the New Zealand update by Andrew Brown which appears in the ‘Current Developments’ section of this issue of *Intellectual Property Forum*.
- 104 Australian Law Reform Commission *Copyright and the Digital Economy* (13 February 2014) [11.58] – [11.59].
- 105 Australian Law Reform Commission *Copyright and the Digital Economy* (13 February 2014) [11.74].
- 106 Australian Law Reform Commission *Copyright and the Digital Economy* (13 February 2014) [11.76] and [11.80].
- 107 Christian Troncoso *Copyright Proposal Threatens to Undermine Europe’s AI Ambitions* (5 September 2018) BSA TechPost <<https://techpost.bsa.org>>.
- 108 See *Japan Copyright Act*, art 47-4: “Information analysis” means to extract information (including languages, sounds, images) from works, and to make a “comparison, classification or other statistical analysis” of that information.
- 109 See Subdivision on Copyright of the Council for Cultural Affairs Japan ‘Exceptions to copyright protection and the permitted uses of copyright works in the hi-tech and digital sectors’(Q216B, May 2011) 9: website information analysis and video/image analysis are given as examples of “information analysis” which would be covered by the Japanese exception.
- 110 One limitation is that the exception excludes information analysis carried out on works in databases created specifically for mining purposes. “database works which are made for use by a person who makes an information analysis”. This would prevent the exception from damaging whatever market exists (or may develop in the future) for data mining-specific databases.
- 111 Christian Troncoso *Copyright Proposal Threatens to Undermine Europe’s AI Ambitions* (5 September 2018) BSA TechPost <<https://techpost.bsa.org>>.
- 112 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 98.
- 113 See 2.1.
- 114 See 3.4.5 and the ambiguity behind the EU’s proposed data mining exception.
- 115 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 105.
- 116 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600.
- 117 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1601.
- 118 HM Treasury ‘The Green Book: Appraisal and Evaluation in Central Government’(London, TSO, 2003) 51.
- 119 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1605.
- 120 HM Treasury ‘The Green Book: Appraisal and Evaluation in Central Government’(London, TSO, 2003) 51.
- 121 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1608 and 1628.
- 122 Martin Kretschmer ‘Private Copying and Fair Compensation: An empirical study of copyright levies in Europe’ (WIPO, 2011) 57.
- 123 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1618.
- 124 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1615.
- 125 See Graham Winfrey *Why the Movie Business is Long Overdue for Disruption* (26 October 2015) Inc. <www.inc.com>: “There is no question that the theatrical distribution model is about as inefficient as any [business model] that exists,” says film producer John Sloss, “both in terms of knowing who the audience is and filling seats.”
- 126 See Paul Bond *Steven Spielberg Predicts ‘Implosion’ of Film Industry* (12 June 2013) The Hollywood Reporter <www.hollywoodreporter.com>: While speaking at the University of Southern California School of Cinematic Arts, Spielberg said “That’s the big danger, and there’s eventually going to be an implosion – or a big meltdown. There’s going to be an implosion where three or four or maybe even a half-dozen megabudget movies are going to go crashing into the ground, and that’s going to change the paradigm.”. Could machine learning help prevent such an implosion?
- 127 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1620.
- 128 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1620.
- 129 Wendy J.Gordon ‘Fair Use as Market Failure; A Structural and Economic Analysis of the *Betamax* case and its Predecessors’ (1982) 82 *Columbia Law Review* 1600, 1621.
- 130 See Dr Diane McDonald and Ursula Kelly *Value and benefits of text mining* (7 June 2017) Jisc <www.jisc.ac.uk>; McKinsey & Company *Big data: The next frontier for innovation, competition, and productivity* (May 2011): MGI predicted that effective and creative use of large data sets in the US health care sector could generate more than US\$300 billion in value per annum and reduce national health care expenditures by around 8 percent. In the UK the government intends to release anonymised NHS records to life sciences companies, in the expectation that research using these data could give earlier access to valuable and innovative treatments for patients, as well as significant, potentially world-leading, innovation, within the UK life sciences industry.
- 131 Interview with Costa Botes, filmmaker (Phone Interview, 14-15 December 2017).

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- 132 Interview with Costa Botes, filmmaker (Phone Interview, 14-15 December 2017).
- 133 Ben Johnson *Straight Outta Compton's Success – Countering Blockbuster Economics* (21 August 2015) Medium <<https://medium.com>>.
- 134 *Berne Convention for the Protection of Literary and Artistic Works* (as amended on 28 September 1979), opened for signature 9 September 1886 (entered into force 19 November 1984) art 9(2).
- 135 *EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society*, Art. 5(5). The article states that any exception can only be applied “in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightsholder”. See also *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*), Art. 13. While the original Berne three-step test was confined to exceptions to the right of reproduction, in the TRIPS Agreement the test applies to exceptions to any of the exclusive rights.
- 136 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 101.
- 137 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 102.
- 138 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 102.
- 139 Maurizio Borghi and Stavroula Karapapa *Copyright and Mass Digitization* (Oxford University Press, Oxford, 2013) 68.
- 140 De Wolf & Partners *Study on the legal framework of text and data mining (TDM)* (European Union, March 2014) 103.
- 141 João Pedro Quintais ‘Alternative compensation models for large-scale non-commercial online uses’ (paper presented to the ALAI International Congress – 50 Years of the German Copyright Act: REMUNERATION FOR THE USE OF WORKS – Exclusivity vs. Other Approaches, Bonn, June 18–20, 2015) 1.
- 142 Raman Mittal ‘Mechanisms to Make End-users of Copyrighted Works Pay Through Levy and DRM’ in Kung-Chung Liu and Reto M. Hilty (eds) *Remuneration of Copyright Owners* (Springer-Verlag Berlin Heidelberg, 2017) 115, 116.
- 143 Raman Mittal ‘Mechanisms to Make End-users of Copyrighted Works Pay Through Levy and DRM’ in Kung-Chung Liu and Reto M. Hilty (eds) *Remuneration of Copyright Owners* (Springer-Verlag Berlin Heidelberg, 2017) 115, 116.
- 144 Diana Cocoru and Mirko Boehm *An analytical review of text and data mining practices and approaches in Europe* (Openforum Europe, 1 May 2016) 17.
- 145 Jane C. Ginsburg ‘Fair Use For Free, or Permitted-but-Paid’ (Working Paper No. 481, Columbia Law School, June 2014).
- 146 Jane C. Ginsburg ‘Fair Use For Free, or Permitted-but-Paid’ (Working Paper No. 481, Columbia Law School, June 2014) 30.
- 147 See *EU Directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market*, Art. 3(a).
- 148 Jane C. Ginsburg ‘Fair Use For Free, or Permitted-but-Paid’ (Working Paper No. 481, Columbia Law School, June 2014) 31–32.
- 149 An example of this approach already exists by way of the EU exception for private copies. This exception is found in Art 5(2)(b) of the InfoSoc Directive. It allows reproductions to be made for private use and for non-commercial ends, on condition that rightsholders receive fair compensation. See *EU Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society*, Art 5(2)(b).
- 150 Agnés Lucas-Schloetter ‘The remuneration of authors and performers in copyright contract law’ in Paul Torremans (ed) *Research Handbook on Copyright Law* (Edward Elgar Publishing Limited, Gloucestershire, 2017) 254, 256.
- 151 Agnés Lucas-Schloetter ‘The remuneration of authors and performers in copyright contract law’ in Paul Torremans (ed) *Research Handbook on Copyright Law* (Edward Elgar Publishing Limited, Gloucestershire, 2017) 254, 257.
- 152 Agnés Lucas-Schloetter ‘The remuneration of authors and performers in copyright contract law’ in Paul Torremans (ed) *Research Handbook on Copyright Law* (Edward Elgar Publishing Limited, Gloucestershire, 2017) 254, 259.
- 153 Agnés Lucas-Schloetter ‘The remuneration of authors and performers in copyright contract law’ in Paul Torremans (ed) *Research Handbook on Copyright Law* (Edward Elgar Publishing Limited, Gloucestershire, 2017) 254, 259.

A New World Standard? Why Australian Businesses Should be Ensuring their Compliance with the EU *General Data Protection Regulation*

Elizabeth Englezos¹

Introduction

The *General Data Protection Regulation* (“GDPR”)² was the product of a revolutionary process of law-making in the European Union (“EU”). The GDPR is designed to accommodate transborder flows of information and to apply equally regardless of jurisdiction. The extra-territorial scope of the GDPR requires countries and organisations outside the EU to understand and even adopt GDPR-compliant processes in order to retain access to EU data. The result is a GDPR that intends and possibly hopes to be de facto adopted worldwide. At the very least, the GDPR will shape and inform advancements in information law for years to come, and become a foundational part of information and privacy law. Anyone processing or controlling EU data will need to be compliant with GDPR obligations.³

While the similarities with Australian legislation such as the *Privacy Act* 1988 (Cth) (“Privacy Act”) and development of new legislation such as the proposed *Data Sharing and Release Act* and the new Consumer Data Right proposed by the Australian Competition and Consumer Commission (“ACCC”) (in response to the 2017 Productivity Commission Report on Data Availability and Use) may bring Australian law into closer alignment with GDPR requirements, other government reforms such as the *Telecommunications and Other Legislation Amendment (Assistance and Access) Act* 2018 seem to prevent the negotiation of any overarching agreements between Australia and the EU in the near future. Australia is currently negotiating a free-trade agreement with the EU. As a block, the EU is Australia’s second largest trading partner, third largest export destination, and second largest services market. The EU was also Australia’s largest source of foreign investment in 2017.⁴ This means that Australia can ill afford to ignore the GDPR. However, exemptions or concessions created under this agreement will not enter into force in the immediate future.⁵ Proactive adoption of GDPR-compliant mechanisms now will prepare Australian businesses for inevitable changes to Australian privacy and consumer policies,⁶ enable continued access to crucial EU data and markets, reduce the risk of hefty penalties and sanctions for failing to meet GDPR requirements, and may help counter any shortfall between Australian legislative protections and GDPR requirements.

To provide a proper understanding of the GDPR, this article traces its evolution and attendant controversies, as well as the new protections and safeguards created by the GDPR. As Australia remains a net importer of useful and exploitable information through the global information infrastructure, the GDPR is arguably current best practice for Australian businesses and the factors that influenced the GDPR’s

development are particularly salient. In the *Data Availability and Use* report, the Australian Productivity Commission noted that Australia is:

... too small a country to stem or redirect the global tide of data generation, sharing and use [and cannot] exert much control over what large companies that collect Australian’s data do with it ...⁷

In order to continue Australia’s tradition of globally-focused trade and engagement, understanding the origins, evolution and requirements of the GDPR will be critical to our ongoing participation in the lucrative and substantial EU market.

The article is structured as follows: the next part provides a brief snapshot of the current and emergent privacy and data legislation within Australia followed by a chronological overview of the development of the GDPR including the foundational directives, guidelines and cases that contributed to the regulation in its present form. The following discussion analyses the extraterritorial scope of the GDPR and the lack of clarity regarding its precise application and then reviews some of the more contentious aspects of the GDPR during its development. The article then considers the implementation of GDPR protections in third countries and reviews the updated privacy policies of both Google and Fitbit as case studies to illustrate the impact of the GDPR. The article concludes that the GDPR provides a best practice standard which will guide current and future information exchange policies and notes that implementation is not impossibly complex. By adopting GDPR compliant policies now, Australian business can ensure continued access to EU data while at the same time preparing for future Australian Law Reforms.⁸

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Australia's Data and Privacy Protections

The Privacy Act remains the key legislation regarding individual privacy and data protection rights for Australians. The 2017 Productivity Commission report on *Data Availability and Use* identified several important areas for further privacy reforms including a creation of new consumer rights that provide greater insight and control over how an individual's personal data is collected and used, the right to view and edit their personal data held by others, and a right to receive or transfer a copy of their personal data to a nominated third party.⁹ The Commission also proposed new legislation, the *Data Sharing and Release Act*, to streamline data and privacy protection law and to provide a broad-reaching framework capable of extending beyond current technologies and policies and allows for a scalable approach that ensures the protections offered are proportionate to the sensitive (or non-sensitive) nature of the data involved.¹⁰ Further amendments to the Privacy Act

in February 2018 expanded these protections to include a notifiable data breach scheme and now requires Australian businesses to notify consumers in the event of any data access or disclosure which is "likely to result in serious harm to any of the individuals to whom the information relates".¹¹ In May 2018, the Australian Government responded to the Productivity Commission report by introducing a new Consumer Data Right ("CDR") which began with the banking, electricity and telecommunications sectors before rolling out to other market sectors over time.¹² The CDR will allow consumers to request access to their personal data, as well as its transfer to third parties on their behalf.¹³ While there are many parallels between Australian protections and the GDPR, there are also significant differences between the two, particularly in the application of their "GDPR-equivalent" provisions. The following table outlines the key differences between the GDPR and Australia's current privacy laws.¹⁴

	General Data Protection Regulation	Privacy Act 1988 (Cth)
Who does it apply to?	<p>Controllers or processors of data:</p> <ul style="list-style-type: none"> with an establishment in the EU; or, outside the EU that offer goods or services to individuals in the EU, or that monitor the behaviour of individuals in the EU. <p>There are no exemptions for small businesses.</p>	<p>Government agencies.</p> <p>Private sector and not-for-profit organisations which are:</p> <ul style="list-style-type: none"> incorporated in Australia or which carry on a business in Australia; and, collect personal information on Australians or hold that information within Australia <p>Does not apply to organisations with an annual turnover less than AU\$3 million.</p> <p>Includes private health service providers and some small businesses.</p>
What data is covered?	Personal data – any data or information relating to an identified or identifiable person.	Personal information – includes information or opinions about identifiable individuals or an individual who is reasonably identifiable.
Quality of consent	<p>Must be:</p> <ul style="list-style-type: none"> freely given, specific and informed; indicative of an unambiguous indication of the data subject's wishes; and given in the form of a statement or clear affirmative action 	<p>Must be:</p> <ul style="list-style-type: none"> gained after individual has been adequately informed of the purposes for data collection; given by someone capable of giving and communicating their consent; voluntary; and current and specific to the purposes for collection.
Rights of data subject	<p>Rights include:</p> <ul style="list-style-type: none"> right to erasure or rectification (art 17); data portability; and right to object to the collection of their data. 	<p>At present, no equivalent rights exist in Australia, however, the Productivity Commission has recommended that Australians should have greater insight and control over how their data is used and recommends:</p> <ul style="list-style-type: none"> a right to view collected data and request edits;¹⁵ and a right to receive a machine-readable copy of their information or to have that information passed on to a nominated third party.¹⁶ <p>The new Consumer Data Right¹⁷ will have some applications similar to the right of data portability as provided by Article 20 of the GDPR.</p>

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	General Data Protection Regulation	Privacy Act 1988 (Cth)
Overseas transfer of information or data	Permitted in limited circumstances such as: <ul style="list-style-type: none"> • where receiving country is deemed to be “adequate” and thereby provides sufficient data protections; • where receiving company or organisation applies the “standard data protection clauses” or “Binding Corporate Rules”; or • where receiving entity follows an approved code of conduct or has received prior certification. 	Before disclosing personal information, the business must ensure that the recipient will not breach the Australian Privacy Principles. Should the recipient breach any of the Australian Privacy Principles, the entity transferring the information is accountable for the breach.
Notification of Data Breaches	Data Breach notifications are mandatory for controllers and processors under arts 33—34	Amendments to the Privacy Act now mandate reporting where a data breach has occurred and is likely to result in a real risk of harm to the data subject. ¹⁸
Accountability and governance	Controllers must: <ul style="list-style-type: none"> • implement sufficient and appropriate technical measures to ensure data is protected and business operations remain GDPR compliance; • appoint a data protection officer; and • undertake compulsory data protection impact assessments. 	Organisations must: <ul style="list-style-type: none"> • take reasonable steps to ensure compliance with Australian Privacy Principles; and • appoint key roles and responsibilities to facilitate privacy management and conduct privacy impact assessments.
Sanctions	Fines of up to EU€10-20 million or 2-4 percent of annual turnover (which ever is greatest).	Facilitative, investigative and enforcement powers to ensure compliance are set out in the Privacy Act Parts IV and V.

Having now identified the key differences between the GDPR and Australian law as well as the areas of Australian law ear-marked for review, this article will now examine the evolution of the GDPR and its structure before focussing more deliberately on the GDPR’s expanded scope and the increased protections which differentiate the GDPR from current Australian data protection law.

The evolution of the GDPR

The evolution of the GDPR was a slow and deliberate process guided by privacy ideals and shaped gradually by reforms, legal challenges and case law. The GDPR came into effect on 26 May 2018.¹⁹ The GDPR intends to be “future-proof” and remain “technologically neutral and fit for innovation”, thereby ensuring “that the fundamental right to personal data protection is guaranteed for all”.²⁰ To address the vast prevalence of modern technology,²¹ the GDPR builds upon the principles of the Organisation for Economic Co-operation and Development (“OECD”) *Guidelines on the Protection of Privacy and Transborder Flow of Personal Data*²² (“OECD Guidelines”) and the *Data Protection Directive 95/46/EC* of October 1995 (“DPD”)²³ to ensure uniformity of protections within EU Member States and third countries.²⁴

At present, the EU is comprised of 28 sovereign nations. The *Treaty on the Functioning of the European Union*²⁵ enabled the European Council and Parliament to use regulations to enact national legislation by means of ordinary legislative procedure.²⁶ Regulations are binding legislative acts that must be applied in their entirety within EU Member States.²⁷

Consequently, Regulations such as the GDPR guarantee uniform legislation across the EU while directives allow some discretionary modification by the enacting State.²⁸ Thus, directives are a secondary form of EU legislation which are legally binding but depend on the government of individual Member States to transpose them into national law,²⁹ and allows national authorities to decide the form and method of implementation.³⁰ The breadth of legislative discretion allowed in the directive will determine whether each State will enact laws which are either identical to, or merely similar to those of the directive.³¹ Guidelines such as the OECD Guidelines are not binding,³² and have “great moral force as representing the will of [OECD members]”.³³ The 1980 OECD Guidelines represented the first attempt at uniform personal data laws and provided a non-binding model for individual nations to consider when drafting data security legislation.³⁴ The OECD Guidelines were first adopted on 23 September 1980 and proposed eight principles for the processing and regulation of personal data:

1. Data should not be collected unless lawful to do so and where the data subject knows of its collection or has consented to it (“Collection Limitation Principle”).³⁵
2. Collected Data must be accurate, complete, up-to-date and relevant to the purpose of collection (“Data Quality Principle”).³⁶
3. The purpose of data collection should be specified at the time of collection and should not be used for any other purpose unless consented to by the data subject or permitted by law (“Purpose Specification Principle”).³⁷

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4. Data should only be used in accordance with the disclosed purposes for collection unless permitted by law or with the subjects' consent ("Use Limitation Principle").³⁸
5. Secure data storage measures must be in place to protect personal data against risks and losses such as unauthorised access, disclosure, modification or destruction ("Security Safeguard Principle").³⁹
6. The reasons, methods, nature and existence of the data, including the identities of those processing or controlling the data, should be transparent and open to the data subject ("Openness Principle").⁴⁰
7. Data subjects should be informed when their data is collected. Data subjects also have the right to access their data, challenge inaccurate data, and to request erasure of data which is incorrect ("Individual Participation Principle").⁴¹
8. Data controllers are accountable for compliance or non-compliance with these prescribed guidelines ("Accountability Principle").⁴²

The DPD sought to retain these principles while harmonising data protection laws across the EU⁴³ in a way that minimised obstacles to information flow.⁴⁴ The DPD also extended these protections to personal data transferred to "third countries" outside of the EU which provided the data was governed by EU Community law⁴⁵ or processed data at an establishment within a Member State or via the equipment of a Member State.⁴⁶ As a consequence, only third countries that provided the same levels of data protection could access EU-based data.⁴⁷ To address some of the complexities and uncertainties created by different data standards, further agreements with third countries were required. For example, the *EU-US Safe Harbor Agreement*⁴⁸ ("Safe Harbor Agreement") was enacted to ensure the free flow of information between the United States and Members of the EU.⁴⁹ The EU Member States then transposed the DPD into national law based on the precise conditions of each State.⁵⁰ The European Parliament and the Council of the European Union supplemented the DPD in 2002 to address the pervasiveness of electronic communications and the lag between technology and the law and strengthen the privacy protections for natural persons.⁵¹ The ubiquity of "cookies" – a form of spyware, hidden identifiers, or webbugs which may (or may not) offer legitimate benefits to the data subject⁵² – led to further amendments in 2009. The 2009 amendment also addressed the prevalence of spam and monitoring of web traffic,⁵³ but failed to improve the protection of personal data in all cases.⁵⁴ The GDPR was intended to replace and update the DPD and ensure an unprecedented level of uniformity in data protection standards across the EU.⁵⁵ However, many concerns related to the DPD were the subject of litigation prior to and during the development of the GDPR. These cases are discussed below and given their influence on the development of the GDPR, provide important context for Australian businesses seeking greater clarity in whether the GDPR applies to their commercial transactions.

The extraterritorial reach of the DPD was questioned in *Weltimmo v Hungarian Data Protection Authority* ("*Weltimmo*").⁵⁶ In *Weltimmo*⁵⁷ the third chamber of the Court of Justice of the European Union ("CJEU") considered whether the *Weltimmo* company which was registered in Slovakia (and used the information of Hungarian businesses), could be sanctioned by the Hungarian Data Protection Authority and under Hungarian law.⁵⁸ The CJEU upheld the decision of the Hungarian Supreme Court and expanded the meaning of "establishment" under the DPD to any establishment that controlled data "through stable arrangements in the territory of [a] Member State, [and conducted any] real and effective activity – even a minimal one".⁵⁹ This interpretation is echoed in recital 22 of the GDPR.⁶⁰ The DPD's requirements (and, consequently, the GDPR), therefore, applied regardless of the nationality of the persons involved.⁶¹ Australian businesses which use data collected from the EU or obtain information from establishments which have an effective link to an EU Member State therefore have an obligation to comply with the DPD, and consequently, the GDPR.

Five days later in *Schrems v Data Protection Commissioner* ("*Schrems v DPCI*")⁶² the Grand Chamber of the CJEU considered whether the Irish Data Protection Commissioner had correctly rejected a request to prohibit Facebook's transfer of personal data to the United States.⁶³ The complainant, Maximilian Schrems, (who remains a user of Facebook today) is an Austrian national and lawyer who was concerned about the amount of personal data collected by Facebook.⁶⁴ After the 2013 Snowden revelations regarding the surveillance activities of United States Intelligence agencies and the National Security Agency ("NSA"), Schrems did not want his personal data processed in the United States.⁶⁵ Schrems filed a complaint with the Data Protection Authority which sought to prevent any further transfer of his data to US soil, Schrems' application was dismissed on the grounds that the Safe-Harbor Agreement prevented any intervention in the activities of US data processors.⁶⁶ The CJEU disagreed, holding that legislation which prevented individuals from pursuing any legal remedy in relation to their personal data did not "respect the essence of the fundamental right to effective judicial protection as enshrined in article 47⁶⁷ of the Charter."⁶⁸ *Schrems v DPCI*, therefore, conclusively invalidated the Safe Harbor Agreement which had previously protected information exchange with US-based establishments. This decision opened US-based establishments to complaints and required them to prove their compliance with their obligations under the (then) DPD before engaging with any EU data.⁶⁹ Interestingly, Schrems filed three further claims with the Data Protection Commissioners of Ireland (as a resubmission of the first claim), Belgium and Germany.⁷⁰ Schrems also brought a reformulated version of *Schrems*⁷¹ before the CJEU again as *The Data Protection Commissioner v Facebook Ireland Limited & Maximilian Schrems*⁷² in February 2017.⁷³ Schrems has

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also sought a class action against Facebook in late 2017 in *Maximilian Schrems v Facebook Ireland Limited* (C-496/16)⁷⁴ but was denied standing to file claims on the behalf of other Facebook users.⁷⁵ In May 2018, Schrems filed cases against Facebook (and subsidiaries Whatsapp and Instagram) and Google (as the provider of the smart phone operating system) claiming that users of Facebook and Google etc. are “coerced” into giving consent. Coerced consent cannot be considered to be “freely given” and consequently, fails the requirements set out in Article 7.4 of the GDPR.⁷⁶

The litigation by Maximilian Schrems confirmed that the GDPR’s application had expanded beyond EU borders even before its implementation. While Article 3 describes the intended application of the GDPR, its actual reach remains unclear. What *is* clear, is that Australian businesses are not subject to any Safe-Harbor or other agreements which indemnify them from sanctions or penalties. Australian businesses need to be proactive about meeting GDPR standards. At the same time, the increasing parallels between current Australian law, proposed law reforms and the GDPR suggest that the effort invested in early compliance will be worthwhile. The following discussion outlines the structure of the GDPR before engaging in a detailed review of the provisions which will inform future questions as to the scope of the GDPR.

The structure of the GDPR

The GDPR is comprised of 11 chapters:

- Chapter 1 contains general provisions which dictate the subject matter and objective for the GDPR⁷⁷ as well as its material⁷⁸ and territorial scope.⁷⁹ Article 3 is included within the general provisions chapter of the GDPR and gives the GDPR its extraterritorial reach. The next part of this article provides a detailed analysis of Article 3 and the extraterritorial reach of the GDPR.
- Chapter 2 outlines central principles of the GDPR such as lawful processing of personal data,⁸⁰ the revised requirements for consent, and special considerations for child data subjects.⁸¹
- Chapter 3 explains the rights of the data subject and implements the requirements for transparency in the data collection process,⁸² as well as clarifying the width and breadth of the data subject’s right to access information held about them.⁸³ This chapter also includes the new rights to data rectification, data erasure, data portability as well as the right to object to the collection or holding of data.⁸⁴ Chapter Three also includes restrictions on the use of automated decision-making processes and activities such as profiling.⁸⁵
- Chapter 4 describes the obligations for Data Controllers and Data Processors within the EU.

The creation of direct regulatory liabilities for data processors under the GDPR is a notable addition to the GDPR. Under the Directive, the processor was effectively an agent of the controller who had sole responsibility for all compliance matters.⁸⁶ Chapter Four also introduces the requirement for an internally appointed Data Protection Officer⁸⁷ and introduces the concepts of “Codes of Conduct”⁸⁸ and certification processes⁸⁹ for companies accessing EU data.

- Chapter 5 introduces the concept of “Adequacy Decisions” under Article 45.⁹⁰ The remainder of Chapter Five addresses compliance matters for third countries and including those subject to an adequacy decision, and legal persons who operate within third countries which have been deemed inadequate or have yet to receive a favourable decision.
- Chapters 6 and 7 continue the theme of consistency and protection regardless of venue and introduce the independent supervisory Authority.⁹¹ Together, Chapters 6 and 7 codify the requirements of co-operation and consistency between the various regulatory bodies involved in GDPR enforcement.⁹²
- Chapter 8 addresses remedies, liability matters and potential sanctions under the GDPR.
- Chapter 9 focuses on specific instances of processing such as employment purposes,⁹³ or the interplay between processing requirements and their effect on the freedom of information or expression.⁹⁴
- Chapter 10 sets out the requirements for delegated Acts under the GDPR.
- Chapter 11 includes the final provisions of the GDPR such as the repeal of preceding directives,⁹⁵ relationship with previous agreements,⁹⁶ as well as enactment,⁹⁷ and legislative review of other Acts relevant to data protection.⁹⁸ Chapter 11 also institutes a process of continued review for the GDPR. From 25 May 2020, the European Commission is to provide a report on the efficacy and implementation of the GDPR to the European Parliament and Council.⁹⁹ The report must give particular consideration to Chapter Five (on data transfers to third countries) and Chapter Seven (on cooperation and consistency).¹⁰⁰ Findings of the European Parliament and European Council¹⁰¹ should also be included as well as information from member states and supervisory authorities where deemed necessary by the commission.¹⁰² As part of this report, the commission may also propose amendments or other alterations to the GDPR where necessary.¹⁰³

For the purposes of this article, the key provision of the GDPR is Article 3 of Chapter 1 which details the extraterritorial scope of the GDPR and makes GDPR-compliance an important and pressing issue for Australian

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legal persons who have an establishment in the EU, wish to continue accessing EU data or intend to continue their engagement with EU markets.

The Expanded Scope and Increased Protections of the GDPR.

Current estimates suggest that more than 508 million people live in the EU.¹⁰⁴ Article 3 of the GDPR deliberately expands the territorial scope of the GDPR beyond those 508 million people and surpasses that of its predecessor, Article 4 of the DPD.¹⁰⁵ Article 4 stated:

- (1) *Each member state shall apply the national provisions it adopts pursuant to This Directive to the processing of personal data where:*
 - (a) *The processing is carried out in the context of the activities of an establishment of the controller on the territory of the Member State ...*
 - (b) *The controller is not established on the Member State's territory, but in a place where its national law applies by virtue of international public law;*
 - (c) *The controller is not established on Community territory, and for purposes of processing personal data makes use of equipment, automated or otherwise, situated on the territory of the said Member State, unless such equipment is used only for purposes of transit through the territory of the Community*¹⁰⁶

As part of a Directive, Article 4 of the DPD was implemented according to the precise conditions of each Member State,¹⁰⁷ while GDPR Article 3 must be implemented *verbatim*.¹⁰⁸ Despite many similarities between the two texts, the inclusion of the words “whether the processing takes place in the Union or not” represents a vital difference between the GDPR and the DPD. *Weltimmo*¹⁰⁹ and *Schrems*¹¹⁰ highlighted the practical difficulties of regulating transborder flows of information. Article 3 aims to clarify and simplify the application of the GDPR by explicitly stating the types of data which fall within its regulatory ambit:

- (1) *This Regulation applies to the processing of personal data in the context of the activities of an establishment of a controller or a processor in the Union, regardless of whether the processing takes place in the Union or not.*
- (2) *This Regulation applies to the processing of personal data of data subjects who are in the Union by a controller or processor not established in the Union, where the processing activities are related to:*
 - (a) *the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the Union; or*
 - (b) *the monitoring of their behaviour as far as their behaviour takes place within the Union.*

- (3) *This Regulation applies to the processing of personal data by a controller not established in the Union, but in a place where Member State law applies by virtue of public international law [emphasis added].*¹¹¹

Together with a new independent supervisory authority to settle disputes under Chapter 6 of the GDPR (the key article of which is Article 51),¹¹² Article 3¹¹³ ensures that the new regulations are implemented consistently regardless of venue or geography.¹¹⁴ While the GDPR does not apply to individuals who are collecting information for non-commercial use or during other household or personal activities,¹¹⁵ Article 3 sets a minimum level standard for protection for any commercial entities accessing EU data,¹¹⁶ “regardless of whether this processing takes place in the Union or not”.¹¹⁷

A minimum standard of protection undoubtedly sets clear expectations for the privacy of those covered by the GDPR. However, the difficulty in demarcating the limits of the GDPR's application¹¹⁸ is likely to prove problematic. The competing considerations of public international law and State sovereignty (also known as “conflicts of laws”) rarely sit together without some concessions by one party or another. *Microsoft Corporation, Appellant v United States of America* [2016] 829 F.3d 197. (“*Microsoft Warrant Case*”)¹¹⁹ was a particularly important case which crossed jurisdictional borders and weighed national security considerations against the individual's right to privacy. United States criminal investigators sought access to a Microsoft user's information which was, at that time stored in Ireland.¹²⁰ A New York magistrate issued a warrant requiring Microsoft to disclose the contents and metadata of a Microsoft user's email account. Microsoft complied with the request for metadata but moved to quash the warrant for the email contents on the grounds that data stored in Ireland was beyond the jurisdiction of a US court.¹²¹ The case was appealed to the Second Circuit Court of Appeals of the United States on 27 February 2018 before being withdrawn by the US Department of Justice on 30 March 2018.¹²² The introduction of the US *Clarifying Lawful Overseas Use of Data (CLOUD) Act*¹²³ nullified the need for any decision in the *Microsoft Warrant Case*.¹²⁴ This was a lost opportunity for valuable guidance on the resolution of conflict of laws disputes that relate to criminal investigations. Of note, is a submission from the European Commission stating that where domestic laws create cross-border obligations, these laws should be applied and interpreted in a way that pays “mutual regard to the spheres of jurisdiction” of the legislating country. In addition, the venue of interpretation must be considered and any decision made in a manner consistent with international law.¹²⁵ It would, therefore, seem reasonable to infer that the Commission remains cognisant of the sovereign rights of non-Member States although the no decision was delivered by the US court. With this position in mind, EU case law on the equivalent provision of the DPD¹²⁶ provides some

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further guidance on the conceivable limits of the GDPR's application. Despite the expressed acknowledgement of the sovereign rights of non-Member States, the cases mentioned below expanded the application of the DPD again, yet did little to define a clear limit.

Several cases have attempted to clarify the application of the DPD. As mentioned previously, *Weltimmo* expanded the nature of "activities" to those with any "real and effective activity" in a Member State.¹²⁷ Businesses or organisations with "stable arrangements" within a Member State must, therefore, comply with the data protection laws of that State.¹²⁸ According to *Verein für Konsumentinformation v Amazon EU Sàrl*,¹²⁹ enquiries as to where electronic commerce directs (any or all of) its activities can be used to resolve such jurisdictional issues.¹³⁰ If those activities were directed to a Member State was subject to DPD oversight, then the DPD would apply.¹³¹ Businesses who seek to sell or offer services to parties within a Member State subject to DPD oversight were consequently required to comply with the DPD,¹³² but what of international subsidiaries or offices of multinational companies?

*Google Spain v Agencia Española de Protección de Datos (AEPD) and Mario Costeja González ("Google Spain")*¹³³ considered similar jurisdictional issues to that of the *Microsoft Warrant Case*:¹³⁴ whether US-based Google Inc. is subject to the same EU laws as its local branch, Google Spain.¹³⁵ In *Google Spain*, the court held that processing or control also included endeavours which improved the profitability of an entity within a Member state.¹³⁶ While Google Spain was not the same entity as the US-based Google Inc, the success of Google Spain undoubtedly influenced the public opinion or perception of Google Inc. Google Inc, therefore was subject to the same laws as Google Spain. In *Pammer v Reedererei Karl Schlüter GmbH & KG*,¹³⁷ the CJEU also provided a non-exhaustive list of "indicators" which could be used to identify data activities which "target" consumers in the EU,¹³⁸ thereby requiring their compliance with the DPD. The decision flagged behaviours such as the use of certain languages or currencies in a company's online content as "indicators" of an intention to engage in activities¹³⁹ as outlined in Article 3.2 of the Regulation.¹⁴⁰ Furthermore, the abolition of protective agreements such as the *EU-US Safe Harbour Agreement* (invalidated by *Schrems*¹⁴¹) and replacement with the more stringent *Privacy Shield Framework*¹⁴² ("Privacy Shield") "imposes stronger obligations on US companies exchanging data with EU states."¹⁴³ Unlike the Safe Harbor Agreement, the Privacy Shield does not absolve US traders from meeting their obligations under the GDPR. Instead, the Privacy Shield merely streamlines the compliance process and allows US traders to self-certify their GDPR-compliance rather than relying on external certification mechanisms.¹⁴⁴ This is a significant departure from the much softer Safe Harbour Agreement but remains an important concession for US businesses who have fewer compliance hurdles to cross than Australian businesses.

Businesses established in countries outside of the EU and the US have no such safeharbor agreements to protect them. Instead, non-Member States can apply for an "adequacy decision" under Article 45 of the GDPR. Article 45 empowers the Commission to assess the legislative protections afforded to data subjects in the applicant country and decides whether they are "adequate" when compared with those offered under the GDPR.¹⁴⁵ To date, only 11 countries (including Canada and New Zealand) have been granted adequacy by the Commission.¹⁴⁶ Fortunately, Article 45 also provides for adequacy decisions where organisations adopt appropriate safeguards¹⁴⁷ such as Binding Corporate Rules ("BCR"),¹⁴⁸ contractual obligations and inter alia Codes of Conduct ("CoC")¹⁴⁹ that have been approved by the supervisory authority. When such safeguards are implemented in accordance with Chapter 5 of the GDPR, the organisation may accept data transfers in the absence of any specific authorisation from a supervisory authority.¹⁵⁰

Given new legislative developments such as the highly controversial *Telecommunications and Other Legislation Amendment (Assistance and Access) Act 2018* (Cth) which would allow discretionary access to encrypted and personal communications,¹⁵¹ it appears unlikely that Australia will receive a favourable adequacy determination within the foreseeable future. However, it remains a reality of the new global economy and the global movements of individuals that Australian businesses will not be exempt from meeting the GDPR's requirements. Even those businesses which attempt to abandon the EU markets entirely cannot guarantee they will not receive data from EU citizens. The simplest way for Australian businesses to ensure regulatory compliance and the free flow of EU data, therefore, appears to be to adopt these model codes and rules as provided by the European Commission. At the time of writing, the European Commission has published several working documents to assist the compliance process,¹⁵² including guidance documents which set out the structural requirements for BCRs,¹⁵³ and a checklist that ensures BCRs are appropriately tailored to the Commission's requirements.¹⁵⁴ As time progresses, more and more service types (particularly those with online-based businesses) are publishing model codes of conduct online.¹⁵⁵ Some industry advisory bodies have published Codes of Conduct online for other industry members to use.¹⁵⁶ Other companies have made their *approved* BCRs available to the general public.¹⁵⁷ Consequently, countries and organisations within these third countries are expected to adopt GDPR-like protocols to ensure their obligations are met, expanding the influence of the GDPR even further.

In addition to formally expanding the application of the EU's data protection laws, the GDPR expands on the existing Directive and amendments¹⁵⁸ in the following ways:

- The regulations introduce penalties for those controlling the data as well as those processing the

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data.¹⁵⁹ These penalties range from up to 2-4 per cent of worldwide annual turnover or EU€10-20 million (whichever is higher).¹⁶⁰ “Cloud” storage providers, i.e. those that provide off-site data storage for other businesses, are also captured by the GDPR.¹⁶¹

- Consent must follow clear and intelligible communication with the data subject that uses clear and plain language.¹⁶² Failure to meet these requirements will nullify consent.¹⁶³
- Data subjects must be informed ‘without undue delay’ in the event of any breach to data security.¹⁶⁴
- The Right to Access now includes a right to know whether data has been collected and processed, by whom and for what purpose.¹⁶⁵
- Once the original purpose for data collection is fulfilled, the Right to be Forgotten (or of “Data Erasure”) allows the subject to request the erasure of their personal data.¹⁶⁶ The “right to erasure” must be “balanced against the public interest.”¹⁶⁷
- Data portability requires processors or controllers to provide any data they have accumulated on an individual to that individual on request and in a “commonly used machine-readable format”.¹⁶⁸
- The requirement for privacy by design and by default¹⁶⁹ requires systems to implement privacy protection measures from the design and implementation stage,¹⁷⁰ instead of a post hoc remedy or control.
- Legal persons processing large amounts of data must appoint a data protection officer¹⁷¹ and consider devising and instituting a code of conduct¹⁷² to ensure they comply with the Regulations.

Information collected by Member States for foreign policy or security purposes remain exempt from the regulations.¹⁷³ Information collected relating to criminal activities is also exempt.¹⁷⁴ The end goal of the regulation is to ensure a consistent level of protection for natural persons throughout the EU and to prevent inconsistencies which would otherwise hamper the free movement of personal data within the internal market.¹⁷⁵ The harmonisation of personal data protection law for EU data subjects means the GDPR has an indisputable¹⁷⁶ and anticipated¹⁷⁷ extraterritorial impact. The sheer volume of legal persons captured by this Regulation will place considerable demands on the authorities responsible for the monitoring and enforcement of the GDPR such as the new Data Protection Authority (“DPA”). However, it is the number of legal persons (whether as potential customers, data entities or rightsholders) that makes GDPR compliance so important for Australian businesses looking to engage freely with online data. Companies who choose to rely on questions related to the efficiency or capacity of the DPA as a justification for non-compliance with GDPR expose themselves to the significant risks of sanction or penalty as outlined above.

The creation of the DPA is one of many controversial aspects of the GDPR that have shaped its development and implementation. The following section provides an insight into the controversies surrounding the DPA, and reviews the debates surrounding Data Portability protections. The discussion also offers more information about the requirement for an internally appointed Data Protection Officers (“DPO”) and offers some guidance as to whether Australian businesses will need to their own DPOs. Understanding the intentions and debate surrounding these provisions will help clarify how and when they will apply to Australian businesses.

Other controversial aspects of the GDPR

In 2016, the EU data market had an estimated value of almost EU€300 million.¹⁷⁸ Given the current impact of the GDPR on global information flows and the value of the European data market, it is essential to understand the controversies and concessions made during the negotiation process. The European Commission proposed its final draft of the Regulations on 25 January 2012.¹⁷⁹ The European Parliament offered a revised version of the document for first reading on 12 March 2014¹⁸⁰ after reviewing the opinions of EU several advisory bodies. The European Economic and Social Committee includes representatives from workers’ and employers’ organisations as well as other interest groups.¹⁸¹ The Committee of Regions consists of locally and regionally elected representatives of all 28 Member States.¹⁸² The European Union Agency for Fundamental Rights (“FRA”) provided expert opinion and advice on fundamental rights issues¹⁸³ while the European Data Protection Supervisor gave recommendations based on past data initiatives.¹⁸⁴

Generally speaking, the parliamentary draft offered more specific and stringent protections than those proposed by the Council or Commission,¹⁸⁵ while the Data Protection Supervisor’s recommendations centred on perceived loopholes in the legislation. These sentiments were often echoed by other advisory bodies, for example, the Economic and Social Committee (“ESC”) noted that the data subject’s right to object to the processing of their data was valid *unless* the controller could demonstrate “compelling legitimate grounds” that overrode the “rights, interests and freedoms of the data subject”.¹⁸⁶ The ESC argued that the term “compelling legitimate grounds” was too vague and therefore “rendered the right meaningless.”¹⁸⁷ The FRA expressed concern about the ability of children between the ages of 13 to 18 to provide full and voluntary consent and reiterated the importance of the new “right to be forgotten”¹⁸⁸ for children who consent to the collection of personal information.¹⁸⁹ These concerns were recognised in Recital 65 but remained absent from the final version of Article 17.¹⁹⁰ The Data Protection Supervisor’s recommendations centred on perceived loopholes in the legislation. The following discussion considers each of these provisions in more detail as well as the reasons for the controversy.

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Article 51 - The “One-stop-shop” and the Data Protection Authority

Chapter 6 of the GDPR creates an Independent Supervisory Authority, the Data Protection Authority (“DPA”) which has the power to investigate,¹⁹¹ warn¹⁹² or reprimand¹⁹³ data controllers or processors who may have breached their duties under the GDPR. The DPA may also suspend data flows to a third country recipient or international company,¹⁹⁴ impose temporary or definitive bans,¹⁹⁵ and impose administrative fines (under Article 83).¹⁹⁶ Without the DPA, different courts of varying jurisdictions will hear disputes under the GDPR without referring to the relevant case law of other jurisdictions. The DPA therefore, can decide all GDPR-based disputes, regardless of jurisdiction, and ensure consistency wherever the GDPR applies. Withdrawing supervisory authority from locally-based, non-judicial institutions proved highly controversial. This creation of a “one-stop-shop” was the subject of long debates. Much of this centred on the capacity of a centralised authority to arrive at supervisory decisions quickly and without significant administrative burden.¹⁹⁷ Debates also involved efficiency concerns where the supervisory authority was not within reasonable proximity of the issue under assessment, as well as deciding *which* authority would be the “relevant supervising body.”¹⁹⁸ The precise role of the European Data Protection Board remains controversial as well as its capacity to hear complaints and thereby mitigate some of these complexities.¹⁹⁹

The DPA is likely to come under significant scrutiny during the early stages of its implementation. Efficiency will be an important indicator of success and will require judicious and expedient management of complaints and claims. Efficiency, in turn, will necessitate a degree of selectivity regarding the progress and handling of disputes. Svantesson warns that such “selectivity” may appear subjective, discretionary and arbitrary.²⁰⁰ Inconsistent monitoring or enforcement by the DPA (whether deliberate, necessary or otherwise) may, therefore, pose a real threat to the harmony envisaged by the drafters of the GDPR. It is important that legal persons recognise that inconsistencies in application, investigation or the imposing of sanctions under the GDPR cannot guarantee that breaches or compliance failures will go unnoticed. If anything, these inconsistencies (if they exist) could see businesses in third countries, particularly those deemed to have “inadequate” protections monitored more closely by the DPA. While it remains difficult to predict when (and perhaps even if) Australian businesses will first draw censure from the DPA, the significance of these penalties, the value of the EU market and its data, and the developments in Australian law provide a compelling argument in favour of proactive compliance with GDPR standards.

Article 20 - Data portability

In addition to the data subjects’ “right to know”,²⁰¹ data portability allows subjects to request the transfer of any

personal data held about them to other nominated third-parties.²⁰² This is an entirely new right for members of the EU and has never been the subject of treaty or EU national law. Before the GDPR, the Philippines was the only non-EU state to enact a right to data portability.²⁰³ While there seems to have been universal acceptance of the idea behind data portability, the European Parliament’s first draft struck out the entire section before later adopting it on first reading.²⁰⁴ With the trilogues’ records sealed to the public, it is unclear exactly what the most contentious issues were. However, in its final form, Article 20 has been reworded to include personal data which has been provided to a controller (where that data has been obtained in accordance with the GDPR), and requires that the data be made available “without hindrance” and transmitted to the new controller “where technically feasible”.²⁰⁵ The European Data protection supervisor noted that this right to data portability should not be limited to that which is provided with consent or under contract.²⁰⁶ However, Article 20 remains specific to those forms of “provided” data.²⁰⁷ The right to data portability therefore has limited application when compared to other rights such as the right to be informed of data collection that occurs without any participation by the data subject.²⁰⁸ Some may argue that the right to data portability does not go far enough. Nonetheless, the right to data portability is likely to present an impressive security challenge to data controllers who will need to verify the identities of data subjects with which they have had minimal prior contact.²⁰⁹ Failure to properly verify the identity of the data subject risks breaching data portability requirements and possible data security obligations.²¹⁰ The burden and risks associated with data portability obligations remain unclear, as do the preconditions for internally appointed Data Protection Officers. As mentioned previously, the Australian government has confirmed the implementation of a Consumer Data Right in Australia which will begin in the banking sector.²¹¹ Australian companies which provide data portability to their data subjects now will be well-prepared for this requirement as it is progressively rolled out across subsequent sectors of the Australian market.

Article 37 and the threshold requirement for Data Protection Officers

Another important obligation under the GDPR is the requirement under Article 37 which calls for larger companies or commercial entities to appoint a Data Protection Officer (“DPO”) to monitor and ensure the organisation’s compliance with the GDPR. However, it is unclear which companies or commercial entities are “large” enough for Article 37 to apply. In its 2012 version, Article 37 (as it is now known) only applied to entities with more than 250 employees.²¹² The European Parliament sought to qualify this further by proposing that the requirement apply instead to legal persons processing the data of “more than 5000 data subjects in any consecutive 12 month period.”²¹³ The Data Protection Supervisor recommended that the lower

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threshold of 250 employees be adopted and clarified.²¹⁴ The final version of the GDPR removed both qualifications stating only that companies should designate a DPO in any case where “the core activities ... consist of processing operations which by virtue of their scope and/or purposes, require regular or systematic monitoring of data subjects on a large scale.”²¹⁵ Recital 13 helps define the threshold by reintroducing the requirement of 250 employees and referring back to the original registration which provided the definitions for small and medium enterprises.²¹⁶ The recitals may also offer further guidance as to the types of processing and control envisaged by the GDPR. Recital 18 provides the anticipated exemption of personal and household use from the scope of the GDPR.²¹⁷ Recital 80²¹⁸ may also be of note and states that organisations which exist outside the EU but fall under its scope by way of Article 3,²¹⁹ are required to appoint a representative to liaise with supervisory authorities in the event of a complaint or dispute under the GDPR.²²⁰ This requirement applies unless the processing is unlikely to pose a risk to the rights and freedoms of data subjects and is either occasional only, does not include the large-scale processing of special categories of personal data or data related to criminal convictions.²²¹ While not specifically related to the provisions related to Data Protection Officers,²²² Recital 80 offer some insights into the more nuanced considerations regarding the processing and control requirements for small to medium enterprises under the GDPR. It appears that Australian business with fewer than 250 employees will not need a DPO, but at the same time, there must be a designated liaison for supervisory authorities in case of a complaint. Australian businesses will need to carefully consider whether they must appoint an internal Data Protection Officer in order to comply with GDPR obligations and avoid the risk of penalties under the GDPR.

“Inadequate” third countries and the continued flow of EU data

In part IV, I discussed third country adequacy decisions as a way of expanding the application of the GDPR beyond the European Economic Area. The European Commission has granted adequacy to New Zealand, Canada and Israel under Article 45 of the GDPR.²²³ Japan too may soon receive an adequacy decision.²²⁴ Australia has not and is unlikely to obtain adequacy without substantial legislative review and amendment. The Privacy Act (not only offers fewer protections than the GDPR, but those offered have much narrower scope than their GDPR counterparts.²²⁵

The Australian Government has agreed to implement a CDR (somewhat analogous to data portability under the GDPR).²²⁶ however, the government response remained silent on the Productivity Commission’s²²⁷ recommendation regarding the right to object or request the erasure of personal data.²²⁸ The ACCC has subsequently also indicated its support for such a right in its Draft Report as part of its *Digital Platforms Inquiry*. Reforms recommended by the Productivity Commission as

consumer reforms, such as the proposed *Data Sharing and Release Act*,²²⁹ seem likely to narrow the gap between the GDPR and Australian legislation by “giving individuals more control over their digital data,”²³⁰ and helping Australians know “when [their] data has been sold”.²³¹ Currently, Australian businesses will need to ensure organisational compliance individually. Compliance may be a daunting task, especially for small to medium businesses for whom the value of the EU market is unknown or unclear. Some Australian businesses may choose to withdraw from the European market as a result. However, withdrawing from the EU market may impede or limit expansion opportunities in the future and may not protect those companies that use EU market data for marketing or design and development purposes. However, once the right to data portability²³² has been implemented and the *Data Sharing and Release Act*²³³ becomes part of Australian law, withdrawal from the EU market may only offer short-term benefits.

To assist Australian businesses engaged with the EU market or its data, the Office of the Australian Information Commissioner has provided some guidelines on how Australian companies can meet GDPR obligations.²³⁴ Putting GDPR-compliant processes and procedures in place, regardless of whether or not the enterprise falls within the scope of Article 3, also provides collateral benefits for businesses which streamline their data protection policies within and across their entire organisational framework while ensuring adequate protections for EU data flows.²³⁵ Compliance requires the implementation of safeguards such as binding corporate rules, or standard data protection clauses which ensure enforceable rights for data subjects and provide an avenue for effective legal remedies in the event of a breach.²³⁶

While a more detailed exposition of the implementation processes falls beyond the scope of this analysis, a review of Article 46 provides a concise summary of the various compliance frameworks suggested by the GDPR. Article 46 provides an apparently straightforward list of options for implementing the required safeguards which include:

- adopting legally binding and enforceable corporate rules;²³⁷
- adopting the Commission-approved standard data protection clauses²³⁸ completely and without adulteration;²³⁹
- the adoption of a DPA approved and legally enforceable code of conduct;²⁴⁰ or
- certification via an approved certification mechanism.²⁴¹

While these requirements will prove burdensome initially, streamlining and unifying the privacy protections organisation-wide, will reduce the administrative work created by data transfer across business units and may generate public goodwill due to the increased data protections available to third country data subjects.²⁴²

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Unfortunately, small to medium businesses may receive limited benefits in exchange for compliance – other than their continued access to EU data and collateral benefits as outlined above. Australia’s privacy framework, as set out in the *Privacy Act* does not apply to small businesses with a turnover of less than AU\$3 million per financial year.²⁴³ No such exemptions apply under the GDPR, with only minor concessions for small businesses regarding the appointment of Data Protection Officers.²⁴⁴ Reducing the red tape and costs for small to medium businesses is one of the key aims for Australia as free trade negotiations continue with the EU.²⁴⁵ Craig McAllister of the Cornell University Office of Risk Management and Insurance has suggested that in the short-term, tax credits or rebates may be the most appropriate way to minimise the costs and losses faced by small-medium businesses which fall within the scope of the GDPR.²⁴⁶ Long-term, McAllister recommends legislative reforms to ensure an adequacy decision²⁴⁷ for those countries currently deemed inadequate. It is important to note that McAllister’s comments relate specifically to the US market which has more streamlined compliance processes as a result of the Privacy Shield.²⁴⁸ As yet, no such agreement is in place to simplify the compliance process for Australian businesses.

Given that Australia has no applicable concessions regarding compliance, there is a strong argument in favour of the short-term and long-term recommendations discussed by McAllister. The GDPR forces Australian businesses to reassess their link with the EU and any dependence they may have on its data. However, given the significance of the EU market to Australian businesses, avoidance may not be possible. Government subsidies could help offset the implementation costs for small to medium businesses while ensuring that Australian Businesses remain engaged with the European market. Regardless, it appears that the adoption of GDPR-compliant procedures now will simplify the implementation of future reforms to Australian privacy, competition and consumer law, maintaining access to the lucrative EU market and avoiding penalties and sanctions of GDPR breaches.

How has the GDPR been engaged extraterritorially?

At the time of writing, there was a significant dearth of information on the implementation methods adopted by Australian and other third country businesses. To better understand the impact of GDPR obligations, I have conducted a brief review of the new privacy policies introduced by Google and Fitbit in preparation for the GDPR.

Both Google and Fitbit offer services which are largely dependent on access to unlimited user data. Interestingly, the two companies adopted notably different approaches: Google has sought greater transparency and offered increased protections regardless of the data subject’s geographical location, while Fitbit appears to have taken an “opt-in or opt out but expect decreased functionality” approach. In the

following discussion, some of the more telling changes to the privacy policies of each company are examined.

Google

Any discussion of a business or corporation should necessarily begin with an explanation of its market, its contribution to that market and perhaps an explanation of what makes it unique. As of May 2017, Google had over 2 million active mobile devices on Android operating systems alone per month.²⁴⁹ This article therefore proceeds on the basis that the reader is familiar with the company and its products.

The key difference between Google’s pre- and post-GDPR policies seem to lie in the adoption of a more user-focused and self-justificatory tone. The policy has been amended to include information on the export of user data (meeting the data portability requirement).²⁵⁰ The category of “sensitive personal information” has been supplemented by a new category of “non-personally identifiable information.”²⁵¹ The complies with GDPR requirements for pseudonymisation of information.²⁵² However, the user is also informed that data de-identified data that falls outside the scope of ordinary consent may still be shared with third parties.

*We may share non-personally identifiable information publicly and with our partners – like publishers, advertiser, developers or rights holders. For example, we share information publicly to show trends about the general use of our services ...*²⁵³

The difficulty, of course, with deidentified data is the relative ease of reidentification. This is not addressed in the policy statement.²⁵⁴ The policy now offers a more explicit admission as to the level of scrutiny or surveillance that Google has over user-created content such as emails, photographs, and telephony data.

Replacing:

... many of our services require you to sign up for a Google Account. When you do we’ll ask for personal information like your name, email address, telephone number or credit card to store with your account ...

With:

When you create a Google Account, you provide us with personal information that includes your name and a password ... We also collect the content you create, upload or receive from others when using our services. This includes things like email you write and receive, photos and videos you save, docs [sic] and spreadsheets you create and comments you make on YouTube videos.

The section of the privacy policy related to the use of location services has also undergone significant elaboration from 48 words in the “December 18, 2017 policy” to 243 words in the “May 25, 2018 Policy”.

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Replacing:

*When you use Google services, we may collect and process information about your actual location. We use various technologies to determine location, including IP address, GPS, and other sensors that may, for example, provide Google with information on nearby devices, Wi-Fi access points and cell towers.*²⁵⁵

with:

*We collect information about your location when you use our services, which helps us offer features like driving directions for your weekend getaway or showtimes for movies playing near you ... The types of location data we collect depend in part on your device and account settings ... In some circumstances, Google also collects information about you from publicly accessible sources. For example, if your name appears in your local newspaper, Google's Search engine may index that article and display it to other people if they search for your name. We may also collect information about you from trusted partners, including marketing partners who provide us with information about potential customers of our business services, and security partners who provide us with information to protect against abuse.*²⁵⁶

Google has also replaced its previous section on “how we use information we collect” with a section titled “We use data to build better services”²⁵⁷ that contains (among other things) an explanation of how algorithms are used to process data.²⁵⁸

Overall, the framing of the policy appears to have shifted from an unapologetic statement of what Google does with your data²⁵⁹ to a more persuasive argument as to why it is in the user's best interests to allow Google to continue doing what Google has done in the past.²⁶⁰ This reflects a more user-centric privacy policy and an awareness that these policies may come under increased public scrutiny in future.

Fitbit

Fitbit is a popular producer of wearable fitness trackers which track the user's step-count, heart rate, location, sleep statistics and other health data. According to Statista, Fitbit has sold more than 76 million fitness trackers worldwide has at least 25 million active users.²⁶¹ The capacity of Fitbit wearable devices to track the user's location and movement is, therefore, an integral part of the services provided. Interestingly, Fitbit has adopted a different approach to Google when regarding new GDPR-based rights. In its updated privacy policy of 24 May 2018, Fitbit expanded its privacy policy to comply with the general obligations of the GDPR for all users, but limits the application of new user rights and protections (such as data portability and special categories of data as described in Article 9 of the GDPR).²⁶² Fitbit's policy draws a distinct line between data subjects protected by the GDPR and those who are not. Fitbit's approach seems to be one of “opt-in or miss out”.

In the extracts below, notice how Fitbit invites users to agree when asked for “explicit consent” or otherwise, welcomes them to delete their accounts (although this will effectively disable many of the most valuable features of their device):

*To the extent that the information that we collect is health data or another special category of data subject to the European Union's General Data Protection Regulation (“GDPR”), we ask for your explicit consent to process the data. We obtain this content separately when you take actions leading to our obtaining the data, for example when you pair your device to your account, grant us access to your exercise or activity data from another service, or use the female health tracking feature. You can use your account settings and tools to withdraw your consent at any time, including by stopping the use of a feature, removing our access to a third-party service, unpairing your device, or deleting your data account.*²⁶³

And:

We give you account settings and tools to access and control your personal data ... regardless of where you live. If you live in the European Economic Area, United Kingdom and Switzerland (“the Designated Countries”) you have a number of [additional] legal rights ... You can limit how your information is visible to other users of the service ... the notifications you receive ... and you can revoke the access of third party applications ... You can also use the Fitbit application to unpair your device from your account at any time ...

If you live in a Designated Country, in certain circumstances you can object to our processing of your information based on our legitimate interests ...

*If you reside in a designated country, you can seek to restrict our processing of your data in certain circumstances. Please note that you can always delete your account at any time.*²⁶⁴

None of these paragraphs are particularly surprising given that a significant proportion of Fitbit's services rely on the collection and processing of personal data. One paragraph of the updated policy is problematic in that it requests unconditional and broad user consent to processing or data control activities which do not meet GDPR standards:

Please note that the countries where we operate may have privacy and data protection laws that differ from, and are potentially less protective than, the laws of your country. You agree to this risk when you create a Fitbit account and click “I agree” to data transfers, irrespective of which country you live in ...

This paragraph seems to directly contradict the express intentions of the GDPR to ensure consistent protection for the privacy rights of EU data subjects.²⁶⁵ A check of the model contract clauses mentioned in Article 46²⁶⁶ and approved by the Commission, shows that EU authorities have approved no such clause (or waiver).²⁶⁷

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A brief analysis of these two leading data-dependent services immediately highlights the different methods and approaches taken by companies to GDPR compliance and highlights the importance of regulatory oversight and consistent monitoring mechanisms. As mentioned previously, Maximilian Schrems has already commenced proceedings against Google citing non-compliance with the GDPR.²⁶⁸ It is likely that any decision in this case will give further guidance as to how the GDPR should be implemented. Given the climate of uncertainty surrounding the GDPR and its application, and given the reforms proposed by the Australian government, the only thing that remains certain is that Australian businesses who comply with GDPR requirements now will be protected against sanctions not only in relation to the EU-related activities but to commercial activity at home as well.

VII. Conclusion

While the intention and objectives of the GDPR build on familiar territory, new requirements such as data protection officers, data portability and a requirement for more proactive and “by-design” methods of data protection place a heavy burden on those responsible for compliance and enforcement, and legal persons wishing to continue using EU data. The challenge is compounded by a lack of certainty as to precisely *who* (outside of the EU) will fall within the GDPR. With this in mind, many legal persons are updating their privacy and data policies to incorporate GDPR-based codes of conduct or BCRs to ensure their compliance and minimise the risk of unpredictable penalties or sanctions from the DPA. Nonetheless, Australian businesses wishing to receive EU data or remain engaged with the EU market will need to comply with GDPR requirements. Impending and proposed Australian reforms are likely to bring Australian law into closer alignment with the GDPR. However, even if these reforms improve Australia’s eligibility for GDPR “adequacy”, any such development is likely to take a significant amount of time. In the meantime, Australian businesses will need to act now to ensure their compliance with the GDPR. As a result, the GDPR has the potential to become *de facto* international “law” and at the very least will form an instrumental part of future local and global data law reforms. While consumers may already be reaping the rewards of increased data protections, we have yet to see how these protections apply and whether they are appropriately monitored and enforced. Australian businesses which meet their GDPR obligations now will be well placed to avoid penalties and sanctions, while benefitting from streamlined data management processes, and are likely to save time implementing future Australian law reforms. Given that penalties for non-compliance can cost companies as much as EU€10-20 million or 2-4 percent of their annual turnover (or exclusion from the EU data pool) ignoring the GDPR is a risky move. Australian businesses who prioritise compliance early will protect themselves from such penalties or prohibitions and will be one-step ahead of the competition as GDPR-oriented reforms filter into the laws of Australia and other international jurisdictions.

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- 7 Productivity Commission, *Data Availability and Use*, Inquiry Report No. 82 (2017)171.
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- 10 Productivity Commission, *Data Availability and Use*, Inquiry Report No. 82 (2017) 13.
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- 12 Australian Government, Department of the Prime Minister and Cabinet, ‘The Australian Government’s response to the Productivity Commission Data Availability and Use Inquiry’ <<http://dataavailability.pmc.gov.au>> 6.
- 13 Australian Government, Department of the Prime Minister and Cabinet, ‘The Australian Government’s response to the Productivity Commission Data Availability and Use Inquiry’ <<http://dataavailability.pmc.gov.au>> 6.
- 14 This table has been adapted from the Office of the Information Commissioner, ‘Privacy business resource 21: Australian businesses and the EU General Data protection Regulation’ (June 2018) <<https://www.oaic.gov.au/agencies-and-organisations/business-resources/privacy-business-resource-21-australian-businesses-and-the-eu-general-data-protection-regulation>> p 14. All information in the table was obtained directly from this resource unless noted otherwise.
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- 17 Australian Government, Department of the Prime Minister and Cabinet, ‘The Australian Government’s response to the Productivity Commission Data Availability and Use Inquiry’ <<http://dataavailability.pmc.gov.au>> 6.
- 18 *Privacy Act 1988* (Cth) s.26WE(2)(a).
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- 28 European Union, "Regulations, Directives and other acts" *Europa* <https://europa.eu/european-union/eu-law/legal-acts_en>.
- 29 European Union, "Regulations, Directives and other acts" *Europa* <https://europa.eu/european-union/eu-law/legal-acts_en>.
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- 39 OECD Guidelines 11.
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- 68 *Schrems* (C-362/14) [2015] EU:C:2015:650 [91].
- 69 *Maximilian Schrems v Data Protection Commission and Digital Rights Ireland* (C-362/14) [2015] EU:C:2015:650.
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Federal Circuit Court's National Intellectual Property Pilot Scheme

Dr Dimitrios Eliades¹

Introduction

The Federal Circuit Court of Australia (“FCC”) is emerging as an appealing forum for Intellectual Property (“IP”) stakeholders to commence enforcement proceedings in respect of a number of recognised IP rights including copyright, design and trade marks as well as appeals against decisions, directions or orders of the Registrars of Trade Marks and Designs.

Now with the appointment to the FCC of Judge Julia Baird in February 2018, the FCC has adopted a dedicated approach to allocating matters involving IP, to judges with experience in those areas.

Jurisdiction of the FCC in IP matters

The FCC has jurisdiction to hear and determine civil:

- Copyright matters under the *Copyright Act* 1968 (Cth) (the “Copyright Act”), as amended by the *Copyright Amendment (Parallel Importation) Act* 2003 (Cth), specifically matters arising under Parts V (except site blocking under s. 115A as recently extended under the *Copyright Amendment (Online Infringement) Act* 2019 (Cth)), VAA, IX and s.248J of the Copyright Act.²
- Design matters under the *Designs Act* 2003 (Cth) (the “Designs Act”), as amended by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth), specifically:
 - appeals from Decisions of the Registrar of Designs: ss.28(5), 67(4), 68(6), 50(6), 52(7) and 54(4);
 - making determinations as to the entitled person during proceedings before the Court under s.53;
 - infringement actions under ss.71-76;
 - applications for relief from unjustified threats under ss.77-81;
 - application for compulsory licences under ss.90-92;
 - revocation of registration under s.93;
 - the Crown use provisions, which provide for a determination of the terms of use of a design under s.98;
 - application for a declaration by a court of any Crown use under s.101;
 - application for the cessation of Crown use of a design under s.102; and
 - rectification of the Register under s.120.
- Trade mark matters under the *Trade Marks Act* 1995 (Cth) (the “Trade Marks Act”), as amended by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth), specifically:
 - appeals from decisions of the Registrar of Trade Marks: ss.35, 56, 67, 83(2), 83A(8), 84A -84D and 104;
 - infringement actions s 120-121 (see also 122, 128), and under s.130;
 - applications for relief from unjustified threats under s.129;
 - decisions on whether a person has used a trade mark under s.7;
 - determining whether a trade mark has become generic: ss.24, 87 and 89;
 - amendment or cancellation of registration under ss.85 and 86;
 - revocation of registration by amendment or cancellation or entering a condition or limitation under ss.88 and 89;
 - application for an order to remove a trade mark registration for non-use: s.92(3), and on referral to the Court by the Registrar under s.94;
 - application for rectification of the Register by order of the Court under s.181; and
 - variation of rules governing use of certification trade mark under s.182.
- Plant breeder’s rights (“PBR”) matters under the *Plant Breeder’s Rights Act* 1994 (Cth) (the “Plant Breeder’s Rights Act”), as amended by the *Intellectual Property Laws Amendment Act* 2015 (Cth), specifically in respect of alleged infringements both for actions for infringement and declarations as to non-infringement.³

The FCC also has jurisdiction in relation to matters often associated with IP proceedings, specifically with respect to

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claims under the *Competition and Consumer Act 2010* (Cth), (formerly the *Trade Practices Act 1974* (Cth) – (the “Trade Practices Act”)), as follows:

- Part IV (Restrictive Trade Practices), s.46 (Misuse of Market Power)
- Part IVB (Industry Codes)
- Part XI (Application of the Australian Consumer Law as a law of the Commonwealth)
- Schedule 2 (*Australian Consumer Law* (“ACL”)).

Prior to the extension of the FCC jurisdiction into IP areas of trade marks, designs and plant breeder's rights, in order to bring an action in the FCC, it was necessary to associate a trade mark infringement claim for example, with a claim within the FCC's jurisdiction. This was commonly done through a claim under the ACL or its predecessor the Trade Practices Act.

Although the necessity to include such a jurisdictional claim now no longer applies to these IP areas, the FCC's associated jurisdiction under s.18 of the ACL in respect of matters not otherwise within its jurisdiction, is available to accompany the IP claims with the claim in tort for passing off.

It should also be noted that recent amendments in certain IP areas regarding the relief a prescribed court may award where there is a finding of unjustified threats. By the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) (the “PC Part 1 Act”), amendments were relevantly made to the Designs Act, the *Patents Act 1990* (Cth) (the “Patents Act”), Plant Breeder's Rights Act and the Trade Marks Act, whereby additional damages may be awarded where there is a finding of unjustified threats.

The FCC has, under the Designs Act, jurisdiction with respect to civil matters arising under that legislation.⁴ This includes relief from unjustified threats.⁵ The PC Part 1 Act inserts after s.77(1) of the Designs Act the following:

(1A) The court may include an additional amount in an assessment of damages sustained by the applicant as a result of the unjustified threats, if the court considers it appropriate to do so having regard to:

- (a) the flagrancy of the threats; and*
- (b) the need to deter similar threats; and*
- (c) the conduct of the respondent that occurred after the respondent made the threats; and*
- (d) any benefit shown to have accrued to the respondent because of the threats; and*
- (e) all other relevant matters.*

The FCC has under the Plant Breeder's Rights Act, jurisdiction with respect to matters under Part 5 (Enforcement of Plant Breeder's Right). There previously was no unjustified threats

provision in the Plant Breeder's Rights Act. The PC Part 1 Act has inserted at the end of Part 5, provisions creating an action for unjustified threats together with the relief, which may be awarded where there are threats, later found to be unjustified and the relief includes additional damages. Provision is also made for a counterclaim, presumably for infringement and protection for legal practitioners who send communications which are later found to be unjustified threats under the provision.

These provisions inserted are:

57A Application for relief from unjustified threats

*(1) If a person is threatened by another person (the **respondent**) with proceedings for infringement of PBR in a plant variety, or other similar proceedings, an aggrieved person (the **applicant**) may apply to the Federal Court or Federal Circuit Court for:*

- (a) a declaration that the threats are unjustified; and*
- (b) an injunction against the continuance of the threats; and*
- (c) the recovery of any damages sustained by the applicant as a result of the threats.*

(2) The Federal Court or Federal Circuit Court may include an additional amount in an assessment of damages sustained by the applicant as a result of the unjustified threats, if the Court considers it appropriate to do so having regard to:

- (a) the flagrancy of the threats; and*
- (b) the need to deter similar threats; and*
- (c) the conduct of the respondent that occurred after the respondent made the threats; and*
- (d) any benefit shown to have accrued to the respondent because of the threats; and*
- (e) all other relevant matters.*

(3) A threat mentioned in subsection (1) may be by means of circulars, advertisements or otherwise.

(4) Subsection (1) applies whether or not the respondent is the grantee of the PBR in the plant variety or an exclusive licensee of the grantee.

57B Court's power to grant relief

The Federal Court or Federal Circuit Court may grant the relief sought by an applicant under section 57A, unless the respondent satisfies the Court that:

- (a) the respondent is the grantee of the PBR in the plant variety or an exclusive licensee of the grantee; and*
- (b) the acts about which the threats were made infringe, or would infringe, the PBR in the plant variety.*

57C Counterclaim for infringement

(1) *The respondent in proceedings under section 57A may apply, by way of counterclaim, for relief to which the respondent would be entitled in separate proceedings against the applicant for infringement of the PBR in the plant variety.*

(2) *The provisions of this Act relating to proceedings for infringement of PBR in a plant variety apply, with the necessary changes, to a counterclaim under subsection (1).*

57D Notification of PBR in a plant variety not a threat

The mere notification of the existence of PBR in a plant variety does not constitute a threat of proceedings for the purposes of section 57A.

57E Liability of legal practitioner

A legal practitioner is not liable to proceedings under section 57A in respect of an act done in a professional capacity on behalf of a client.

The FCC has, under the Trade Marks Act, jurisdiction with respect to civil matters arising under that legislation.⁶ This includes relief from groundless threats.⁷ The PC Part 1 Act inserts after s.129(2) of the Trade Marks Act the following:

(2A) *The court may include an additional amount in an assessment of damages the plaintiff has sustained because of the defendant's conduct, if the court considers it appropriate to do so having regard to:*

- (a) *the flagrancy of the threat; and*
- (b) *the need to deter similar threats; and*
- (c) *the conduct of the defendant that occurred after the defendant made the threat; and*
- (d) *any benefit shown to have accrued to the defendant because of the threat; and*
- (e) *all other relevant matters.*

In addition, consistent with the patent legislation, mere notification of a trade mark does not constitute a threat for the purpose of the unjustified threats provision.⁸

It should be specifically noted that while the FCC has long had jurisdiction in relation to copyright matters, it does not have jurisdiction to deal with groundless threats of legal action under the Copyright Act which is located in Part X - Miscellaneous s.202.

The FCC does not have jurisdiction with regard to matters under the Patents Act.

Productivity Commission recommendation

In June 2017, the FCC announced a new pilot scheme by memorandum circulated to IP stakeholders, for the Court's Melbourne Registry.

This initiative followed on from recommendation 19.2 of the Productivity Commission's Inquiry Report No.78, dated 23 September 2016 into *Intellectual Property Arrangements*. The recommendation relevantly stated:

The Australian Government should introduce a specialist IP list in the Federal Circuit Court, encompassing features similar to those of the United Kingdom Intellectual Property Enterprise Court, including limiting trials to two days, caps on costs and damages, and a small claims procedure.

The jurisdiction of the Federal Circuit Court should be expanded so it can hear all IP matters. This would complement current reforms by the Federal Court for management of IP cases within the National Court Framework, which are likely to benefit parties involved in high value IP disputes.

The Federal Circuit Court should be adequately resourced to ensure that any increase in its workload arising from these reforms does not result in longer resolution times. The Australian Government should assess the costs and benefits of these reforms five years after implementation, also taking into account the progress of the Federal Court's proposed reforms to IP case management.

National Intellectual Property Pilot Scheme

The FCC's National Intellectual Property Pilot Scheme is directed to providing practitioners with an intellectual property sensitive forum, mirroring the Federal Court of Australia's implementation and management of the Intellectual Property National Practice Area ("NPA"). The NPA, relevant to proceedings where IP rights or IP related rights such as trade secrets, are on the docket of a judge experienced in IP matters. The attention goes further in the Federal Court, to then identify a specialised areas within IP, proceedings involving predominantly the infringement and/or the validity of a patent.

On 21 August 2018 the FCC published its Intellectual Property Practice Direction No. 1 of 2018, which took effect from 1 July 2018 and which sets out the arrangements for the management of IP matters in the FCC. The intention of the Practice Direction is that it sets out the guiding principles for the conduct of IP proceedings in the FCC.

The Practice Direction is to be read with the:

- *Federal Circuit Court of Australia Act 1999 (Cth);*
- *Federal Circuit Court Rules 2001 (Cth) (the "Federal Circuit Rules");*
- *Federal Court of Australia Act 1976 (Cth); and*
- *Federal Court Rules 2011 (Cth).*

The *Federal Court of Australia Act 1976 (Cth)* and the *Federal Court Rules 2011 (Cth)* will apply where the *Federal Circuit Rules* do not deal with a particular matter. For example,

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the provision for preliminary discovery to ascertain the description of the respondent (r.7.22 of the *Federal Court Rules*) or whether there is a case against a prospective respondent (r.7.23 of the *Federal Court Rules*), are not readily identified in the *Federal Circuit Rules*. However, the *Federal Circuit Rules* may apply certain intellectual property rules of the *Federal Court Rules*, in particular Division 7.3 (Preliminary Discovery) Division 34.3 (Intellectual Property) of the *Federal Court Rules* (see the *Federal Circuit Rules* Schedule 3 Part 2 Items 3B and 18).

The FCC has jurisdiction to hear any matter within the jurisdiction of the Federal Court which the Federal Court transfers to it.⁹ In addition, the FCC may transfer a proceeding to the Federal Court at the request of a party or of its own motion.¹⁰

To commence a proceeding in the FCC, an applicant must file an application in the approved form.¹¹ The application, like the application in the Federal Court, may include an application for interim or procedural orders provided an application for a final order has been made in the proceeding or the application includes an application for a final order.¹² The grounds of an application must explain briefly the basis on which the orders are sought.

In the FCC, an application must be accompanied by an affidavit or a statement of claim.¹³ It is the usual practice in commercial matters, of which IP matters are included, that if a proceeding is commenced by an application and an affidavit or affidavits, a statement of claim will normally be required in a timetable fixed on the first return date.

The initiating process requirements are similar to the Federal Court, however it will be recalled that in the Federal Court, if the applicant seeks relief that includes damages the applicant must file a statement of claim.

If Part 2 of the *Civil Dispute Resolution Act 2011* (Cth) applies to the proceeding, the *Federal Circuit Rules* requires that an applicant must file a genuine steps statement.¹⁴

The Practice Direction provides simpler methods of initiating a process in the FCC. It states that in most cases, the use of an application and affidavit will remove the need for formal pleadings but, where appropriate, points of claim will be ordered. If the FCC permits, an applicant may attach a pleading by way of points of claim, which observes the requirements of *Federal Court Rules*, Part 16, as identified in Schedule 3, Part 2 of the *Federal Circuit Court Rules* Items 7 to 16.

Like pleadings, the points of claim should identify in summary form the material facts on which the applicant relies together with the necessary particulars, but not the evidence by which those facts are to be proved.

Another method is the successor of the “Fast Track” system which was used in the Federal Court and which was essentially a commercial list. This is the innovative pleading process known as a “concise statement” in support of an originating application. The concise statement should be used instead of points of claim or a supporting affidavit.

The purpose of a concise statement, according to the FCC Practice Direction, is to enable the applicant to bring to the attention of the respondent and the Court the key issues and key facts at the heart of the dispute and the essential relief sought from the Court.

It is prepared like a pleading summons and may be in a narrative form, however there is a limit of five pages, which includes any formal parts. If a concise statement is filed with the application, no further originating material in support (points of claim or affidavit) is required to be filed until the Court orders.

The Practice Direction states that concise statement means exactly what it is called, that is, a plain, concise and direct statement of the relevant facts. It will summarise:

- the important facts giving rise to the claim;
- the relief sought;
- against whom that relief is sought;
- the primary legal grounds (causes of action) for the relief sought;
- the damage that is alleged to have been suffered by the applicant, including, wherever possible, a conservative and realistic estimate or range of loss and damage.

As a matter of practical assistance, where there are a number of jurisdictional bases upon which an applicant seeks to enliven the original jurisdiction of the FCC, the application should be careful to clearly identify the IP component. For example, in one instance, the applicant made a claim based on a factual circumstance of a former employee terminating his employment and going to work for a competitor of his former employer. The applicant alleged that in the respondent's new position, he reproduced a literary work in which copyright was claimed by the applicant.

In the application, claims were identified under the *Corporations Act 2001* (Cth) s.182 and s.183, the ACL s.18 and s.29, the Copyright Act s.115 and under the FCC's associated jurisdiction in respect of the tort of passing off under the *Federal Circuit Court of Australia Act 1999* s.18. The difficulty that may arise is that if the copyright claim is not made prominent, it may be considered a consumer affairs claim and be allocated in the normal course, to a judge not regularly dealing with IP related matters and by-pass the desk of Judge Baird altogether. In addition, the return date may be three months rather than the goal of three weeks. The FCC will endeavour to return the IP matter on track if that circumstance were to inadvertently occur.

National IP list judge

Judge Julia Baird has been appointed the National IP Practice list judge. Her Honour has brought to the FCC a wealth of IP litigation experience from hearings before delegates of the Commissioner of Patents, the Registrar of Designs and the Registrar of Trade Marks to matters before the High Court of Australia.

Judge Baird, at the first of an occasional lecture series on IP topics of interest of the International Association for the Protection of Intellectual Property, known as AIPPI, held on 22 August 2018 ("the AIPPI presentation"), indicated that the FCC sought to work with the profession to provide a quicker, cheaper and efficient forum for IP matters. She reinforced this when she sat down with Fiona Phillips to be profiled for this issue of *Intellectual Property Forum*.

Procedure on filing and case management of IP related matters

When an IP matter is filed in any of the FCC registries nationally, it will be docketed to Judge Baird who generally sits in Sydney. Her Honour will be supported by other specialist judges in the FCC's NPA.

It is expected that the first court return date will be a case management hearing ("CMH"), unless the Judge directs that a directions hearing will be conducted, or unless the applicant, when filing the application, indicates that the applicant does not require a case management hearing.

Court appearances will be managed by video link and/or telephone link when parties or their representatives are in different locations. The Federal Court of Australia through its Corporate Services Branch, provides administration and support to the FCC through resources including communications and information technology.

The FCC will endeavour to have the first return date within three weeks of filing the initiating process. Judge Baird indicated during the AIPPI presentation, that the FCC would accommodate situations which might vary this expectation. These might include difficulties in service of the initiating process or circumstances requiring the CMH to be brought forward.

Adopting a flexible approach, the FCC will at the first CMH:

- Organise the interlocutory steps for the most efficient conduct of the proceeding.
- Give directions, order the parties to mediation, fix a date for final hearing, conduct an interim hearing or finally determine an application.
- Seek, with the co-operation of the profession, ways to manage the conduct of the proceeding so as to bring it to trial in a manner taking a proportionate approach to the nature of the dispute, the financial position of the parties,

the degree of complexity of the case, the importance of the case and the amount of money or issues in dispute, whether money is at the heart of the issues or whether injunctive relief is the ultimate relief sought.

This will involve pro-active contribution by the profession having a good understanding of the factual and legal issues involved and having their views supported by reasons on such matters as:

- the potential length of the proceeding, where the FCC is endeavouring to finalise matters within eight months;
- the need for expert evidence and if required, how many are required and what they will contribute;
- cross-examination of witnesses;
- the number of witnesses and what they will contribute to the party's case; and
- the claims which are most likely to be pressed at final hearing and not culled along the way or worse at trial, bearing in mind that the fewer claims there are, the quicker the FCC can deal with a matter.

Unless there are exceptional circumstances and otherwise ordered, a party may not rely upon additional evidence or discovery or written submissions, contrary to the orders made at the conclusion of the CMH.

Trial

Having a direct impact on the substantial costs of IP litigation, is the FCC's expectation of the length of trials before the Court in IP matters. In the majority of cases, the judge will endeavour to limit the trial to two days.

In order to achieve this goal:

- The FCC will take an active part in controlling the trial of IP matters.
- In leading up to trial, the FCC will ordinarily make directions that involve the parties preparing, filing and serving:
 - a chronology of relevant events;
 - an outline of the case limited to three A4 double spaced pages;
 - contentions of fact and law; and
 - form of proposed orders.
- The judge will control cross-examination.
- The FCC will not devote significant amounts of time to the resolution of objections to evidence save in exceptional circumstances and will expect the parties' representatives to confer with a view to resolving evidentiary objections.
- The parties will be encouraged to reduce opening and closing addresses in written form and where the parties agree, the trial may take place entirely on the papers.

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- After the final hearing, the judge will generally endeavour to give a decision within the month, and in urgent matters, within a week.

Conclusion

The extended jurisdiction of the FCC complemented with the NPA approach to IP matters makes the FCC a jurisdiction to consider for small to medium enterprises who are concerned with the potential fees of complex IP litigation.

As a very general observation, there is a proportion of potential respondents, who consider that even if there is a live issue of infringement that they will wait to see if the applicant pursues the threats made in the pre-litigation communications before they consider ceasing the allegedly infringing conduct. In those cases, it would appear at least arguable, that a simple initiating system, with reduced filing fees, whereby the respondent is before the Court within three-four weeks, may present a very appealing course.

This initiative is a natural progression from the Government's decisions to extend the FCC's jurisdiction into these IP areas. The timeliness of the NPA approach does give the profession the opportunity to provide a number of clear options for clients seeking to enforce their IP rights.

1 Barrister, Queensland

2 See now *Copyright Act 1968* (Cth) as amended, s.131D; s.135AS; s.195AZGH and s.248MA.

3 *Plant Breeder's Rights Act 1994* (Cth) as amended, s.56A.

4 *Designs Act* s.83A(1).

5 *Designs Act* Chapter 6 – Infringement. Part 3 – Relief from Unjustified Threats.

6 *Trade Marks Act* s.191A; see also s.190.

7 *Trade Marks Act* s.129 – Groundless threats of legal proceedings.

8 The *PC Part 1 Act*, Item 208 adds a new s.130A.

9 *Federal Court Rules 2011* r.27.11; *Federal Circuit Rules* r.8.04 and r.8.05.

10 *Federal Circuit Rules* r.8.02(1).

11 *Federal Circuit Rules* r.4.01(1).

12 *Federal Circuit Rules* r.4.01(2) and r.4.01(3).

13 *Federal Circuit Rules* r.4.05.

14 *Federal Circuit Rules* r.4.09.

Brexit and Copyright: a Pyrrhic Victory

Eleonora Rosati¹

As things currently stand, the United Kingdom (“UK”) is set to leave the European Union (“EU”) in March 2019. At the time of writing (early January 2019) it is unclear on what terms the withdrawal of this Member State from the EU is going to happen, and whether there will be also a withdrawal from the European Economic Area (“EEA”).

The various scenarios on the table would have different implications as far as the freedom of shaping UK copyright is concerned. If the UK left the EU only and not also the EEA (a “soft Brexit” scenario), then it would remain subjected to EU law and, together with this, also case law and jurisdiction of the Court of Justice of the European Union (“CJEU”). If, instead, the scenario was one of “hard Brexit”, i.e. one in which the UK leaves both the EU and the EEA, EU law would cease having character of supremacy. In such a situation, for the sake of the present analysis, there would be three main consequences. First, that country would no longer be bound to transpose relevant EU directives (should the relevant transposition term be still pending at the time of that Member State leaving the EU) into its own legal system or apply relevant EU regulations. Second, that country would no longer benefit from EU-wide rules and recognition principles found in certain EU legislation. Third, the CJEU would no longer have jurisdiction, including with regard to references for a preliminary ruling. While the first consequence appears relatively straightforward, the second and third consequences may be difficult to assess, due to their complexity. The second consequence relates to the implications that leaving the EU would have on the loss of EU citizenship for individual authors and rightholders or qualification as a EU business for corporate rightholders; the third consequence requires consideration of the legacy of CJEU case law, particularly in areas in which the Court has arguably gone beyond the literal text of relevant EU provisions and carried out a *de facto* harmonisation of certain copyright concepts.

The brief analysis below will tackle these aspects in more detail.

Loss of EU citizenship or qualification as a EU business

In a note sent to stakeholders in 2018, the EU Commission outlined some of the default legislative implications that the exit of a Member State from the EU would have on rightholders that are nationals of that country or are established there.² On the withdrawal date of a certain Member State that left both the EU and the EEA, relevant EU directives and regulations would cease applying. Absent

an ad hoc agreement, the relationships between the EU and the former EU Member State (which would qualify as a third country) would be governed by relevant international treaties to which both are parties. With particular regard to EU copyright instruments, the withdrawal of a Member State from the EU and the EEA would have consequences on both individuals and legal persons and businesses established therein, with reference to rights entitlement and mechanisms of mutual assistance/cooperation/recognition.

With regard to individuals, the withdrawal from the EU would have consequences in terms of access to and enjoyment of copyright content. Recently the EU adopted a directive³ to implement the obligations that the EU has under the 2014 *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* (“Marrakesh Treaty”) in a harmonised fashion, with a view to ensuring that the corresponding measures are applied consistently throughout the internal market (Recital 6 of the directive). In its Opinion 3/15 the CJEU held that the EU has exclusive competence to conclude that Treaty and it is settled case law that EU Member States may not enter, outside the framework of the EU institutions, into international commitments falling within an area that is already covered to a large extent by common EU rules, even if there is no possible contradiction between those commitments and the common EU rules.⁴ The withdrawal from the EU would mean that blind/visually impaired/print-disabled persons based in a country that has left the EU would no longer be automatically entitled to obtain accessible format copies from authorised entities in the EU under Article 4 of that directive.

Also the right to “port” one’s own digital content subscriptions when travelling within the EU but outside the Member State of residence pursuant to the *Portability Regulation*⁵ would no longer be available to residents of such former EU Member State. The reason is that Article 3 of the Regulation only enables subscribers who are temporarily present in a EU Member State to access and use the online content service in the same manner as in the EU Member State of their own residence.

Broadcasters established in a country that ceases being a EU Member State would no longer benefit from the country of origin principle as enshrined in the *Satellite and Cable Directive*.⁶ This principle consists of a legal fiction according to which the act of communication to the public by satellite occurs solely in the EU Member State where, under the control and responsibility of the broadcasting organisation, the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth (Article 1(2)(b) of the *Satellite and Cable Directive*). Currently a EU-based broadcasting organisation is only required to clear rights in the EU Member State where the signal is introduced in order to transmit broadcasts containing copyright works or other protected-subject matter.

The end of the application of the *Collective Rights Management Directive*⁷ to a Member State that withdraws from the EU and the EEA would mean that the obligation of a collective management organisation to represent another collective management organisation for multi-territorial licensing (for the online rights in musical works) in certain cases (Article 30) would cease being applicable. The obligation of reciprocal representation would no longer subsist for collective rights management organisations based in the EU with regard to the collective rights management organisations established in the former EU Member State, and vice versa.

Also the availability of the *sui generis* right in databases would be affected by a Member State's choice to withdraw from the EU. The *sui generis* right may subsist in a database irrespective of copyright. Due to last 15 years from the date of completion of the making of the database, this right is meant to ensure protection of any investment in obtaining, verifying or presenting the contents of a database. The beneficiary of the right, that is the maker of the database, is entitled to prevent the unauthorised extraction and/or re-utilisation of all or a substantial part of the contents of that database. Following the withdrawal from the EU, nationals of the former Member State (unless they had their habitual residence in the EU) and companies/firms formed in accordance with the law of that country would cease being entitled to maintain or obtain a *sui generis* right in respect of databases in the EU. Article 11 of the *Database Directive*⁸, in fact, provides that the *sui generis* right within Article 7 only applies to databases whose makers or rightholders are nationals of a Member State or who have their habitual residence in the territory of the EU. The same applies to companies and firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the EU; however, where such a company or firm has only its registered office in the territory of the EU, its operations must be genuinely linked on an on-going basis with the economy of a Member State. It is possible for the *sui generis* right to be available to databases made in third countries. However,

any agreements extending the right within Article 7 to these kinds of databases must be concluded by the Council acting on a proposal from the EU Commission.

Finally, also the rules on orphan works and phonograms would be affected by a country's withdrawal from the EU. A work or phonogram is considered "orphan" if none of the rightholders in that work or phonogram is identified or, even if one or more of them is identified, none is located despite a diligent search for the rightholders having been carried out in (generally) the Member State of first publication or, in the absence of publication, first broadcast of the relevant subject matter. Once the subject matter at issue is recognised as orphan, the orphan status shall apply throughout the EU. Said mechanism of mutual recognition of the "orphan work" status provided for by the *Orphan Works Directive*⁹ would no longer apply between the former Member State and the EU. Article 4 of that directive provides, in fact, that a work or phonogram which is considered orphan according to Article 2 in a Member State shall be considered orphan in all Member States. The result of such recognition is that the orphan work or phonogram may be used and accessed in accordance with the directive in all EU Member States. This would no longer be the case for orphans declared so in the former Member State, and vice versa.

Exhaustion of the right of distribution

Following the first lawful sale or other transfer of ownership of a work or a copy thereof in the EU/EEA, the holder of the right of distribution loses the right to control subsequent sales or transfer of ownership of that work or copy. This effect, known as principle of exhaustion only occurs if the first sale or other transfer of ownership occurs within the EU/EEA.¹⁰ This is confirmed by the wording of Recital 28 in the preamble to the *InfoSoc Directive*,¹¹ which explicitly states that the right of distribution "should not be exhausted in respect of the original or of copies thereof sold by the rightholder or with his consent outside the Community". Similarly, in *Laserdisken*, C-479/04 the CJEU relied on Recital 28 in the preamble to the *InfoSoc Directive* to state that the right of distribution "should not be exhausted in respect of the original of the work or of copies thereof sold by the rightholder or with his consent outside the Community."¹²

The decision to exit the EU, withdrawing from both the EU and EEA, would also lead – by default – to the inapplicability of the EU exhaustion regime. The result would be that the first sale or other transfer of ownership in the former Member state alone would not exhaust the right of distribution as far as the EU is concerned, and vice versa. Hence, a copyright owner would be entitled to control subsequent transfers of ownership of a copyright work or a copy thereof from the former Member State to the EU or from the EU to the former Member State. This conclusion finds support in both the language of legislation and CJEU

case law. The practical implications of all this would be that for copyright content circulation between a former Member State and the EU might be less smooth than what is the case for copyright works or copies thereof that are first sold (or whose ownership is first transferred) within the EU.

Relevance of EU copyright case law to (future) non-EU Member States

In addition to changes brought about by the supervening inapplicability of EU legislation to a country that decides to leave both the EU and the EEA, the other aspect to consider is the value and legacy of the case law of a court, the CJEU, which – at least in the area of copyright – has been having a decisive role in shaping the EU copyright framework. In this respect, three main points arise. The first one is the legal value of CJEU judgments issued after the exit of a Member State from the EU. The second one relates to the legal value of CJEU judgments issued before the actual withdrawal from the EU. The final point concerns the room left for the copyright law of a certain country that is no longer part of the EU to develop in a different direction from the EU copyright acquis, as interpreted by the CJEU.

In relation to the first two points, it appears that the influential value of judgments issued by the highest EU court concerning the interpretation of EU rules on which domestic rules are modelled – at least for the initial period following the withdrawal from the EU until (and whether) the copyright system of a former Member State departs substantially from the one in place at the EU level – is likely to remain substantial. With specific regard to the legal value of such judgments, this is a choice (also) left to the departing Member State and the negotiations with the EU.

In the particular case of the UK, section 6 of the *European Union (Withdrawal) Act 2018* provides a framework for the interpretation of retained EU law.¹³ The provision states that, following the departure of the UK from the EU, a court or tribunal in that country would not be bound by any principles laid down, or any decisions made, on or after exit day by the CJEU, and would not be able to refer any matter to the CJEU on or after exit day. As regards CJEU decisions issued after exit day, a court or tribunal would need not to have regard to anything done on or after exit day by the CJEU, another EU entity or the EU, but “may do so if it considers it appropriate to do so”. In addition, any question concerning the validity, meaning or effect of any retained EU law (this would also apply to copyright provisions adopted in light of EU obligations) would need to be decided, so far as that law is unmodified on or after exit day and so far as they are relevant to it in accordance with any retained case law and any retained general principles of EU law, and having regard (among other things) to the limits, immediately before exit day, of EU competences. The UK Supreme Court would not be bound by any retained CJEU case law, nor would the High Court of Justiciary in certain scenarios or

when no court or tribunal would be bound by any retained domestic case law that it would not have otherwise been bound by. In any case, in deciding whether to depart from any retained CJEU case law, the Supreme Court or the High Court of Justiciary would need to apply the same test as it would apply in deciding whether to depart from its own case law.

While this arrangement might *prima facie* suggest a certain freedom to disentangle one’s own domestic law (and case law) from the influence and effects of CJEU decisions, including those issued before the actual exit from the EU, things would be actually much more complex than this. The reason is twofold: first, the relatively high number and content of CJEU judgments has arguably contributed to shaping also the domestic interpretations of national statutes; second, national courts have been incorporating CJEU judgments into their own reasoning. For a country like the UK, “Brexiting” also CJEU case law would require disentanglement from a wealth of national decisions that have the status of binding precedent.¹⁴

The CJEU understanding and construction of economic rights has indeed had a significant impact on corresponding UK rights, as well as on the subsistence of copyright protection, the notion of “work”, and the standard of infringement. Following the departure of the UK from the EU, and depending on the type of departure and new relationship (if any) with the EU, the complexity of UK copyright law would likely increase – rather than decrease.¹⁵ A change of legislative provisions would be in any case required to reflect the fact that this country would be no longer a Member State of the EU and, possibly, would also cease being part of the EEA. However, lacking a major overhaul of its copyright statute, provisions that have been included to give effect to corresponding EU provisions would need to be still interpreted in light of EU law. In the medium/long term perspective, within a scenario of “hard” Brexit, there might be room for a deviation of the UK approach to copyright compared to the EU. This might, in turn, result in a rapprochement between the copyright laws of Commonwealth countries, and possibly a greater room for mutual influences in this sense.

Freedom at last?

In late 2018, the UK Government published a statutory instrument that, if passed, would unavoidably amend the UK *Copyright, Designs and Patents Act 1988*, in the sense that the UK would be no longer referred as an EU Member State.¹⁶ This, as of today and with just a few weeks left before the Article 50 notice officially expires, remains the most tangible reaction to the impending exit from the EU.

Irrespective of the type of Brexit the UK will end up having, the impact on copyright might not be less dramatic than other intellectual property rights. The newly found alleged

Brexit and Copyright: a Pyrrhic Victory

freedom might turn to be in fact a Pyrrhic victory: UK creators and creative industries might find themselves excluded from or having fewer possibilities to access and enjoy an internal market, the EU one, of more than 500 million citizens.

A more detailed analysis will be provided when greater clarity exists also as regards what type of withdrawal from the EU there will be for the UK.

- 1 Associate Professor in Intellectual Property at the University of Southampton and Of Counsel at Bird&Bird LLP. Email: eleonora@e-lawnor.com. The analysis presented in this contribution is derived from the author's latest monograph: *Copyright and the Court of Justice of the European Union* (OUP:2019).
- 2 European Commission, *Notice to stakeholders: withdrawal of the United Kingdom and EU rules in the field of copyright*, 28.03.2018, available at <<https://ec.europa.eu/digital-single-market/en/news/notice-stakeholders-withdrawal-united-kingdom-and-eu-rules-field-copyright>>.
- 3 *Directive (EU) 2017/1564 of the European Parliament and of the Council of 13 September 2017 on certain permitted uses of certain works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled and amending Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society*, OJ L 242, 20.09.2017, 6–13.
- 4 Opinion 3/15 (*Avis rendu en vertu de l'article 218, paragraphe 11 TFUE (Traité de Marrakech sur l'accès aux œuvres publiées)*), of 14 February 2017, EU:C:2016:657, para 113 referring to: *Commission v Council*, C114/12, EU:C:2014:2151, paras 70 and 71; and Opinion 1/13 (*Accession of third States to the Hague Convention*), of 14 October 2014, EU:C:2014:2303, para 86.
- 5 *Regulation (EU) 2017/1128 of the European Parliament and of the Council of 14 June 2017 on cross-border portability of online content services in the internal market*, OJ L 168, 30.06.2017, 1–11.
- 6 *Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission*, OJ L 248, 06.10.1993, 15–21.
- 7 *Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market*, OJ L 84, 20.03.2014, 72–98.
- 8 *Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases*, OJ L 77, 27.03.1996, 20–28.
- 9 *Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works*, OJ L 299, 27.10.2012, 5–12.
- 10 See S von Lewinski, 'International exhaustion of the distribution right under EC copyright law?' (2005) 27(7) EIPR 233, 234. See also P Mezei, 'Digital first sale doctrine *ante portas*' (2015) 6(2) JIPITEC 23, 30.
- 11 *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society*, OJ L 167, 22.06.2001, 10–19.
- 12 *Laserdisken*, C-479/04, EU:C:2006:549, para 23.
- 13 *European Union (Withdrawal) Act 2018*.
- 14 See further R Arnold – L Bently – E Derclaye – G Dinwoodie, *The legal consequences of Brexit through the lens of IP law* (2017) University of Cambridge – Legal Studies Research Paper Series, No 21/2017, 6-8.
- 15 The need for a new UK Copyright Act was advocated well before the 2016 referendum: see R Arnold, 'The need for a new Copyright Act: a case study in law reform' (2015) 5(2) *Queen Mary Journal of Intellectual Property* 110.
- 16 SI 2018 No. XXXX, *Exiting the European Union – Intellectual Property, The Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2018*, available at <<https://assets.publishing.service.gov.uk/media/5bd2f17340f0b604cbff22d6/SI - Intellectual Property Copyright and Related Rights Amendment EU Exit Regulations 2018 v2.pdf>>.

**Aboriginal and Torres Strait Islander readers should be aware that this article contains names of people who have since passed away*

The case for Perpetual Copyright in Albert Namatjira's artistic works

Shaun Miller¹

The Indigenous artist Albert Namatjira was the founder of the Western Desert watercolour movement, located in Western Aranda lands (around Hermannsburg) west of Alice Springs. Namatjira's landscapes of the rust-red MacDonnell Ranges with their ethereal blue hues and illuminous ghost white river gums, which were painted in the mid-20th century, became well regarded and well recognised across Australia at that time and his legacy as the foremost Indigenous painter of his generation has endured to this day.

The story of copyright ownership in relation to Namatjira's artistic works is, however in the writer's view, one of injustice, ineptitude and absolute disregard for the proper interests and needs of the Namatjira family. This resulted in Namatjira and, in turn, his descendants being deprived of the financial benefits that were derived from the exploitation of the rights in his works.

The unique circumstances surrounding the copyright ownership of Namatjira's works give rise to a compelling case for perpetual copyright to be granted by the Australian Government in relation to the works.²

Background to Copyright in Namatjira's Artistic Works

Namatjira left his estate to his wife, Rubina, and eight children in an unsigned Will drawn up in 1945.

In 1957, two years before he died, he agreed to a partial and limited assignment of his copyright to art dealer John Brackenreg's Sydney-based publishing company Legend Press, in exchange for a 12.5 percent royalty.

Namatjira passed away in 1959. His widow Rubina died in 1974 and passed her assets to her children and grandchildren in a deed of family arrangement. She appointed a sole executor and the deed lists the beneficiaries by name.

In 1983, the Public Trustee for the Northern Territory sold the copyright in Namatjira's works to Legend Press for AU\$8,500. Reportedly, the Public Trustee did not consult with the Namatjira family about this sale, let alone get their written approval.³ This meant that there were no further copyright payments made to Namatjira's descendants from that time.

Copyright in Namatjira's works will expire in 2029, 70 years after the artist's death.

Campaign to Return Copyright to Namatjira's Family

It became increasingly apparent in recent years that a major injustice had befallen Namatjira's grandchildren, who have been impoverished, and in some cases left homeless, all the while Namatjira's copyright was held by a white-owned publisher, Legend Press.

Namatjira's grandchildren have earned no money from the reproductions of their grandfather's paintings, including reproductions in books, auction or exhibition catalogues, or in films, plays or documentaries. Furthermore, his grandchildren did not have any control over the manner in which, and the extent to which, the works were reproduced.

The arts and social justice organisation Big hART, amongst others, including the very well researched media reporting by Rosemary Neill of *The Australian* newspaper,⁴ spear-headed a campaign for Legend Press to sell or gift the copyright back to Namatjira's descendants.

Big hART and the Namatjira family established the Namatjira Legacy Trust (a charitable trust) in March 2017. The aim of the Trust was to address the copyright issue as well as support the wellbeing of Namatjira's offspring and the residents of Hermannsburg and foster the survival of the Western Desert watercolour movement.

The case for Perpetual Copyright in Albert Namatjira's artistic works

The Trust is overseen by nine people: four members of the Namatjira family and five independent trustees.

The Namatjira Legacy Trust highlighted the Northern Territory Government's shameful sale of the entire copyright in the works to an outside party for a relatively small amount of money. The Northern Territory's actions displayed a lack of proper regard for the very beneficiaries it was meant to protect; it is very difficult to imagine that a reputable white artist at the time would have had their copyright handled in the same manner.

Recent widespread media coverage of the matter prompted the former Northern Territory Public Trustee John Flynn to express regret and contrition regarding the decision to sell the copyright to Legend Press in 1983. Flynn said that he assumed the sale was for a seven-year period. He also admitted that he was remiss in not having consulted an art expert about whether to sell the copyright, and its future value.⁵

It is worth bearing in mind that when the Northern Territory Public Trustee sold the copyright to Legend Press, the duration of copyright in artistic works was 50 years after the death of the artist. This would have meant that copyright expired in 2009. However, as a result of the *Australia-US Free-Trade Agreement* in 2004, the duration of copyright in artistic works was extended to 70 years after the death of the artist.

The injustice of the financial deprivation to Namatjira's descendants was compounded as Legend Press gained an additional 20-year period in which to exploit the rights in the works, which would not have been factored into the equation when it purchased the copyright in 1983.

In October 2017, the Namatjira Legacy Trust finally succeeded in managing to wrest back ownership and control of the copyright of Namatjira's artistic works. This was able to be secured after the claims made by the Trust against the long-time copyright owner Legend Press were resolved.

Colin Golvan QC, drawing on his involvement with copyright law and Indigenous art for over 30 years, became one of the key activists for the return of copyright to the Trust. Indeed, Golvan is one of the directors of the Trust. He summed up how the Trust and Legend Press managed to resolve the matter:

The circumstances of the transfer of the copyright were quite extraordinary. After Arnold Bloch Leibler, pro bono lawyers for the Trust, sent a letter to Legend Press, the philanthropist Dick Smith became involved in helping the parties to resolve the dispute. Dick's father had worked for the father of the present owner of Legend Press, and Dick said that he had a particular wish to see the long-running dispute finally resolved. In the outcome, and without any prompting or

request, Dick paid a donation to the Trust of \$250,000. With the receipt of the donation, the Trust paid \$1 to Legend Press to obtain the assignment of the whole of the copyright in the large body of works of Albert Namatjira.⁶

In December 2017, the Trust enlisted the Copyright Agency (which recently merged with Viscopy) to manage the licensing rights of the renowned artist internationally.

In August 2018, the Northern Territory Government paid an undisclosed landmark compensation sum to the Trust over the "unjust" sale of copyright in Namatjira's works of art to Legend Press in 1983.

Campaign for Perpetual Copyright in Namatjira's artistic works

Now that copyright ownership and control of Namatjira's artistic works has rightfully been restored to the Namatjira Legacy Trust, the Trust is mounting a campaign for legislation to enable the duration of Namatjira's copyright to be perpetual, rather than expire in 2029.

The reasons for a limit on the duration of copyright is, of course, to strike a balance between, providing a financial incentive for creators of copyright material by enabling those creators to exploit the copyright for their own financial gain as well as the financial gain of their estate upon their death (usually the creator's children and grandchildren) while ensuring that after a certain period of time, copyright material enter the public domain to allow for the broad culture to freely reproduce and build upon the creations of others who went before them.

The term of copyright in jurisdictions around the world has steadily increased with the passing of successive amendments to copyright legislation. Some would argue that the duration of copyright protection is already unnecessarily long with the consequence of inhibiting the overall culture of society. It could be argued that, realistically, creators gained no further incentive to create copyright material when the duration of copyright in Australia was extended following the 2004 *Australia-US Free Trade Agreement*; the vast majority of the material created since then would have been created anyway, in the absence of the extension of the copyright term.

There aren't any Constitutional impediments to extending copyright for Namatjira's artistic works. Under the Australian Constitution, the Commonwealth has power to make laws with respect to "copyright, patents and trade marks" (s.51 (xxviii)). Also under the Australian Constitution, but less relevantly, the Commonwealth has power to make "special laws for people of any race" (s.51 (xxvi)). There are particular circumstances surrounding the copyright in Namatjira's works that lead to compelling arguments for the Australian Government to legislate for the duration of copyright in his works to be perpetual.

The case for Perpetual Copyright in Albert Namatjira's artistic works

From 1983 to 2017, when the copyright was owned and controlled by Legend Press, the Namatjira family did not receive a cent from any exploitation of the copyright nor did the family have any control over the way in which the copyright was handled. Prior to 1983, the family only received a small royalty of 12.5 percent from Legend Press.

If copyright were to expire in 2029, then the Namatjira Legacy Trust would only have 12 years in which to financially benefit from the exploitation of the copyright, after which the copyright would fall into the public domain. This would be a very unfair and unjust state of affairs because the reasons why the Namatjira family's ownership and control of the copyright slipped out of their hands for so long was due to circumstances that were largely out of their control, including the disregard for the interests of the Namatjira family by the Northern Territory Public Trustee and arguably the self-serving and high-handed conduct of Legend Press.⁷

However, there are no doubt numerous examples of copyright being misappropriated in one way or another and it would be problematic, to say the least, for perpetual copyright (or an extension of copyright beyond the legislated terms) to be granted in every (or even some) other cases deemed unfair or unjust.

There are unique, extenuating and special circumstances in this matter that move beyond the personal into the realms of the political and cultural.

On the personal level, granting perpetual copyright in Namatjira's works would be a form of restorative justice in terms of the ongoing financial gain that the Trust would benefit from (which Namatjira's family were deprived of for so long).

Arguably more importantly on the personal level, granting perpetual copyright would be a significant gesture to recognise and redress the fact that Namatjira, an initiated Aranda man and one-time "camel boy" who became one of the most well-regarded and recognised Australian painters of the 20th century, battled racism and discrimination from the government, police and wider society until his death.

An example of this was that in 1957 Namatjira and his wife Rubina were amongst the first Indigenous Australians to be granted Australian citizenship (albeit the institutional racism of the time meant that their children were not granted citizenship). Citizenship accorded Namatjira the right to drink alcohol. In 1958, Namatjira was found guilty of supplying alcohol to an Aboriginal. He was jailed but, following a further public outcry, served out his sentence in the remote community of Papunya (effectively exiled from Hermannsburg). He died three months later: a victim of the inequity between black and white Australia.

On a political level, granting perpetual copyright would be a welcome act of reconciliation between Indigenous and

non-Indigenous Australians. It would acknowledge the immense contribution of Namatjira to Australia's artistic canon. Namatjira is widely identified as the first leader of the contemporary Indigenous visual arts movement which is such a powerful and influential voice today for the interests of indigenous people as recognised nationally and internationally.

Namatjira's life straddled two worlds: the traditions of his country in Western Aranda lands which were met with racism and discrimination; and his success as an artist in the modern medium of watercolours painted in the Western tradition and embraced by mainstream white Australia. During Namatjira's life, those two worlds collided and were never reconciled. An opportunity now presents itself to express regret and promote reconciliation by granting perpetual copyright.

On a cultural level, granting perpetual copyright would affirm the enduring respect and esteem in which Namatjira is held in the Australian arts community and society at large. It would, more broadly and symbolically, recognise the contribution of indigenous artists and art movements to mainstream Australian culture, which Namatjira was at the forefront of.

The Namatjira Legacy Trust would then be able to financially benefit from the exploitation of the copyright in Namatjira's works, with the revenue derived being distributed to Namatjira's family as well as the Western Aranda communities fostering and strengthening their art, culture, language and identity, in particular professional development for practicing contemporary indigenous watercolour artists.

Precedent for Perpetual Copyright - the Peter Pan exception

The story of *Peter Pan* centres on a boy who wouldn't grow up. It is therefore somewhat fitting that the story of *Peter Pan* is a unique example of copyright protection that, to a certain extent, will never die.

In 1929 playwright and author, J M Barrie, gave the copyright to his stage play *Peter Pan, or the Boy Who Wouldn't Grow Up* (written in 1904) to the Great Ormond Street Hospital ("GOSH"), arguably the best children's hospital in the United Kingdom ("UK"). Barrie died in 1937. His will restated that the copyright in the stage play was to be bequeathed to GOSH. The exploitation of these rights proved to be lucrative for GOSH. Whenever the stage play was produced, the it would receive a licencing fee.

GOSH also had a degree of creative control over the exploitation of the copyright in the stage play. It could refuse permission to any third party that wanted to exploit the copyright in the stage play, therefore giving GOSH authority over how the characters and story of *Peter Pan* were represented.

The case for Perpetual Copyright in Albert Namatjira's artistic works

GOSH's copyright was due to expire in 1987, being 50 years after the death of Barrie, as per copyright law in the UK at that time. If the copyright were to fall into the public domain, then a significant source of revenue for GOSH would have been severely curtailed (although not entirely extinguished because the duration of copyright in the stage play was still ongoing in certain other jurisdictions, notably in the United States where the play *Peter Pan* is still in copyright until 2023).

In 1987, Lord James Callaghan, former British Prime Minister and Member of the House of Lords at that time, successfully campaigned to amend the UK's *Copyright, Designs and Patents Act 1988* ("CDPA") so that GOSH had the exclusive right to royalties from stage performances of *Peter Pan* and any adaptation of the stage play in perpetuity.

Section 301 of the CDPA provides:

*The provisions of Schedule 6 have effect for conferring on trustees for the benefit of the Hospital for Sick Children, Great Ormond Street, London, a right to a royalty in respect of the public performance, commercial publication, broadcasting or inclusion in a cable programme service of the play 'Peter Pan' by Sir James Matthew Barrie, or of any adaptation of that work, notwithstanding that copyright in the work expired on 31 December 1987.*⁸

The amendment did not provide for GOSH to retain copyright in the stage play. It merely extended the GOSH's entitlement to royalties from productions of the stage play in perpetuity. However, GOSH could no longer refuse permission for the stage play to be produced by any third parties.

This placed the stage play in a legal limbo land between the public domain and copyrighted material.

The limitations to the extended royalties meant that "the new royalty extension":

- (1) was only applicable in the UK – those outside the UK do not have to pay royalties unless the work is not in the public domain [notably in the United States until 2023];
- (2) was for royalties only – it did not extend to other aspects of the copyright like the refusal of permission; and
- (3) did not extend to Barrie's work *The Little White Bird*, which features the characters from the stage play *Peter Pan*.⁹

The introduction of the amendment was not without controversy and debate, as it brought into question the purpose of limitations on the duration of copyright and the extent to which exceptions (if any) should be made.

The *Peter Pan* amendment was made over 30 years ago. There have been no other exceptions made to the duration of copyright in any other work or subject-matter other than work in the UK or any other jurisdiction since.

The very special circumstances surrounding the amendment was that it would benefit GOSH and the sick children who rely on the hospital's services, all within the historical context of the hospital having benefited from the copyright since 1929. Even the most ardent copyright purist would find it difficult to deprive sick children by denying the *Peter Pan* exception to the UK's copyright laws.

The point is that, as rare as it is, amending copyright laws in the case of extenuating circumstances is not without precedent. The arguments to extend the duration of copyright in Namatjira's artistic works can springboard off the *Peter Pan* exception.

Conclusion

For the unique personal, political and cultural reasons set out here, the writer submits that the Australian Government should amend the *Copyright Act 1968* (Cth) to enable the duration of copyright to be perpetual in relation to Namatjira's artistic works.

What better legacy for a proud Aranda man.

1 Principal of Shaun Miller Lawyers, Senior Fellow at The University of Melbourne within the Faculty of Fine Arts and Music. *The writer acknowledges the Traditional Owners of the land on which he works, and pays his respects to the Elders, past and present.*

2 The writer wishes to acknowledge that parts of this piece have drawn on the thorough research contained in various articles in *The Australian* newspaper written by Rosemary Neill, whose media coverage was one of the catalysts for copyright in Namatjira's artistic work being returned to the Namatjira Legacy Trust.

3 Rosemary Neil, 'Namatjira copyright deal "unjust": seller', *The Australian*, 1 March 2017.

4 Rosemary Neil, 'Namatjira copyright deal "unjust": seller', *The Australian*, 1 March 2017.

5 Rosemary Neil, 'Namatjira copyright deal "unjust": seller', *The Australian*, 1 March 2017.

6 Colin Golvan, *A win for Namatjira*, (November 2017) available at <<http://www.colingolvan.com.au/law/law-articles-and-essays/164-a-win-for-namatjira>>.

7 Nevertheless, it must be appreciated that the enterprising efforts of art dealer John Brackenreg of Legend Press greatly helped to propel Namatjira's career and reputation into the public eye of mainstream white Australia.

8 *Copyright, Designs and Patents Act 1988* (UK), s. 301.

9 Jonathan Bailey, 'Peter Pan and the Copyright That Never Grew Up' (13 April 2016) *Plagiarism Today* <<https://www.plagiarismtoday.com/press/>>.



The John McLaren Emmerson QC Essay Prize 2019

The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2019 competition for an essay on a topic of the author's choice regarding intellectual property.

1st Prize of the John McLaren Emmerson QC Essay Prize will comprise the sum of \$5,000 AUD plus complimentary registration at the IPSANZ 33rd Annual Conference scheduled to be held over the weekend of 6 – 8 September 2019 including 2 nights' accommodation at the Sofitel Noosa Pacific Resort, Noosa Heads, Queensland and a return economy airfare from within Australia or New Zealand to the conference.

2nd Prize will comprise the sum of \$2,000 AUD plus complimentary registration at the IPSANZ 33rd Annual Conference, including 2 nights' accommodation at the Sofitel Noosa Pacific Resort, Noosa Heads, Queensland.

3rd Prize will comprise the sum of \$1,000 AUD plus complimentary registration at the IPSANZ 33rd Annual Conference, including 2 nights' accommodation at the Sofitel Noosa Pacific Resort, Noosa Heads, Queensland.

It is intended that the Prize winners will be announced and presented at the Conference. The winning entry will be published in Intellectual Property Forum, the official journal of IPSANZ.

COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words.
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words). Entrants should keep a copy of the entry, as no entries will be returned.
- Each entry should be accompanied by a separate detached page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize.
- A copy of each entry should be submitted by mail, typed, double-spaced and on A4 paper, and, a copy submitted electronically (in word format).
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Melbourne or Sydney to the capital city in which the conference is to be held, will be made.
- **Closing date for entries is Friday, 17 May 2019.**

Entries should be sent to:

The Intellectual Property Society
of Australia and New Zealand Inc.
GPO Box 2491
Melbourne Victoria 3001
Australia

Telephone: (61 3) 9761 2833

Email: ipsanz@ipsanz.com.au



Book Review

Fiona Phillips

Non-Conventional Copyright: Do New and Atypical Works Deserve Protection?
Edited by Enrico Bonadio and Nicola Lucchi

[Edward Elgar 2018 pp 520]

Seldom a week goes by without reading about a new controversy relating to non-traditional forms of copyright: street art, tattoos, dance moves and even cheese spreads! Aside from the stories sensationalised by social media, serious discussions are under way about whether and how new technologies such as artificial intelligence and 3D printing should be accommodated by copyright. For example, as this issue of *Intellectual Property Forum* goes to press, the European Union has just finalised negotiations on a new *Copyright Directive for the Digital Single Market*. Some of the most controversial issues in the negotiations concerned how machine-learning could be accommodated through a text and datamining exception and a new right to remuneration for press publishers. In *Non-Conventional Copyright: Do New and Atypical Works Deserve Protection?* the editors, Enrico Bonadio and Nicola Lucchi, bring these issues together, in a single, thought-provoking volume.

The book begins with an introduction by the editors in which they discuss the basic tents of copyright law: copyrightable subject-matter (which is fixed in common law jurisdictions such as Australia and New Zealand); originality (which is treated differently in different jurisdictions); fixation; functionality (which is a bar to copyright protection in some jurisdictions); authorship (for example, under Australian case law, a work must be the product of human authorship to be protected by copyright); and finally, public interest concerns (the all important “copyright balance”). The editors pose the question whether there is scope for these principles to be interpreted differently, rendering a more flexible approach to copyright protection.

The book is divided into four parts, which examine different forms of creative effort. Part I looks at visual art and contains six essays by authors from the United States of America (“USA”), the United Kingdom (“UK”) and Australia. Firstly, Xiyin Tang looks at *Copyright in the Expanded Field: On Land Art and Other New Mediums*. This is followed by an examination of conceptual art by Shane Burke before Jani McCutcheon looks at the issues posed by the protection of “Bio art”. The next three essays look at more popular forms of visual art. Enrico Bonadio focuses on street art and graffiti, Yolanda M. King examines copyright protection of tattoos and, finally, Cathay Y. N. Smith delves into the issues posed for the protection of culinary presentations.

Part II is devoted to music and culture. It also contains six essays by authors from the UK, USA, Ireland and Hungary. Firstly, Luke McDonagh looks at protecting traditional music (and choosing not to enforce it), before Giuseppe Mazzotti explores the world of improvised jazz which challenges the traditional notion of a “fixed” musical work. Tom Iverson then takes a look at an issue posed by the use of music streaming services and asks: *Can DJ Sets Be Protected by Copyright?* The next three essays look at ephemeral art forms that have traditionally relied on protection through other means, for example, broadcast rights. Trevor M. Gates examines copyright protection for comedic material, Jay Dougherty looks at magic shows and lastly, Péter Mezei looks at the case for protection of sport moves.

Part III examines non-conventional copyright subject-matter from industry and science. The six essays are again written by authors from different jurisdictions. Beginning with Arul George Scaria and Mathews P. George from India who look at *Copyright and typefaces*. In a very timely contribution, Stavroula Karapapa from the UK examines the press publishers’ right in the EU and the future of news online. Charles Cronin then looks at copyright and other IP protection for fragrances. The last three essays examine some of the challenges for copyright protection posed by science and technology. Teshager Dagne compares the approach to the protection of Computer Aided Design (“CAD”) files in

Book Review: *Non-Conventional Copyright: Do New and Atypical Works Deserve Protection?*

3D Printing in Canada, the USA and EU. Nicola Lucchi then looks at whether engineered DNA Sequences can be protected by copyright before Massimo Maggiore takes a look at artificial intelligence and the challenges of computer-generated works.

Part IV focuses on an important public policy issue – illegality and immorality. Eldar Haber looks at copyright protection of illegal works, while Enrico Bonadio and Nicola Lucchi look at the specific case of pornography and Marc Mimler examines the difficult case of works by Nazi leaders.

The final part of the book is by Tim W. Dornis and examines the protection of non-conventional copyright from an economic perspective. This is an important contribution and

draws together the essays in this volume. It also reminds the reader that copyright is, at the end of the day, an economic right.

As the editors note, copyright law is founded on certain basic principles. Those principles have enabled the law to expand over time to accommodate new subject-matter such as photographs, sound recordings, films and computer programs. Technological changes over the last two decades has meant that many contemporary creative practices find themselves at the penumbra of copyright protection. *Non-Conventional Copyright: Do New and Atypical Works Deserve Protection?* offers a comprehensive, timely and thoughtful look at whether copyright law could and should expand to protect these non-conventional subject-matter.



Expressions of Interest

are invited from IP lawyers and writers

to contribute to the Profile Section of *Intellectual Property Forum*

Since 1997, *Intellectual Property Forum* has featured regular interviews with a range of eminent persons who have made a significant contribution to the advancement of Intellectual Property Law in Australia and New Zealand.

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Professor Adrienne Clarke AO
Professor John Mills AO
The Honourable Daryl Williams AM QC
Frank Moorhouse AM
Tamara Winikoff
Rhonda Steele
Kathy Bail
Kim Williams AM

Initial enquiries or expressions of interest to contribute a Profile are most welcome, and may be directed to:

The Editors
c/o National Secretariat
The Intellectual Property Society
of Australia and New Zealand Inc.
GPO Box 2491
Melbourne Victoria 3001
Australia

Telephone: (+61 3) 9761 2833
Facsimile: (+61 3) 97612899
Email Address: editors@ipsanz.com.au.

Current developments - Australia

IP AUSTRALIA

Martin Friedgut and Roseanne Mannion
Spruson & Ferguson

Patents

Published in the Australian Official Journal of Patents on 17 January 2019

The *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (“IP Amendment Act”) amends the *Patents Act 1990* (Cth) (“Patents Act”) to allow the Commissioner, by way of non-legislative instruments, to:

- determine the means for filing a document with the Patent Office;
- give a direction specifying the form in which a document is to be filed;
- give a direction in relation to the filing of evidence in connection with a matter arising under the Patents Act;
- determine the means for paying a fee; and
- determine the formalities requirements in relation to a complete application.

Moving the requirements to non-legislative instruments provides flexibility to adopt more efficient processes as they become available.

IP Australia has published four instruments in the *Australian Official Journal of Patents* in preparation for their commencement. They set out the requirements in relation to:

- the approved and preferred means of paying fees;
- the means and form of filing documents;
- the means and form of filing evidence and opposition documents; and
- the formalities requirements in relation to complete applications.

The instruments do not substantially change the requirements that previously applied in relation to these matters.

These instruments will commence at the same time as the corresponding parts in the IP Amendment Act, which will be on 24 February 2019, unless proclaimed to commence earlier.

The *Manual of Practice and Procedure* and the *Objective Connect User Guide* are being updated to reflect these

changes. Users are encouraged to consult the Manual and the Guide if they are uncertain what requirements apply to their situation.

Published in the Australian Official Journal of Patents on 29 November 2018

In accordance with the directives adopted by the Patent Cooperation Assembly at its Fortieth Session (held from September 22 to 1 October, 2009), new equivalent amounts in AUD will be established with effect from **1 January 2019**, as follows:

International PCT Fees

International Filing Fee: AU\$1871

If the application contains 30 pages or less including the request form.

E-filing reductions

Electronic filings filed in PDF format via ePCT: AU\$281

Electronic filings filed in XML format via ePCT: AU\$422

For each page in the application in excess of 30 sheets: AU\$21

International Preliminary Examination Fees

International Preliminary Handling Fee: AU\$281

Designs

Published in the Australian Official Journal of Designs on 24 January 2019

The *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) (“IP Amendment Act”) amends the *Designs Act 2003* (Cth) (“Designs Act”) to allow the Registrar, by way of non-legislative instruments, to:

- determine the means for filing a document with the Designs Office;
- give a direction specifying the form in which a document is to be filed;
- give a direction in relation to the filing of evidence in connection with a matter arising under the Designs Act or the regulations; and
- determine the means for paying a fee.

Moving the requirements to non-legislative instruments provides flexibility to adopt more efficient processes as they become available.

IP Australia has published three instruments in the *Australian Official Journal of Designs* in preparation for their commencement. They set out the requirements in relation to:

- the approved and preferred means of paying fees;
- the means of filing documents; and
- the means and form of filing evidence and opposition documents.

The instruments do not substantially change the requirements that previously applied in relation to these matters.

These instruments will commence at the same time as the corresponding parts in the IP Amendment Act, which will be on 24 February 2019, unless proclaimed to commence earlier.

The *Manual of Practice and Procedure* and the *Objective Connect User Guide* are being updated to reflect these changes. Users are encouraged to consult the Manual and the Guide if they are uncertain what requirements apply to their situation.

Trade Marks

The IP Amendment Act amends the *Trade Marks Act* 1995 (Cth) (“Trade Marks Act”) to allow the Registrar, by way of non-legislative instruments, to:

- determine the means for filing a document with the Trade Marks Office;
- give a direction specifying the form in which a document is to be filed;
- give a direction in relation to the filing of evidence in connection with a matter arising under the Trade Marks Act or the Regulations; and
- determine the means for paying a fee.

Three instruments have been published in the *Australian Official Journal of Trade Marks* setting out the requirements in relation to:

- the approved and preferred means of paying fees;
- the means and form of filing documents; and
- the means and form of filing evidence and opposition documents.

The instruments do not substantially change the requirements that previously applied in relation to these matters. Previously, however, parties in opposition matters were notified of the “[d]irection on the way evidence is submitted to IP Australia in trade mark opposition purposes” during each opposition proceeding. With the commencement of the above instruments, the parties will no longer be notified of this direction.

The instruments will commence on 24 February 2019, unless proclaimed to commence earlier.

Proposed Amendments to the Trade Marks Regulations

IP Australia is seeking input on proposed amendments changes to the *Trade Mark Regulations* 1995 (Cth).

The proposed amendments are:

- ability for holders of International Registrations Designating Australia (“IRDAs”) to divide an IRDA (Schedule 1); and
- update and make clearer several references to international arrangements concerning protection of trade marks (Schedule 2 and 3).

The new provision for dividing IRDAs will ensure that the *Trade Mark Regulations* comply with amendments to the *Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol relating to that Agreement* coming into force in February 2019. This amendment, however, will not commence in Australia until the day after the end of the period of six months beginning on the day the Regulations are registered on the Federal Register of Legislation.

The amendments set out in Schedules 2 and 3 are not substantive.

Schedule 2 will amend the Regulations to correct an error and make the provisions more compliant with modern drafting practices. These amendments will commence on the day after the Regulations are registered on the Federal Register of Legislation.

Schedule 3 will replace the defined expression “Common Regulations” with the defined expression “Madrid Regulations”. These amendments will commence on 1 February 2020.

Public comment on the Regulations closed on 1 March 2019.

CASES

Peter Heerey AM QC, Tom Cordiner QC & Alan Nash
Barristers¹

In this edition, we turn our mind to the summer holidays, with two cases considering the intellectual property rights to be found in electronic accessories for connecting trailers to cars (including an exotic foray into circuit layouts).

Lumen Australia Pty Ltd v Frontline Australasia Pty Ltd
[2018] FCA 1807

[22 November 2018]

Lumen Australia Pty Ltd v Frontline Australasia Pty Ltd
(No 2) [2019] FCA 18

[18 January 2018]

Copyright – technical drawings and instructions – circuit markings on printed circuit boards – whether original artistic and/or literary works – whether copyright/design overlap

provisions apply – defences – innocent infringement – whether party engaged to produce near-identical copies of electrical components lacked reasonable grounds to suspect infringement

Circuit layouts – “circuit layout” – “integrated circuit” – whether third party components moulded onto a board are “integrally formed” in or on the material

As adventurous readers will know, when towing a trailer, caravan, horse float or similar vehicle attachment, it is necessary to connect it to the electrical components of the vehicle doing the towing. The piece of equipment that allows brake lights, indicators and other lights on a trailer (for example) to be connected to, and work in conjunction with, those of the lead vehicle is referred to as a “wiring harness”.

The applicant (“Lumen”) is a manufacturer of wiring harnesses and other automotive components. It sells some of those components directly to vehicle manufacturers (making it a “tier 1 supplier”) and also sells wiring harnesses to other companies for inclusion in towbar kits, which are then sold to vehicle manufacturers (making it also a “tier 2” supplier). Lumen’s wiring harnesses include an electronic control unit (“ECU”) consisting of a printed circuit board (“PCB”) to which electrical components are attached, and are supplied with written installation instructions (“Instructions”).

The first respondent (“Frontline”) was among the companies to whom Lumen supplied wiring harnesses for inclusion in towbar kits, which Frontline then sold to automotive companies like Mitsubishi and Mazda. Lumen’s terms of trade with Frontline forbade Frontline from exploiting Lumen’s intellectual property or providing it to third parties, and from reverse engineering Lumen’s products. The definition of intellectual property in the contract was sufficiently broad to cover drawings and technical specifications of Lumen’s products and their components, the Instructions and any confidential information.

In March 2013, Frontline met with the second and third respondents (collectively, Vision) with a view to Vision supplying wiring harnesses instead of Lumen. In doing so, Frontline provided Vision with a sample of Lumen’s wiring harness (including the ECU), the Instructions, and at a later date engineering drawings of the harness. Vision used these to produce near identical products, which it supplied to Frontline between December 2014 and February 2016. In the case of the Instructions, Vision made direct copies to create its own instructions, which included pictures of a socket bearing Lumen’s registered trade mark, LUMEN.

Lumen became aware of Frontline’s substitution in late 2016, when Lumen noticed that sales of wiring harnesses to Frontline had ceased, and visits to Mitsubishi yielded samples of Frontline’s replacement components. A letter of demand was sent in February 2016, and Lumen initiated proceedings against Frontline in March 2016 for copyright infringement, trade mark infringement, passing off and

related claims under the Australian Consumer Law, breach of confidence, breach of contract, and infringement of rights under the *Circuit Layouts Act* 1989 (Cth) (in respect of the ECU). Vision’s involvement had not come to light due to inadequate initial discovery by Frontline, but Vision was later added as a party in respect of the copyright and circuit layout claims. Among other things, Lumen sought damages rather than an account of profits. Vision brought a cross-claim against Frontline alleging misleading and deceptive conduct. Frontline brought a cross-claim against Vision seeking contribution towards any damages award, under section 23B(1) of the *Wrongs Act* 1958 (Vic).

The evidence against Frontline and Vision was fairly damning. For example, after receiving samples of Lumen’s product in March 2013, staff at Vision noted that technical drawings might not be available “as they will probably be proprietary to” Lumen. In September 2013, Vision staff requested copies of the engineering drawings, to “provide a short cut” for their development efforts. Frontline provided copies of the drawings, which originally had been developed for submission to Mitsubishi as part of its production part approval process (PPAP); accordingly, the drawings still bore Lumen’s original copyright notice. Throughout, Frontline’s instructions to Vision were to replicate Lumen’s product, even down to country-of-origin labelling (notwithstanding that Vision’s products were to be manufactured overseas). After receiving Lumen’s letter of demand, representatives from Frontline and Vision met, and Frontline’s representative asked that Vision not reveal that it had received the engineering drawings. Frontline also provided updated Instructions in which the LUMEN mark was removed, with no other changes. In “re-sourcing” the wiring harness, Frontline also had not followed Mitsubishi’s PPAP; when challenged by Mitsubishi over the non-approved substitution, Frontline’s CEO wrote to Mitsubishi (falsely) claiming that the failure to comply with Mitsubishi’s PPAP occurred “despite our best intentions” and only had been “recently determined”.

Unsurprisingly, many of the elements of Lumen’s claims (including the entirety of the passing off, misleading and deceptive conduct, breach of contract and breach of confidence claims, in the case of Frontline) were conceded by Frontline and Vision. In respect of those that were not, the outcome was as follows:

- Lumen claimed copyright in “Circuit Markings”, being the arrangement of text and numerals printed on PCB within the ECU. Justice Moshinsky accepted that the markings were both an artistic work (being a diagram, chart or plan) and a literary work (being an original compilation of figures). Vision’s attack on the originality of the markings, based on an assertion that the reference figures used are included in an international standard, was rejected. After noting that creativity is not a requirement, his Honour held at [208] that the evidence showed

that Lumen's engineer "exercised independent intellectual judgment to determine the most logical way of labelling, and arranging, each of the reference designators, sufficient to render the Circuit Markings an original copyright work". His Honour also was satisfied that Vision's version of the circuit markings was substantially identical to that of Lumen (even as to redundant elements); indeed, in correspondence with Frontline, Vision explained the similarity on the basis that it was "asked to replicate the existing product 100% ...".

- His Honour rejected Vision's reliance on the defence under section 115(3) of the *Copyright Act 1968* (Cth) in respect of the circuit markings and engineering drawings, namely lack of reasonable grounds to suspect the infringing act was an infringement of copyright. Vision argued that it is not unusual for tier 1 suppliers (like Frontline) to own the intellectual property in products supplied by tier 2 suppliers (like Lumen). His Honour rejected this argument: Vision was well aware that the project was designed to replicate the Lumen wiring harnesses. Further, it was aware that there was a question over ownership of the products, but made no inquiries of Frontline as to whether Lumen consented to use of, for example, the circuit markings or Instructions. In the case of the engineering drawings, even though Frontline claimed to own the intellectual property rights therein when providing them to Vision, a Vision staff member admitted under cross-examination to noticing Lumen's copyright notices (and indeed, a number of the drawings were stand-alone Lumen drawings). Accordingly, Vision failed to discharge its onus of establishing an actual lack of subjective awareness that its acts constituted an infringement of copyright, and an objective lack of reasonable grounds for suspecting the same.
- His Honour also rejected Vision's attempt to rely on the copyright/design overlap provisions in section 74 of the Act as a defence to infringement in respect of the circuit markings and engineering drawings; among other things, this did not provide an answer to his Honour's findings that those were literary work in addition to artistic works.
- In respect of Lumen's trade mark infringement claim (against Frontline only), Frontline argued that there would be no infringement if it could establish that its use of the LUMEN sign was not likely to deceive or cause confusion, and the focus should be exclusively on the use of the sign, not Frontline's more general conduct. His Honour held that Frontline failed to establish that what it had actually done was "not likely to deceive or cause confusion, or to be taken as indicating the connexion in the course of trade". The name LUMEN in the instructions was

small, but legible and sufficient to indicate a trade connection between the wiring harness and Lumen. The harnesses were, however, those of Vision, and hence Frontline's use of LUMEN was likely to cause confusion.

Lumen's claims of infringement of its rights under the *Circuits Layout Act 1989* (Cth) (*Circuits Layout Act*) ("eligible layout rights", or "EL rights") were unsuccessful. EL rights are granted in respect of an original "circuit layout", which is defined as "a representation, fixed in any material form, of the three-dimensional location of the active and passive elements and interconnections making up an integrated circuit". An "integrated circuit" is defined as "a circuit, whether in a final form or an intermediate form, the purpose, or one of the purposes, of which is to perform an electronic function, being a circuit in which the *active and passive elements, and any of the interconnections, are integrally formed in or on a piece of material*" (emphasis added). The PCB in Lumen's ECU is a fibreglass or resin board that does not have "active or passive components"; rather, those components are sourced from third party manufacturers and then attached to the PCB to form an assembled circuit (PCBA). The issue was whether the PCBA constituted an "integrated" circuit. His Honour held that it did not, primarily because it could not be said that the added components were "integrally formed in or on a piece of material". Rather, they were "formed" by third party component suppliers and then "moulded" onto the PCB. His Honour accepted that "form" might have a broader definition that includes arranging or organising, but did not consider this to be a "natural meaning" in the context of the Circuit Layouts Act.

On the question of damages, Lumen accepted that different principles applied to the assessment of damages or equitable compensation (as the case may be) payable in respect of the various statutory and common law causes of action on which it had been successful, but argued that in each case the damage should be quantified on the basis of lost profit on sales made by Frontline of the Vision harness, as each sale otherwise would have been made of a Lumen harness. Frontline accepted that compensatory damages were to be calculated on the basis of lost sales. The main issue was quantum. His Honour preferred Frontline's quantification of the units of lost sales, as these were net of returns of Vision's wiring harnesses (presumably by Mitsubishi and/or Mazda unhappy with the unauthorised substitution) and Lumen's subsequent sale of replacement harnesses direct to the vehicle manufacturer. His Honour accepted Lumen's evidence as to its lost profit, and held that a methodology that includes net profit for incremental additional sales was appropriate. Combining the two, his Honour ordered Frontline and Vision to pay just over AU\$140,000 in compensatory damages.

Lumen also sought additional damages (in respect of its copyright and trade mark claims) and/or exemplary damages (for passing off) from Frontline and Vision. None of the

parties submitted that there was any relevant distinction to be made in the principles applicable to the award and quantification of such damages. Frontline accepted that an award of further damages would be appropriate; Vision submitted that it ought not be ordered to pay additional or exemplary damages.

With respect to Frontline, although Lumen and Frontline proposed global figures, his Honour considered it appropriate to consider the damages on a claim by claim basis, starting with the passing off claim. In that respect, at [341] his Honour described Frontline's conduct in passing off its towbar kits sold to Mitsubishi and Mazda as ones that included Lumen's product to be "particularly egregious given that a rigorous process (informed by safety considerations) was in place for the approval" or those products. The conduct was deliberate, occurred over a significant period of time, and was calculated to use Lumen's intellectual property to create near-identical products. Further, the conduct was known at the highest levels within Frontline (and, indeed, appears to have been instigated by its CEO). In those circumstances, his Honour considered exemplary damages of AU\$500,000 to be appropriate; that figure was designed to "punish Frontline for conduct showing a conscious and contumelious disregard of Lumen's rights, and to deter Frontline from committing like conduct again". His Honour did not consider it necessary to order further additional damages for copyright or trade mark infringement, as the underlying facts were the same or substantially overlapped.

Interestingly, notwithstanding the findings made when dealing with Vision's unsuccessful innocent infringement defences, his Honour did not order Vision to pay additional damages for copyright infringement. In his Honour's view at [350], "Unlike Frontline's conduct, Vision's conduct did not involve a deliberate and calculated infringement or a calculated disregard for Lumen's rights".

Justice Moshinsky also made declarations, granted Lumen injunctive relief, ordered delivery up and destruction of the infringing articles, and permanent deletion of any electronic copies of Lumen's copyright works from Frontline and Vision's computers.

Vision succeeded on its cross-claim against Frontline. When supplying the technical drawings, Frontline falsely represented that it owned all intellectual property in them. His Honour held that Lumen's copyright notices were not sufficient to overcome the impression created by Frontline's assertions and its overall conduct (such as adding Frontline frames to Lumen drawings). In relation to the circuit markings, no express claim of intellectual property ownership had been made by Frontline when samples of Lumen's harness and the Instructions were provided to Vision. In the course of developing the Vision harness, however, Vision's engineer had suggested making improvements to the circuit design,

but Frontline had indicated it wanted the design to "remain as identical as possible" to the current (that is, Lumen's) design. A similar instruction was given by Frontline in relation to the Instructions. In those circumstances, his Honour accepted that Vision had a reasonable expectation that if Frontline did not own the copyright in the circuit markings or Instructions, it would have told Vision so; Frontline's failure to do so was misleading and deceptive. His Honour was satisfied that Vision relied on Frontline's misleading and deceptive conduct, and that but for that conduct Vision would have produced non-infringing articles and instructions. His Honour acknowledged that there might be an apparent tension between those findings and his findings with respect to Vision's innocent infringement defences, but noted the different tests to be applied. Accordingly, his Honour ordered that Frontline compensate Vision for loss of stock and tooling, development and warehousing costs, and that Frontline indemnify Vision in respect of Lumen's damages claims and the costs of complying with the rest of his Honour's orders.

And in other news:

- While we usually confine ourselves to Australian cases, the *New York Times* reports on a case which might be relevant to s.42 of the *Trade Marks Act 1995* (Cth), which requires rejection of an application if (a) the trade mark contains or consists of scandalous matter, or (b) its use would be contrary to law. The United States ("US") Supreme Court has agreed to hear a case on appeal from the Federal Appeals Court upholding the refusal for registration of the mark FUCT under a 1905 statute which allowed refusal of registration of marks that are "immoral, deceptive or scandalous". The appellant, the owner of a clothing line, had argued that the mark was an acronym for which stood for Friends U Can't Trust (*sic* Can?). The Appeals Court had agreed that the mark was "scandalous" but held the law barring scandalous trade marks ran afoul of the protection of free speech in the First Amendment. The appellant is relying on *Matal v Tim* 582 U.S. (2017), a recent Supreme Court decision which struck down a neighbouring clause of the 1905 statute denying trade mark protection to terms that disparage people or "institutions, beliefs or national symbols". The mark was for an Asian-American dance-rock band called "The Slants". Apparently the central holding in *Matal* was that the ban on disparagement was that it took sides, that is to say was not "viewpoint neutral". The Government's case was that the statute barred entire categories of speech – "vulgar terms and graphic sexual images". Interestingly, the same mark was rejected by the Australian registration authority in *Re Die Hard Pty Ltd* [1995] ATMO 26. See generally, Shanahan's *Australian Law of*

Trade Marks and Passing Off, 4th ed, p224. The increasing use of acronyms does create problems. We understand there is a move in Government circles for a new registration regime to be regulated by a new body, the Agency for the Protection of Registered Acronyms (“APRA”). *Iancu v Brunetti* see <<https://www.nytimes.com/2019/01/21/us/politics/supreme-court-fuct-clothing.html>>.

- Justice Middleton has allowed amendments to a patent to be made in the course of an appeal by the applicant after an objection by the respondent, Tettman, was successful before a delegate of the Commissioner. The amendments were proposed by the applicant to “narrow the issues in dispute by narrowing the scope of the claims”. The amendments were not opposed, save that the Commissioner objected to the removal of the words, “as described herein” from the phrase, “a method of separating a mined material as described herein that comprises”. In the original objection proceeding, the delegate found those words to limit the construction of the subsequent integers to only the extent allowed by the specification; the applicant accepted that, accordingly, the removal of the words prima facie broadened the scope of the claim. His Honour disagreed with the delegate’s original construction of the phrase, however, linking it not to the integers that followed but to the preceding phrase, “mined material”, which was defined expressly in the specification. The deletion also was justified as the phrase “mined material” was to be replaced with the narrower, “mined ore”. Accordingly, the proposed amendment did not offend against section 102 of the *Patents Act* 1990 (Cth), as it stood at the time of the original application (3 April 2013). ***Technological Resources Pty Limited v Tettman* [2018] FCA 1770.**
- Justice Murphy has made redress orders in favour of non-parties in proceedings by the Director of Consumer Affairs Victoria against an internet domain name registration service provider, Domain Register Pty Ltd (Domain). Domain’s “business model” involved sending the registrants of domain names ending in “.com.au” an offer to register the same name using the “.com” domain. The “offer” was, however, presented in the form of an invoice which, the Court held, was likely to have been misunderstood to be an invoice for the recipients’ existing “.com.au” domain names; such conduct constituted misleading and deceptive conduct in contravention of the Australian Consumer Law. More than 437,000 notices were sent, and more than 21,000 recipients registered a name through Domain (at a cost of AU\$249 each). Domain’s attempts to resist orders that it refund customers who paid for those registrations were rejected by Murphy J, especially given that the orders included a mechanism whereby Domain’s customers needed to confirm on their application that they availed themselves of Domain’s service as a result of being misled. Domain also is restrained for the next six years from issuing further notices without including the words, as the most prominent text on the notice: *This is not a bill. You are not required to pay any money.* The authors note that further notices are unlikely to be an issue, however, as Domain entered into voluntary liquidation 10 days after the judgment was delivered. ***Director of Consumer Affairs Victoria v Domain Register Pty Ltd (No 2)* [2018] FCA 2008.**
- The applicants, manufacturers of electronic accessories and components for (among things) four-wheel-drives and caravans, have failed to obtain an interlocutory injunction against the distributors of a brake control unit alleged to infringe the applicants’ innovation patent. On the question of the respondents’ subsequent attacks on validity, Justice Besanko accepted that the respondents had a reasonable argument that the priority date for the innovation patent was the later of two potential dates; this was significant due to possible anticipatory publications between the two dates. The respondents also had reasonable arguments on questions of utility, lack of support in the specification for the relevant claims, and failure to define the invention. Overall, however, those arguments did not detract from the applicants’ strong prima facie case on infringement, noting also that no integer of the claims in suit was identified by the respondents as being absent from their product. The usual arguments as to balance of convenience were advanced by the parties. In addition, the applicants argued that the respondents’ product does not comply with relevant Australian design rules, so should not be on the market in any event. For their part, the respondents asserted that the manufacturer of the allegedly infringing article, a US based company not party to the proceedings, also would suffer unrecoverable loss to its reputation if its first product sold in Australia – already proving popular – had to be pulled from the market. Overall, his Honour was not persuaded that the balanced of convenience favoured the grant of the injunction. ***Redarc Electronics Pty Ltd v B8 Systems Limited* [2019] FCA 3**
- Ansell Limited has failed in its application to have the new owner of Ansell’s SKYN trade mark slide into its place as the respondent to an appeal from Ansell’s successful opposition to the registration of the mark SKYN LOVE THE SKYN YOU’RE IN by Skyn Pty Ltd. Although the transfer of some of Ansell’s marks to the new owner (a foreign corporation, Lifestyles Healthcare Pte Ltd) were recorded after

the original decision by the delegate and Skyn filing the appeal, Ansell participated in the appeal. Ansell sought to rely on section 53 of the *Trade Marks Act 1995* (Cth), which deals with the situation where the rights relied upon by a party filing an objection come to be vested in a third party before the objection is resolved. Justice Colvin held, however, that section 53 no longer applied; it deals with an administrative procedure prior to initial determination of the objection, and not with matters on appeal. Instead, the broad power of the Court under section 197 to “make any order that, in all the circumstances, it thinks fit” was enlivened. By the date of Ansell’s application, significant costs had been incurred, and no adequate explanation for the delay in bringing the application had been provided. Skyn did not object to the *joinder* of Lifestyle, but Ansell and Lifestyles had not made agreement that Ansell’s accrued liabilities be transferred the appeal was a hearing *de novo*; Justice Colvin noted that Lifestyles’ status as a foreign corporation meant that Skyn could not look to Lifestyles for costs “in the same way” it could look to Ansell. Further, Ansell remained a property party to the appeal (being the original objector) and could always just abide by the outcome once Lifestyles was joined. And unlike in other cases, it was not a party’s right to appeal that was affected. In those circumstances, his Honour declined to exercise the Court’s power to order that Lifestyles be substituted for Ansell as a party, ordering instead that it be joined as a respondent (with Ansell paying the costs of the interlocutory application). *Skyn Pty Ltd v Ansell Limited* [2018] FCA 1989

Lauren Eade

Davies Collison Cave, Sydney

Cut out of whole cloth: *Calico Global Pty Ltd v Calico LLC* [2018] FCA 2096

The case of *Calico Global Pty Ltd v Calico LLC* has demonstrated yet again the importance of properly controlling trade mark use under licence and within groups of companies, and has also provided guidance on the question of use in good faith in the context of non-use removal proceedings, particularly where the registrant’s use of the mark is for an ulterior purpose.

Background

On 7 June 2004, Kevin Owens applied for and subsequently obtained registration of the trade mark CALICO under registration 1005184 (“Registration”) for various medical services, as well as Class 41 services not presently relevant. Various entities within the Calico group of which Kevin Owens was a director and shareholder, including Calico Pty Ltd (“Calico”) and the applicant Calico Global Pty Ltd (“Global”), used the mark in relation to a fitness app.

The respondent, Calico LLC (“Calico LLC”), was incorporated in 2013 with the stated goal of meeting “the challenge of aging and associated diseases”, and launched to extensive publicity worldwide on 19 September 2013. Calico LLC had a number of significant investors including the founders of Google, Inc.

Shortly after the launch of Calico LLC, the use of the CALICO mark within the Kevin Owens Calico group of companies shifted, including registration of a new domain name “calicohealth.com,” and use of words such as “medicine”, “health” and “ageing”, and later the description “Health/Medical/ Pharmaceutical” for the first time on its social media pages and website, all following the Calico LLC launch. At the same time, Global sought to negotiate a partnership agreement with Google, Inc in relation to its fitness app. Those negotiations were not successful.

Calico LLC sought removal of the class 44 services specified in the Registration on the basis of non-use on 15 May 2014 under section 92(4)(b) of the *Trade Marks Act 1995* (Cth) (“Trade marks Act”). Global opposed removal of the Registration. At the time the removal proceedings were commenced, Kevin Owens was recorded as the registered owner. However, it later transpired that on 19 July 2011, Kevin Owens assigned the Registration to Calico (“Assignment”), a company which had been incorporated in 2006. The Assignment was not recorded in the Register until 22 May 2014, after the Proceedings were filed. Upon execution of the Assignment, Calico had entered into an exclusive licence agreement of (inter alia) the CALICO trade mark with Global (“Licence”), under which Global had the sole right to use the mark.

IP Australia

The Registrar’s delegate found that:

- There was no evidence of use of the CALICO trade mark by the registered owner Kevin Owens after the incorporation of Calico in 2006, and that in the absence of evidence as to the arrangements between Kevin Owens and Calico prior to the Assignment, Calico could not be deemed to be an authorised user of the mark in the period from 15 April 2011 (the start of the non-use) until the Assignment on 19 July 2011.
- Under the Licence, Global’s use of the trade mark was authorised by Calico, not the registered owner Kevin Owens, and therefore could not be deemed to be use authorised by Kevin Owens.

The Registrar’s delegate also found that there was no basis on which the Registrar’s discretion not to remove the Registration should be exercised, and therefore ordered removal of the Registration for the Class 44 services at issue. Global appealed to the Federal Court.

Later developments in Calico group

After the removal period, on 20 May 2014, Calico assigned the Registration to Global, and subsequently Kevin Owens and Global entered into an agreement which would revert rights in the Registration to Kevin Owens in the event of the insolvency of Global. Later, Kevin Owens and Global entered into a series of agreements with another shareholder Jeffrey Leach, including for the funding of the appeal and with the stipulation this would allow “[Mr Leach] to deal directly with Google or others regarding the sale of IP rights”. Those arrangements ultimately left Mr Leach in control of Global.

Appeal

The matters at issue before the Federal Court were:

- **Good faith use:** Whether there had been any relevant good faith use of the mark within the removal period for the relevant Class 44 services.
- **Authorised Use:** whether there had been any use of the mark by the Kevin Owens, or any use authorised by him before the Assignment, or whether any use by Calico or its licensee Global was authorised by Kevin Owens after the Assignment.
- **Scope:** If there had been any such good faith and authorised use of the mark, whether such use could support registration for services such as “medical services”.
- **Discretion:** Whether there were any grounds on which the Registrar could exercise the discretion not to remove the Registration for the Class 44 services at issue.

Good faith use

The Court was critical of efforts by Global to characterise its business as providing broader Class 44 services than the fitness app and, after the launch of Calico LLC on 19 September 2013, to create a nexus between it and health, ageing and medicine and to position itself as a “population health company” rather than a fitness company. Its changed promotional activity was regarded by the Court as an effort to “create, for the first time, an appearance of use of the ... CALICO mark in the very area that Calico LLC would operate” (at [54]), for the purposes of providing leverage in negotiations with Google. The Court ultimately found that:

...those references were not genuine commercial uses but were included to seek to support an attempt by Global to bring pressure on Calico LLC to enter into commercial arrangements with Global before it would permit Calico LLC to register, or operate using, the CALICO mark. Global engaged in this actively in order to obtain benefits derived from Global's colourable and false assertion of it being a source or provider of services that it did not provide. (at [108])

The use relied upon by Global was therefore found not to be good faith use of the mark.

Authorised Use

It is well-established that the mere existence of a licence does not determine that use under the licence is authorised use under section 8 of the Trade Marks Act: *Lodestar Anstalt v Campari America LLC* (2016) 244 FCR 557. The Court found that the Licence provided Calico, not Kevin Owens, with the exclusive right to authorise use of the CALICO mark. In analysing whether Calico controlled use of the mark under the licence by Global, the Court noted Global's non-compliance with obligations under the Licence, including identifying the use as under licence, and also the absence of evidence of Calico's control over the use of the mark. The Court also found that the Assignment and Licence had the legal effect of distancing Kevin Owens from exercising, as registered owner of the Registration, any control over the services in relation to which the [CALICO] mark was used (at [89]). Global argued that authorisation over Global's use by Kevin Owens could be inferred from the fact that Kevin Owens was managing director of Calico as well as Global. However, the Court rejected that argument, finding that “A use by Calico Pty Ltd was not a use by Kevin Owens as registered owner and a use by Global was not a use by Calico Pty Ltd as assignee. Calico Pty Ltd had a distinct legal personality from that of its members and officers, including Kevin Owens ... Moreover, the differences in shareholdings in each of Global and Calico Pty Ltd demonstrated that neither was wholly the creature of, or completely controlled by, Kevin Owens.” (at [91]).

Scope

The Court was of the view that the evidence of use provided did not extend beyond the themes of nutrition, exercise or fitness. The Court found that the addition of articles concerning health and medicine, and the use of the terms “medicine” and “ageing”, on websites and in social media posts were, in context, “a contrivance to create the false impression that Global was the source or origin of services for the provision of or connected to medical services” (at [103]) and were not uses of the CALICO mark for those services.

Discretion

The Court declined to exercise the discretion not to remove the Registration in Class 44. In determining not to exercise the discretion, the Court was critical of Global's conduct as “calculated, deliberately, to create confusion and to interfere with Calico LLC's bona fide use of the CALICO mark” and was concerned that ongoing registration of the Registration would “permit Global to engage in further tactics and behaviour calculated to create confusion and to seek, again, to pressure Calico LLC and Google into dealing commercially with Global” (at [129]).

The appeal was therefore unsuccessful and removal of the class 44 services of the Registration was ordered.

Key points

The decision adds to the now well-established body of Australian case law emphasising that actual control must be demonstrated to establish that use under licence is authorised use, and therefore the importance of ensuring that evidence of the actual operation of the licence is provided, even where the licence in question relates to intra-group ownership and use of a registered trade mark. It may not be possible to infer control from common shareholding or directorship of companies alone, particularly where the registered owner is not the parent company of the user. The decision is also a timely reminder of the importance of promptly recording assignments of trade mark registrations.

From a practical perspective, the decision in part turned upon the use of forensic tools such as historical captures of social media pages and the use of the Wayback Machine to contrast the previous business model of the Calico business prior to the launch of Calico LLC with the later changes adopted by the Calico business in response to that launch, which the Court found to be contrivances. The decision illustrates the utility of these tools in establishing when the bona fides of use may be questionable, and indeed where evidence may be cut from whole cloth or entirely falsified.

Finally, the case is a salutary example of the potential ramifications of deliberate falsification or mischaracterisation of evidence of use. The Court was critical of the evidence of Global's witnesses and indeed Global conceded in its closing written submissions that both Kevin Owens and Jack Owens "were, at times, in both business dealings after the launch of Calico LLC and in their evidence, prone to inaccuracy and exaggeration" (at [123]). Global's evidence not only resulted in the Court finding its use of the CALICO mark was not good faith use, but was also ultimately fatal to its application for exercise of the Registrar's discretion to allow the Registration to remain on the Trade Marks Register.

Karl Dittko

Davies Collison Cave, Sydney

***Nichia Corporation v Arrow Electronics Australia Pty Ltd* [2019] FCAFC 2**

The full bench of the Federal Court has dismissed an appeal by Nichia Corporation ("Nichia") and allowed a cross-appeal by Arrow Electronics Australia Pty Ltd ("Arrow") in an appeal from *Nichia Corporation v Arrow Electronics Australia Pty Ltd (No 4)* [2017] FCA 864. Besanko and Nicholas JJ have agreed with the reasons for judgment of Jagot J, in which the construction of the word "contains" was and the primary judge's reasoning regarding obviousness was considered.

The patent

The patent relates to an LED that emits white light, with previous LEDs only being effective for emitting monochromatic light, such as red, blue or green. Claim 1 reads:

A light emitting device, including a light emitting component and a phosphor capable of absorbing a part of light emitted by the light emitting component and emitting light of wavelength different from that of the absorbed light; wherein said light emitting component comprises a nitride compound semiconductor and said phosphor contains a garnet fluorescent material including at least one element selected from the group consisting of Y, Lu, Sc, La, Gd and Sm, and at least one element selected from the group consisting of Al, Ga and In, and being activated with cerium.

Claim 3 reads:

A light emitting device according to claim 1, wherein the phosphor contains fluorescent material represented by a general formula $(Re_{1-r}Sm_r)_3(Al_{1-s}Ga_s)_5O_{12}:Ce$, where $0 \leq r < 1$ and $0 \leq s \leq 1$ and Re is at least one selected from Y and Gd.

It was common ground from the primary decision at [64] that "the specification makes clear that an object of the invention is to provide a light emitting device with high luminescence, and which experiences only extremely low degrees of deterioration in emission light intensity, light emission efficiency and colour shift over a long period of use."

Construction

The construction of Claim 3 was considered in detail in the primary decision in relation to the word "contains". The primary judge took the correct construction to be a light emitting device in which the described phosphor contains one or more fluorescent materials of the type described by the general formula of Claim 3, but no fluorescent material of any other type (that is, a type not within the general formula set out). The primary judge rejected an inclusive construction whereby the described phosphor contains one or more fluorescent materials of the type described irrespective of whether the phosphor also contains any other fluorescent material or materials not within the general formula.

On appeal, Nichia's submissions that Claim 3 requires a light emitting device in which the described phosphor contains only one single fluorescent material of the type described and no fluorescent material of that or any other type, were rejected. The Full Court held that while the correct construction was exhaustive, in that no fluorescent material not within the general formula could be included, it still allowed multiple fluorescent materials of the type described by the formula. Despite this clarification of the primary

decision, the Full Court held that the primary decision contained no error in relation to the construction of Claim 3 and dismissed the appeal.

Obviousness

The appeal also considered whether the primary judge erred in concluding that the invention as claimed involved an inventive step. Before the primary judge, both parties relied on the Cripps question as the relevant test for obviousness, which involves asking whether the hypothetical skilled addressee would have been led as a matter of course to try the steps leading to the invention in the expectation that it might well produce the invention, a useful alternative to or better thing than the prior art, or something useful for any other purpose.

Arrow submitted that the primary judge's division of the Cripps question into two separate parts, being what the hypothetical skilled addressee would have done and the expectation of the hypothetical skilled addressee in so doing, caused the primary judge's analysis to fall into error. In particular, by the primary judge imposing too high a standard on the hypothetical skilled addressee's expectation of success. Arrow also submitted that the primary judge considered obviousness not by reference to the claimed invention, as required, but by reference to the invention as described in the specification but not claimed.

The primary judge considered the invention as useful only if it involved a white LED which was "satisfactory" in terms of all qualities identified in the specification, of durability, colour tone and luminance. However, this was rejected on appeal because the invention, when construed correctly, actually did not need to meet all of these requirements to be useful. That is, the invention did not need to be commercially successful to be considered useful in relation to the Cripps question. When the standard is lowered so that only one of these requirements is necessary to satisfy usefulness of the invention, there can then be an expectation of success following routine steps taken as a matter of course that led to the invention. As such, the invention was found to be obvious and the cross-appeal allowed.

***Rokt Pte Ltd v Commissioner of Patents* [2018] FCA 1988**

The Federal Court has overturned a decision of the Australian Patent Office in relation to patent application 2013201494 for "A Digital Advertising System and Method". The application was originally rejected in *Rokt Pte Ltd* [2017] APO 34 and *Rokt Pte Ltd* [2016] APO 66, but will now proceed to grant.

The patent

Claim 1 of the patent relates to a computer implemented method for linking a computer user to an advertising message by way of an intermediate engagement offer. The delegate in the primary decisions rejected the application as failing to disclose a manner of manufacture according to s.18(1)(a) of the *Patents Act* 1990 (Cth).

Robertson J discusses the expert evidence in significant detail at [12]-[171]. Despite both parties providing submissions in relation to the relevant legal principles to be applied, Robertson J considered the appeal to turn largely on the facts, due to the limited differences in the position of the parties in relation to the legal principles.

Consideration

At [203] His Honour found that:

... the substance of the invention was to introduce a dynamic, context-based advertising system, introducing a distinction between an engagement offer, without a direct advertising benefit, and an advertisement designed to lead directly to the sale of the product. This was an improvement in computer technology. It involved the new layer of engagement offers and the insertion of a widget into the publisher content to serve the engagement offer. A data-based scoring algorithm was used to decide what engagement offers to serve. This was an important improvement to existing computer-based advertising.

Robertson J found that the invention solved not only a business problem but also a technical problem. Importantly, the business problem was translated into the technical problem of how to utilise computer technology to address the business problem. The use of computers was considered integral to the solution, with there not being any practical way to implement the invention without computers. Further, while many of the features were known at the priority date, the combination of these known features, together with some new features, produced an invention that was a new use of computer technology.

The appeal was allowed and an order made for the patent application to proceed to grant, however the Commissioner of Patents has applied to appeal the decision.

1. Where any of us was involved in a case reported and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case.

Current Developments – New Zealand

Andrew Brown QC

Barrister, Auckland

Correspondent for New Zealand

Review of *Copyright Act* 1994

A major review of New Zealand's *Copyright Act* 1994 ("Copyright Act") is underway. An Issues Paper was launched by the Ministry of Business ("MBIE") in November 2018 with submissions due by **5 April 2019**. Once all submissions have been analysed by officials, it is anticipated that the Ministry will publish an Options Paper followed later by the legislation itself. The process promises to be an extensive one.

New Zealand's current Copyright Act was introduced as part of the TRIPS – mandated legislative reforms which took place in New Zealand in 1994 and 1995. The New Zealand Act was closely modelled on the copyright part of the United Kingdom ("UK") *Copyright, Designs and Patents Act* 1988. It underwent a major amendment in 2008 to enable New Zealand's accession to the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty*. Since then there have been some modest amendments as part of the implementation of the *Comprehensive Trans Pacific Partnership (CTPP) Free Trade Agreement*. (Some earlier legislative amendments to the Act passed in anticipation that the prior *Trans Pacific Partnership Free Trade Agreement* would come to fruition have been suspended).

The Issues Paper scopes out a total of 97 different issues on which submissions are sought.

The Issues Paper seeks input on some of the core provisions in relation to Rights. Sure to be controversial and hotly debated is the commissioning provision. Currently under s.21 of the New Zealand Act, the commissioning party owns copyright in certain categories of artistic works and computer software (a literary work). From 2006 to 2008 work was done on the commissioning rule by MBIE and a Bill developed that would give creators default ownership of commissioned works (rather than the person who commissioned the work). This work was never implemented because of a change of government.

Technological Protection Measures ("TPMs") are another series of provisions for review. When New Zealand implemented such provisions in 2008, they were very light handed. Given the ease with which digital copies can be made, TPMs have tended to become an important focus – particularly in relation to stream ripping activities. The Issues Paper notes that officials have received submissions already on two extremes:

Some people have told us that the regime does not provide enough protection for distributing copyright works in the digital environment. Others have told us that digital markets appear to be developing adequately with the current TPM's regime so no change is required ...

We have also heard the TPMs regime is overly restricted for users of copyright works and that the qualified person regime is impractical and underutilised.

It is anticipated that the major areas of submission and contention will concern the Exceptions and Limitations sections covered in Part 5 of the Paper.

The Issues Paper acknowledges the primacy of the Berne "Three Step Test" (per Article 13 *TRIPS Agreement*) under which exceptions and limitations (1) are confined to certain special cases (2) do not conflict with a normal exploitation of the work, and (3) do not unreasonably prejudice the legitimate interests of the rights holder. Since the rapid digitisation of many copyright works from the late 1990s extensive practices have grown up of licensing of copyright works. Under the Berne Three Step Test such licensing activities would seem likely to rein in some of the more extensive calls for liberalisation of the exceptions.

Australians weary of the Fair Use debate in their country will note the particular approach taken by the Issues Paper on this topic. The Paper notes the main focus is to identify problems with the Act as it is. A discussion on adopting a Fair Use exception has been included, but MBIE notes that:

... We need a much better understanding of the problems with the current exceptions regime before we consider alternative options. Understanding these problems properly will enable us to determine whether adopting a fair use exception – or some alternative course – would be the best way of addressing them. Submitters should therefore focus on the problems or benefits with the current situation (our current permitted acts exceptions) rather than on the reasons why New Zealand should incorporate a fair use exception.

Amongst the many issues relating to Exceptions on which the Issues Paper seeks input are:

- whether any exception is needed for cloud services;
- data mining and the creation of artificial intelligence;
- parody and satire (noting that the number of jurisdictions including Australia, Canada the UK and the United States of America already have exceptions that allow for parody and satire); and
- the use of quotations.

Current Developments – New Zealand

It is noteworthy that the UK Intellectual Property Office has just published a call for submissions on the implementation and efficacy of the copyright changes introduced in that country in 2014 covering most of the above issues.

Education and library exceptions were a hotbed for submissions under the last review. This round seems likely to be no exception with the galleries, libraries, archives and museum (“GLAM”) sector and universities lining up to push for greater rights and free use of copyright material.

On the issue of enforcement, the Issues Paper asks for input on:

- (a) whether groundless threats of legal action for copyright infringement are a problem;
- (b) whether the border enforcement regime requiring payment of a NZ\$5,000 bond is deterring rights holders from taking action;
- (c) whether peer-to-peer filing sharing technologies are being used to infringe copyright and what is the scale breadth and impact of this infringement;
- (d) whether additional enforcement measures are required for addressing online infringements (No doubt this has in mind the statutory provisions for site blocking implemented in other countries. However the decision of the UK Supreme Court in *Cartier* in 2018 confirmed that the UK Courts had inherent jurisdiction to grant such orders.); and
- (e) whether there are any problems with the types of criminal offences or the size of penalties available under the Act?

There are two final sections of the paper which deserve mention:

(1) *Industrially-applied Copyright*

The first concerns the fact that New Zealand grants extensive copyright protection to industrial designs. The paper asks whether there are any problems with or benefits from having an overlap between copyright and industrial design protection and what changes if any should be considered.

(2) *Indigenous Rights*

There is a special section dealing with expressions of Māori traditional knowledge. A New Zealand Tribunal (The Waitangi Tribunal) has in the *Wai 262* case made a number of recommendations to ensure recognition and protection of Māori rights and interests under the *Treaty of Waitangi* and the different regimes that make up New Zealand’s intellectual property system. The Tribunal found that the copyright regime did not provide adequate protection for Māori rights and interests. Rather

than recommending changes to copyright law, the Tribunal recommended that the Crown establish a new, unique regime to provide new protections. Part 8, Section 2 of the Issues Paper therefore seeks feedback on current protections in copyright. Whether there are ways in which the copyright regime might conflict with any new protection of Indigenous works? Whether submitters and the public agree with the proposed process to launch a new workstream on Māori “Taonga works” alongside the Copyright Act Review?

Current Developments – Asia

CHINA & HONG KONG

Dan Plane and Doug Berman

Simone Intellectual Property Services (“SIPS”) Hong Kong
Correspondents for China & Hong Kong

Prosecuting Trade marks in China – An Insider’s Guide for Foreign Brand Owners in 2019 (Part 1)

This article is the first of two parts and is intended to provide outsiders with information on recent developments, tips and tricks that are vital when navigating the People’s Republic of China’s (“PRC”) trade mark system.

Numbers, Numbers, Numbers

2019 is looking to be another banner year for trade mark application filings in China – at least in terms of sheer volume. Statistics show the number of new trade mark filings rose from 3.6 million in 2016, to nearly 6 million in 2017 (statistics for 2018 are still being compiled). By any metric, China now leads the world in the number of trade mark applications filed.

The increase in output poses many questions for foreign brand owners and their representatives in the United States Patent and Trademark Office, the United States Trade Representative, the World Trade Organization, and other business organisations. How on Earth are trade mark examiners coping with the flood of applications? How many of these applications are “bad faith filings,” e.g. applications filed by trade mark squatters intent on ripping off third-party rights? Will the standards of examination review at the PRC Trade Mark Office (“TMO”) be impacted by an insufficient number of trained examiners needed to be on-boarded to handle the massive volume of work? There are also continuing concerns regarding protectionism of domestic over foreign brands and the potential use of the trade mark system as a political tool in negotiations with the United States over trade issues.

In the very recent past, China has responded to this and other issues in the following notable ways:

- the TMO has drastically increased the number of trade mark examiners on duty;
- last year, the Chinese government restructured the State Intellectual Property Office (“SIPO”), consolidating trade marks and patents under a single roof (previously SIPO was only responsible for administering patents); and
- the TMO launched a campaign against bad faith filings last year aimed at encouraging TMO

examiners – who are notoriously conservative – to grant more favourable rulings in oppositions where the brand owner lacks a prior trade mark covering similar or identical goods.

Other key changes which impact the trade mark application review and approval process are further outlined below:

Shortening Approval Process

To deal with the flood of applications, serious efforts have been made to streamline the trade mark review, approval/rejection process, thereby cutting backlog. At this point, **the time frame for review of applications filed directly with the TMO has been reduced to around six months. For Madrid Protocol registrations, the time frame is now nine months,¹ with further reductions expected over the next few years.**

Electronic Filings

One of the most significant developments of late has been the introduction of the TMO’s e-filing system, launched on 1 September 2018. With electronic filings, applicants now receive a filing number within 24 hours instead of the one to two months it takes in the case of paper filings. In the very first month in which this new system was in place, over half of all international filings used the e-filing system. After the email is sent, a short message and an email acknowledging delivery is sent back to the trade mark agent of record. Note that now, too, most notices are sent by the TMO electronically instead of by traditional mail. This includes filing receipts, notices of amendment, notices of refusal/partial refusal, notices of non-acceptance, etc.

Results – How is the TMO handling the Stress?

Despite best intentions and some major improvements, the trade mark system in China is still a bit of a work in progress – and the effects of the changes outlined above remain to be seen.

For example, the SIPO administrative reorganisation will take time for the changes to trickle down, and it is our understanding that lower-level agencies involved are still working to internalise and confirm new divisions of labour that have been ushered in by the restructuring.

At the TMO itself, the effects of having so many new and untested examiners quickly onboarded to review new trade mark applications has led to major concerns regarding the quality of the standard of review. There is strong anecdotal evidence that more “valid” applications are being rejected due to examiner error, quick decision making, high quotas for case clearance, or a combination of all three. This raises a clear concern that applications may be moved through the

system quickly by rejecting them, thus shifting the burden to applicants to file an appeal with the Trademark Review and Adjudication Board (“TRAB”) to contest the decision. Regrettably, this still allows many pirate applications to get through unscathed.

A larger question down the road is whether the TMO Register will itself become swamped, making it more and more difficult to navigate the multitude of registrations, many of which were filed without any intention of use whatsoever (which is NOT a requirement of PRC Trademark Law). Worst case, this could spur on the market for trading and purchasing trade marks, creating greater challenges for policing the marketplace – and increase the risk of infringement claims against operators unable to obtain rights in their own marks.

Practitioners will need to keep a very close eye on the TMO’s rejection rates, and corresponding incidence of trade mark squatting, to see which way the wind is blowing on this point.

Top 7 Tips

While we are all waiting to see how all these changes will shake out, it is worthwhile to consider practical suggestions of which a trade mark owner interested in launching its product should be aware? Below are some quick pointers combining both tried-and-true lessons with newer practice points necessitated by shifts in TMO practice and policy over the last few years.

1. File, File, File!

The first thing anyone new to the China trade mark system needs to know is that China is a first-to-file country. Because it is “first-past-the-post” system, prior use of a mark, as well as intent-to-use, are not required and cannot pre-empt a prior-filed mark. While this regime has certain advantages, such as easing administrative costs for filers, it also encourages pirate filings – concomitantly increasing costs for legitimate trade mark holders who must oppose or invalidate those filings to deny the pirates.

Given that, the only sure way to stave off potential squatters is to file pre-emptively, ideally before launching any products or services. Applications should be considered not only in key goods and services classes, but if budget permits, in closely “related” classes that pirates would view as close enough to cover their illegal acts,² as well. Defensive filings are and should be the norm in China – NOT an exception.

2. Chinese Brands

Aside from filing a mark in roman script, it is always a good idea for foreign companies entering the Chinese market to consider developing a Chinese character logo or brand with appropriate filings in relevant classes. Given the importance of China globally, and the fact that English proficiency is still extremely limited in many cities, a new brand that is

imported can quickly be “localised” by PRC consumers and take on its own identity and even Chinese name. Once a Chinese name attaches to the brand it can be difficult to change. Therefore, Western companies who plan to sell in China are well-advised to spend time developing a Chinese brand that takes into account the company’s values and aspirations. In many cases a marketing team will use outside agencies to come up with Chinese characters that are suitable for widespread use, not just in China, but in other Chinese-speaking jurisdictions.

A great example of the difficulties is when Coca-Cola entered the Chinese market. While doing the research for four suitable characters that sounded like Coca-Cola, the employees found that some of the shopkeepers had also been experimenting with Chinese equivalents for Coca-Cola. Some had made signs that adopted any, seemingly random, group of characters that sounded remotely like “Coca-Cola”, but without giving thought to the meaning of them. One of these homemade signs sounded like “Coca-Cola” when pronounced, but meant something along the lines of “female horse fastened with wax”.

In adopting a translation, one can choose to translate the foreign mark, or use a transliteration, i.e. a Chinese mark that sounds similar to the foreign mark, or indeed translate the word that approximates the logo itself, such as Apple (whose Chinese character trade mark is “苹果” – a direct translation of the word “apple”). The sky is the limit in this regard. It is normally recommended to use a company skilled in development and clearing of Chinese language marks. It is never a good idea to wing it.

3. Priority Filings – Dos and Don’ts and Risk of using Non-Standard items in an application

China’s Sub-Class system

The PRC trade mark system differs from many other jurisdictions in requiring applicants to choose goods and services from both general classes as well as PRC-designated subclasses (and sometimes sub-paragraphs). This is as opposed to countries like the United States of America that only have subject headings within classes. The result: similar or even identical trade marks from different applicants are allowed to register within the same class *as long as they do not cover overlapping subclasses*.

To deal with this slippage, many large companies, such as Disney and Starbucks, opt to file in every single class and subclass. That’s just not viable for most companies, however, especially since a mark that has not been used for three years following registration can be cancelled for non-use (though such applications have their own challenges, particularly due to use of fraudulent evidence by pirates, and a seeming TMO inclination to let registered marks stay registered). Given that, companies with smaller budgets tend to focus on ensuring “class-wide” coverage, i.e., all or most subclasses/

subparagraphs, in key classes, and perhaps a defensive application or two in classes likely to be targeted by pirates making competing products.

Refusal of “Non-Standard Items”

Besides relying on subclasses, the PRC also requires applicants to choose items solely from the TMO’s *Classification of Goods and Services* index, modelled on the last Nice Classification Series. Creative designations are prohibited and any deviation from the index invariably results in a “Notice of Amendment” being issued during the time of examination.

At that point, the applicant has a stark choice: it can delete the non-standard item, replace it with a suitable standard item, or have their mark rejected in respect of that item. Since many of the standard items are broader, many applicants would like to insist on retaining the original item. While it was formerly possible to seek an exception, this is no longer possible. Instead, the TMO will now simply issue a rejection forthwith if the applicant doesn’t play ball. For that reason, and in respect of domestic applications, it is always smart to choose “standard” items, using the current version of the TMO index to avoid unnecessary delays and costs.

That being said, there is a bit of leeway for international registrations extended to China. If an applicant wants to use non-standard descriptions, then it may make sense to file an international registration via WIPO. There are downsides to this approach, however, in terms of later enforcement and coverage. Further, certain designations – such as “retail sales” in Class 35 – will be refused extension, despite the IR filing.³

Finally, what about priority applications? By law, applicants are required to use the exact specification used with the underlying registration. Unfortunately, in nearly every case we encounter, the underlying goods/services are considered non-standard by the TMO. In the past, it was common for many applicants to either forego the priority claim or simply file the specification “as is” with the understanding that it would draw a Notice of Amendment in due course. Lately, however, the TMO has shown itself amenable to allowing applicants to amend a non-standard description to a “standard one, while still retaining the priority as long as the revised description does not exceed the original description in scope.” Example: “computer software for photographic purposes” now becomes “computer software”. That appears to be the trend these days and we view it as a reasonable compromise between trade mark owners’ rights and uniformity in the system.

4. What to File: Plain marks or Design marks? Black and White or Colour?

Applicants often inquire as to which is better: filing for the plain-letter mark or in stylised format and/or in colour? Several factors come into play in answering this question, including whether prior marks exist on the registry and the distinctiveness of the sought-after trade mark. In general,

filing in plain-letters and in black and white offers the greatest protection for the word elements. As well, and for distinctive marks, this should provide greater protection against later filings for the same or similar mark in different colours and/or in a stylised form. The rule of thumb is filing in non-colour allows the registrant the option of using the mark in whatever color it wants.

That said, if the applicant is already using a heavily-stylised mark, and suspects it may be subject to piracy, it makes sense to file for that version of the mark independently as well.

5. Copyright as Added Protection

Given the large number of classes and the many ways a mark can be and are rendered in China (in Chinese, English or both), it is not possible for brand owners to protect themselves against every registry pirate out there.

In light of that reality, a key weapon to add to a rights owner’s arsenal is an application for a PRC copyright certificate covering the design mark. Protection can be obtained not only for logos and device marks, but for stylised marks as well. Copyright applications do not undergo substantive review in China and, more importantly, they can be used directly in the context of oppositions against applications for marks containing a similar or identical design under Article 32 of the PRC *Trademark Law*, which prohibits marks that pre-empt “prior [IP] rights” of trade mark owners, including copyright.

Examples of works that can be registered are artworks (including stylised trade marks which include a logo); written works (books, literary works); audio-visual works (music, drama, cinematography, choreography); works of applied arts (furniture designs for example) and architecture; graphic works such as drawings of engineering designs, product designs and product packaging; and computer software.

In this regard, it is important that businesses take steps to ensure they are able to demonstrate copyright ownership when copyright works are created – and retain those documents. This may require copies of contracts with external graphic design firms, or in-house creative teams clarifying the circumstances surrounding the work’s creation and all parties’ understanding of ownership of the same. In short, the following documentation is necessary:

- an application that includes samples of the copyright;
- proof of ownership;
- description of the work;
- proof of identity of the copyright owner (such as a certified copy of the Certificate of Incorporation);
- deed of assignment (if the work was not owned by rights owner at creation); and
- Power of Attorney in favour of the agent handling the registration.

6. Non-Use Cancellations

Non-use cancellations are one of the best and least expensive ways to clear the deadwood on the registry – and to fight trade mark squatters' pirate registrations. Three years following registration (the day the mark is published in the TMO Gazette as "registered"), a trade mark becomes potentially vulnerable to cancellation for non-use upon filing of a formal petition by a third party. Key things to note in relation to this weapon: the cancellation must first be initiated by a third party, the TMO will NOT initiate it on its own. Second, if no non-use cancellation is filed, even a wholly unused mark can exist on the registry in perpetuity, as long as it is renewed every 10 years.

One practice point: many applicants wait until their own application is blocked before filing a non-use cancellation. This makes sense in most cases, as there is often no means of knowing ahead of time – except by guesswork – whether a mark will be cited or not. Due to recent changes in the Trademark Review and Adjudication Board ("TRAB")'s practice, however, there are now risks to taking that tack: while an applicant can appeal the refusal of its TM application to the TRAB, supporting its appeal with evidence of its having now filed the non-use cancellation action against the cited mark, the odds are VERY high that the TRAB's appeal decision will be issued well before the non-use cancellation is decided (or final, if the TMO's initial decision is appealed). In the past, the TRAB was willing to suspend its review of such trade mark appeals pending a decision in the non-use case, but in order to clear its own backlog, the TRAB will only suspend where the non-use cancellation is filed BEFORE the trade mark application was filed.

That does not dictate that a non-use action against possible cited marks is always required. Another strategy is to conduct a fresh clearance search upon rejection of the TM application, and if the coast is clear, to file a secondary application as an additional back-up. That way, even if the appeal decision is unfavourable, client can rely on a second mark to keep their rights "alive" pending the outcome of the TRAB's (and potentially the court's) review. Multiple applications may be required over an extended fight.

7. New – Filing Interferences

Finally, a recent development that is nascent, but offers some hope to address pirate marks going forward: interferences.

The PRC *Trademark Law* allows applicants with standing to file a trade mark opposition after a mark is preliminarily approved and before registration, and there is a specified three-month period to do so.

But what happens when a trade mark owner has already sighted the pirate application before it is gazetted and wishes to take action? Currently, there is no prescribed legal procedure to do so. The owner must simply wait for the end of the examination period.

Recently, however, the TMO has begun to allow brand owners to submit "interference letters" for the examiners' review. The idea is to try to put the TMO on notice of a pending pirate mark – and of the brand owners' superior rights – requesting the examiner to reject the pirate mark outright. While this is a step in the right direction, there are limited circumstances where such interferences are technically allowed, and in any case, there is no guarantee the letter will ever be reviewed. Still, it is one way to register disapproval – and increase the odds that overworked examiners will reject the mark, preventing an opposition fight.

Recap of TMO Best Practices

- (1) Conduct pre-filing similarity and conflict searches and consider taking action against conflicting marks prior to filing the related trade mark application (including via interferences, where appropriate).
- (2) Devise and register a proper Chinese-character trade mark and ensure the mark is suitable in all regions of Greater China from a cultural, marketing and corporate image perspective.
- (3) Consider classes and sub-classes to register marks in, and keep in mind the issue of standard versus non-standard descriptions, particularly when dealing with international and priority applications.
- (4) Check if the mark is likely to include any of the elements that would solicit a refusal on absolute grounds under the PRC *Trademark Law*. Sometimes, simple changes prior to filing can assist in avoiding amendments, or worse, a lengthy appeal process later.
- (5) Register copyrights in tandem to supplement and strengthen trade mark protection.

In summary, companies must be hypervigilant when devising and executing their China trade mark protection strategies. While recent practice shows that the trade mark registration process is more efficient, there are many areas that are still difficult to navigate in this field. Still, keeping these best practices in mind may offset some of these.

The next article in this series will examine unique issues rising in the appellate context, including TRAB and court appeals.

- ¹ It remains 18 months for international applications filed under the *Madrid Agreement Concerning the International Registration of Marks* (1981).
- ² Pirates commonly look for gaps in brand owners' portfolio, filing applications in the same class (filling "subclass" gaps left by the brand owners (see the discussion on China's subclass system later in this article)), or in other classes the pirate deems "close enough". They use those registrations as (1) a defensive tool when threatened with infringement, particularly by administrative authorities (who are sensitive to threats of lawsuits for abuse of their authority in dealing with "complicated" cases); and (2) a sales tool, where they give the pirates' customers comfort that the sellers have ownership of registered (even if unrelated) trade mark rights.
- ³ Obtaining coverage in Class 35 for retail services really requires a carefully crafted local PRC application designating goods in each subclass therein. That application should be filed with the recognition that enforcing any such registration against pirates running shops using the trade mark may be difficult and could require an unfair competition claim to be filed in conjunction with a trade mark infringement claim.

JAPAN

John A. Tessensohn¹

Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan
Correspondent for Japan

Nursing Bed 3D Trade mark Succumbs at IP High Court of Japan

The Intellectual Property High Court of Japan dismissed an appeal of a leading Japanese nursing bed manufacturer and maintained the decision of the Board of Appeals of Japan Patent Office declining to register a three-dimensional trademark directed to a nursing bed and mattress, *Paramount Bed Co., Ltd., v Commissioner of Japan Patent Office*, Case No. Heisei 30 (gyo-ke) 10060 dated November 29, 2018.

Background Facts

Paramount Bed Co. Ltd. (“Paramount”) was founded in 1947 and is one of Japan’s leading manufacturers and distributors of medical and nursing care products. According to its corporate website, Paramount started out as a manufacturer of hospital beds but in view of Japan’s aging population, it subsequently branched out into senior care facilities and visiting nursing care while developing a diverse range of retail products and services including manufacturing and selling beds, mattresses, mobility products and other products required for home nursing care.

Paramount filed Japanese trade mark application TM no. 2015-29155 on March 31, 2015 (see below) for a three-dimensional shape mark designating the goods “mattress for nursing care, nursing bed, bed with nursing mattress” in class 20.

The JPO rejected Paramount’s application on 13 May 2016 and Paramount appealed the initial rejection to the Board of Appeals of the Japan Patent Office (Board) on August 19, 2016.

Subsequently on 22 March 2018 the Board maintained the rejection against Paramount’s 3D trade mark application due to a lack of distinctiveness under section 3(1)(iii) of the *Trademark Law* holding that the subject trade mark merely indicated the common shape of the designated goods since the subject trade mark indicated the nursing bed and mattress itself, and the three-dimensional shape of the subject trademark was neither unique nor distinctive as a three-dimensional representation of a nursing bed and mattress and the mark per se was merely descriptive and functional of a normal shape of a nursing bed and mattress and therefore not capable of serving the function of distinguishing the goods of the trade mark owner from nursing bed and mattress goods of third parties.



Fig. 1 of TM no. 2015-29155



Fig. 2 of TM no. 2015-29155



Fig. 3 of TM no. 2015-29155

Paramount attempted to overcome the section 3(1)(iii) non-distinctiveness rejection by supplying secondary meaning evidence under section 3(2) of Japan's *Trademark Law* which provides that "... as a result of the use of a trademark, consumers are able to recognize the goods or services as being connected to a certain person's business, the trademark registration may be obtained notwithstanding the provisions of [section 3(1)(iii)]."

However, the Board denied the applicability of Paramount's section 3(2) secondary meaning evidence and dismissed Paramount's appeal. Dissatisfied with the Board's decision, Paramount appealed to the Intellectual Property High Court of Japan ("IPHC") on 6 April 2018 and the IPHC dismissed Paramount's appeal on 29 November 2018 and affirmed the Board's decision.

IP High Court - Secondary Meaning Evidence

The main focus of the IPHC proceedings was the sufficiency and adequacy of Paramount's secondary meaning evidence that was used to demonstrate that relevant consumers were able to recognise the nursing bed and mattress goods as pertaining to Paramount's business as a result of the use of the non-distinctive trade mark in Japanese commerce. Paramount argued that its 3D mark had acquired distinctiveness as a source indicator of Paramount nursing beds and mattresses through its substantial use of the mark in Japan and the 3D mark's unique shape.

Paramount's evidence included that it had sold and distributed more than 145,000 sets of nursing care bed and mattress wherein the 3D shape of the sold goods was identical with the applied mark. Additionally, Paramount possessed an astonishing near 100 percent of the market share for such reclining nursing bed for home use as there was no existing market competition.

The company had also incurred sizeable advertising and promotion expenditures, JY257 million in newspaper advertisements in national newspaper media titles such as *Yomiuri*, *Asahi* and *Nikkei*, industry newspapers and monthly magazines. Paramount also spent JY2.81 billion in television commercials that was aired during broadcast and cable programs. The duration of the advertising and promotion efforts commenced from fiscal year March 2014 to the end of March 2018. Paramount had also produced an on-line questionnaire which showed a 66.5 per cent recognition rate of relevant traders in such nursing equipment that the 3D shape mark belonged to Paramount. The IP High Court found Paramount's arguments and evidence as insufficient, finding the secondary meaning evidence as unpersuasive in view of the following reasons:

- (1) As long as nursing care beds are likely to be used by general public, questionnaire results answered by traders are insufficient to demonstrate acquired distinctiveness among relevant consumers.

- (2) Given the shape of applied mark occasionally appears while nursing care bed is in operation and the bed has a coverlet on it in day-to-day ordinary usage, it is questionable whether relevant consumers could have perceived the shape of applied mark per se as a source indicator.
- (3) Besides, catalogues and advertisements pertinent to Paramount nursing care bed show configurations of the bed other than the shape of applied mark.

Accordingly Presiding Judge Ichiro Otaka of the IPHC declined to find that the 3D shape mark application had acquired distinctiveness as a source indicator of Paramount's business; dismissing Paramount's appeal and maintained the Board's decision rejecting the 3D trade mark application.

Commentary

On the merits, it would be very difficult to fault the IPHC decision relating to Paramount's abortive 3D nursing bed and mattress trade mark application when one considers an instructive earlier 3D trade mark case that also involved furniture *Carl Hansen & Son Japan KK & Anor. v. Commissioner of Japan Patent Office*, Case No. Heisei 22 (gyo-ke) 10253 dated 29 June 2011.

In the *Carl Hansen* case the IPHC accepted the secondary meaning evidence demonstrating the three-dimensional trade mark for the well-known "Y" chair (see below) made by the Danish company Carl Hansen and Son was distinctive and registrable. The IPHC was persuaded that there was continuous production and sale, with variations in color and material, of the chair since the 1950s, the unique and distinctive shape of the mark; the start and duration of use; the region of use; the amount of goods sold; duration, region, and scale of advertising; and the enforcement efforts of the applicant to challenge goods of a similar shape made by copycats and infringers as related to Japan.



In particular, the IPHC noted:

Since the 1960s, the plaintiff's product has been considered to be one of the best-selling imported chairs in Japan thanks to magazine articles, etc. that featured the plaintiff's product. Also, articles about the plaintiff's product have

been published in books for people working in the furniture industry, such as interior glossary dictionaries, interior coordinator workbooks, and also in textbooks for junior high school students. Furthermore, the plaintiff has been spending a considerable amount of money on various advertisement activities. The plaintiff exhibited the plaintiff's product in major furniture exhibitions in Japan and also held exhibitions in its own showroom, department stores, etc. In this way, the plaintiff has made continuous efforts to make the plaintiff's product well-known in Japan. Thanks to such continuous advertisement activities, etc., the plaintiff's product has become known not only to a small number of furniture lovers but also broadly to general consumers.

Accordingly, the IPHC found the 3D mark to be distinctive based on various commercial activities of the trade mark owner over a long period of time in Japan and held that the “Y” chair 3D mark was registrable.

In summary, brand owners seeking to use secondary meaning evidence to overcome non-distinctiveness rejections and demonstrate that their 3D trade mark applications have acquired distinctiveness must provide long-standing, adequate and sufficient evidence of commercial use of the goods and also evidence of enforcement measures taken to protect said 3D marks in Japan. Japanese courts recognise that there is a public interest in the maintenance of freedom of competition by not allowing commonplace and non-distinctive shapes to be registered.

The *Carl Hensen* and *Paramount* IPHC decisions indicate that applicants must demonstrate that their 3D marks must be perceived by the average consumer as identifying the origin of the goods and the onus of showing distinctiveness is on the applicant and is a somewhat heavy burden and applicants have to be prepared to provide a sufficient and persuasive amount of secondary meaning evidence to successfully overcome a finding of non-distinctiveness.

¹ Any questions about this update should be e-mailed to John A. Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.

SINGAPORE

Winnie Tham, Angus Koh, Zachary Foo, Megan Pang and Rodney Yap

Amica Law LLC

Correspondents for Singapore

Disney Enterprises, Inc and Others v M1 Ltd and others [2018] SGHC 206

When faced with copyright infringement, the copyright holder is often anxious to get an injunction restraining further infringement. If the same infringer uses other means to continue infringing, the Court can vary the injunction, provided the copyright holder musters the resources to make a formal application.

This may have worked well in the past, but the new information age creates problems as copyright infringement can be done in so many ways on the internet. A perennial problem is file-sharing websites. Copyright holders seek injunctions mandating network service providers (“NSPs”) to block access to such websites. However, once an injunction is granted targeting a website, the webmaster only needs to migrate the website to another URL or, in technical terms, Fully Qualified Domain Name (“FQDN”) to circumvent the technical measures imposed by the NSP under the injunction. The copyright holder must then apply for a fresh injunction, or vary the original injunction to block this new infringing activity, incurring further time and money costs while being powerless to stop the continued infringement.

To combat this, a growing number of rights-holders are seeking dynamic injunctions in addition to the main injunction. Dynamic injunctions are essentially court orders that once a website is found to be infringing, all new FQDNs discovered after the date of the order which link to the infringing website are to be blocked. The copyright holder does not need to constantly return to court to modify the main injunction.

The Singapore High Court recently granted a dynamic injunction, under s.193DDA(1) of the *Singapore Copyright Act*, which is reproduced below:

s.193DDA(1): Order to disable access to flagrantly infringing online location

Where the High Court is satisfied, on an application made by the owner or exclusive licensee of copyright in a material against a network service provider, that —

- the services of the network service provider have been or are being used to access an online location, which is the subject of the application, to commit or facilitate infringement of copyright in that material; and
- the online location is a flagrantly infringing online location,
- the High Court may, after having regard to the factors referred to in s.193DB(3), make an order requiring the network service provider to take reasonable steps to disable access to the flagrantly infringing online location.

Facts

The Plaintiffs own copyrights in various theatrical motion pictures, including the subtitles. The Defendants are NSPs engaged in the business of telecommunications services and collectively provide internet service to almost the entire Singapore population.

The Plaintiffs sought blocking orders under s.193DDA of the *Singapore Copyright Act* (Cap 63, 2006 Rev Ed) to require the Defendant NSPs to take reasonable steps to block its subscribers' access to certain websites which infringe or facilitate copyright infringement. Two orders were sought:

- (1) Main Injunction: The first order sought to require the Defendant NSPs to disable access by its subscribers to FQDNs which linked to Flagrantly Infringing Online Locations ("FIOLs"). The term FIOL in the *Singapore Copyright Act* refers to, inter alia, websites which are deliberately set up to facilitate infringement of large amounts of copyrighted material.
- (2) Dynamic Injunction: The second order sought to require the Defendant NSPs to block new FQDNs which are subsequently discovered to provide access to the same FIOLs that are subject to the Main Injunction, as and when the Plaintiffs notify the Defendant NSPs of these new FQDNs.

The Defendant NSPs did not contest the application.

The Court found no difficulty in granting the Main Injunction, as the websites were clearly infringing. Much of the Court's analysis was dedicated to the issue of whether to order the Dynamic Injunction.

Jurisdiction to order Dynamic Injunction – “reasonable steps”

As the *Singapore Copyright Act* does not expressly provide for dynamic injunctions to be granted, the Court had to first consider whether it had the jurisdiction under s.193DDA to order such a remedy.

It was easy for the Court to conclude that it had such jurisdiction, as s.193DDA was drafted broadly with the intention of allowing Courts to keep up with evolving technologies. As long as the dynamic injunction or any other remedy was a “reasonable step to disable access to the [FIOLs]”, the Court could make the order.

The Court observed that the Dynamic Injunction is essentially the same as the Main Injunction which was granted. The Dynamic Injunction merely requires the defendants to block additional FQDNs that provide access to the same websites which are the subject of the Main Injunction, and thus achieves the same result. It was a reasonable step for NSPs to take.

Whether the Dynamic Injunction ought to be granted

Turning to the next issue of whether to grant the Dynamic Injunction, s.139DDA(1) requires the Court to consider several factors. These factors include:

- (a) the harm that has been or may foreseeably be caused to the plaintiff;
- (b) the burden that the making of the order will place on the network service provider;
- (c) the technical feasibility of complying with the order;
- (d) the effectiveness of the order;
- (e) any possible adverse effect on the business or operations of the network service provider;
- (f) whether some other comparatively effective order would be less burdensome; and
- (g) all other matters which the Court considers relevant.

The Court made several notable observations:

- (1) The Dynamic Injunction would not significantly increase the burden on the Defendants from that already imposed under the Main Injunction. In fact, it could potentially reduce the burden as it obviates the need to return to court each time a new FQDN is discovered.
- (2) Technological advancements may limit the effectiveness of traditional injunctions. The Court noted that since the commencement of the suit, one of the infringing FIOLs had already changed its domain name to one not captured under the Main Injunction.

The Court also considered the contrasting positions in Australia and the UK. The UK courts have granted dynamic injunctions, in *Twentieth Century Fox Film Corporation v British Telecommunications plc (No 2)* [2012] 1 All ER 869 and *Cartier International AG v British Sky Broadcasting Ltd* [2017] 1 All ER 700.

In contrast, the Federal Court of Australia in *Roadshow Films Pty Limited v Telstra Corporation Ltd* [2016] FCA 1503 refused to grant a dynamic injunction, preferring instead for copyright holders to return to court to vary the main injunction, with the court being the ultimate arbiter of whether a website was infringing. The Singapore Court considered that this position had the advantage of preventing “overblocking”, which is the situation where websites which are not actually infringing copyright may be wrongly blocked.

On balance, the Court preferred to follow the UK position and granted the Dynamic Injunction. This was because it provided a practical means to ensure the Main Injunction remained effective, and saved time as the copyright holders

and NSPs did not need to constantly return to Court to vary the Main Injunction, especially when the NSPs were agreeable to blocking the additional FQDNs.

Modification to the Dynamic Injunction

However, the Court was also aware of the need to prevent the Plaintiff rights-holders from abusing the Dynamic Injunction, and thus safeguard the interests of the NSPs while preventing overblocking.

The Court thus added a provision to the Dynamic Injunction, providing that the Defendant NSPs do not need to block access to the additional FQDNs identified by the Plaintiffs if the Plaintiffs do not provide sufficient grounds to justify the blocking. The Defendant NSPs and Plaintiffs are then at liberty to apply to Court to determine if these FQDNs should be blocked.

Comments

The case is significant as it is the first instance of a dynamic injunction being granted in Singapore and provides legal recourse for copyright holders against infringers circumventing site-blocking measures. It is also an admirable attempt to balance the interests of rights-holders against that of ISPs, and also to find a middle ground between the contrasting UK and Australian positions. We can expect rightsholders to reach more for such dynamic injunctions.

It would also be exciting to observe any legislative innovations in this space. For example, in March 2018, as part of a review of the Australian *Copyright Act*, the Australian Copyright Council made submissions highlighting the difficulties that the traditional injunction scheme placed on rightsholders,¹ and expressed support for a “non-judicial notification scheme” that would achieve the same effect as a dynamic injunction.² This echoes the judicial sentiment expressed in the UK and Singapore cases, and will certainly be something that rights-holders eagerly anticipate.

Proposed Changes to the Singapore Copyright Act

The Singapore Ministry of Law (“MinLaw”) has recently announced revisions to the *Singapore Copyright Act* (“CA”) to better support creators and the use and enjoyment of creative works in the digital age. The proposed changes were made following an extensive three-year review and two rounds of public consultations, including engagement sessions with various stakeholder groups. Once prepared, the draft bill will be made available to the public for comments on implementation.

We summarise some key proposals below:

Proposal 1: Facilitating uses of works for text and data mining

Given the increasing prevalence of data analytics and big data in the current digital economy, MinLaw took the opportunity to address a grey area surrounding the permissibility of text and data mining under copyright law in Singapore. Text

and data mining refers to the use of automated techniques to analyse text, data and other content to generate insights and information, and miners risk infringing copyright as the process involves copying large quantities of possibly copyrighted material.

In light of the tremendous value that text and data mining brings for research, development and innovation, a new exception for text and data mining will be introduced. Such a move is not unprecedented – leading intellectual property jurisdictions like Japan and the United Kingdom have already introduced a similar exception, while the European Union has likewise proposed one as well. Importantly, this exception is justified since the purpose of text and data mining is to analyse data, and not to consume what copyright seeks to protect (i.e. the creative expression of the copyrighted materials). This exception will also be accompanied by safeguards for rights-holders – a user must have lawful access to the works that are copied; if certain materials can only be accessed through a paid subscription for example, the user must pay for the subscription before using the materials for text and data mining.

Interestingly, although some stakeholders had voiced that they were willing to support this proposal if it did not extend to commercial activities, MinLaw’s conclusion was that this new exception should cover activities of a commercial nature. This is because whether an activity is commercial or non-commercial in nature is not always clear – it can begin non-commercial in nature, yet evolve into activity of a commercial nature. Taking guidance from the existing fair dealing exception for research and study (which is analogous to text and data mining) considering that both activities involve obtaining and studying data to derive new ideas, this exception should likewise be extended to commercial activities as well.

Proposal 2: Granting creators default ownership of commissioned works

The majority of stakeholders supported the proposal that creators of commissioned photographs, portraits and engravings, as well as creators of sound recordings and cinematograph films, should have default ownership of their works. Currently, under the Act, it is the commissioning party that gets default ownership of commissioned works. Such a significant change would increase respect for creators and appreciation of their rights, while simultaneously encouraging creators to commercialise their body of work beyond the original commissioning.

However, some concerns raised were that this change would be unfair to the commissioning party who has paid for the creation of the work, and that there would be a hike in fees demanded by creators, which would in turn be passed on to consumers. In response, MinLaw highlighted that the current default ownership position in favour of commissioning parties often leave creators stranded without rights, due to a multitude of reasons such as a lack of rights awareness, a lack

of legal sophistication to carve out the necessary rights, time or resources constraints, certain sector-specific practices, or a lack of bargaining power. Giving creators default copyright ownership would accord them greater bargaining power and better leverage to negotiate better terms with commissioning parties. This would incentivise creators to produce more works and improve the sustainability of the local creative industry, which would particularly benefit small and medium enterprises. At the same time, commissioning parties still have the option of varying the rights and terms contractually – rendering the perceived disruption to existing industry practices illusory.

This proposal is highly significant as it dramatically shifts the balance of power into the hands of creators and empowers them to create and commercialise their work more. It also shelters unknowing and vulnerable creators from rights deprivation, and could act as a powerful catalyst for the rejuvenation of the creative arts landscape in Singapore.

Proposal 3: Introducing a new right of attribution - attributing creators whenever their works are used

In the digital era, works are easily misattributed or not attributed at all. Currently, under Singapore copyright law, authors and performers do not have a right to be attributed when their work or performance is used, but only have a right to prevent the false attribution of another person as the author or performer.

In view of the benefits that would flow from proper attribution, namely helping creators and performers build their reputation and incentivising the creation of new works, a new right of attribution will be introduced for authors of literary, dramatic, musical and artistic works in relation to those works and adaptations of them, and for performers for performances. This right will be personal to the author or performer and lasts during the duration of the copyright or protection period of a performance. This will bring Singapore in line with international norms, where the right of attribution has been recognised in other jurisdictions such as the UK.

Furthermore, there will be specific defences and exceptions, as opposed to a broad defence of reasonableness, to the new right of attribution. This is to minimise uncertainty and enhance clarity. The right of attribution can also be waived in writing, and consent can be given to acts that would otherwise infringe the right. In determining the appropriate remedy for infringement of the right of attribution, Courts will have the discretion to take into account the facts and circumstances of each case, including any difficulties in making attribution in each circumstance.

Proposal 4: Facilitating educational uses by non-profit schools

The evolution of teaching pedagogy has led to a wide range of digital materials being used in the classroom such as online publications, videos, photos, and blogs, primarily obtained

from the internet. It is clear that the existing copyright exception only contemplated the traditional classroom-style dissemination of knowledge through the use of physical textbooks and workbooks, and it remains a grey area whether such uses are permitted under copyright law.

Consequently, there will be a new purpose-based exception for educational uses, and the scope of this exception has been carefully limited to reduce the commercial impact on the traditional educational print materials industry. For instance, this exception will only apply to freely accessible online works, and teachers and students cannot communicate the materials to the general public.

This proposal will further enrich educational lessons, opening up a wide catalogue of online works for teachers to use and adapt in the classroom.

Proposal 5: Strengthening the general “fair use” exception

Unlike the United States fair use exception with its four factors, Singapore’s adapted defence has an additional fifth factor which considers the possibility of obtaining a work within a reasonable time at an ordinary commercial price in determining whether a dealing constitutes fair dealing.

What surfaced from the feedback from stakeholders was that there was a misconception that as a result of the fifth factor, it was a necessary requirement that users of copyrighted works had to seek a licence when relying on the fair dealing defence. Hence, MinLaw proposes to remove the fifth factor, along with this associated misconception. In any case, there would not be prejudice to rightsholders, as the fifth factor can still be considered in a relevant case. Removing it only means that there is no necessity to consider it in all cases. Meanwhile, the continued presence of the fourth factor, namely the effect of the dealing upon the potential market for, or value of, the work or adaptation, would ensure that the market for copyright holders’ works will not be usurped without compensation.

The removal of the fifth factor would also result in the Singapore provision mirroring the United States fair use provision, which is more open-ended in nature. Accordingly, it would be more accurate to use the term “fair use” in the Act to describe the general fair dealing exception in Singapore, rather than the current term which is used, i.e. “fair dealing”. MinLaw will also amend the Act to provide further clarification on how the general “fair use” exception will operate vis-à-vis the other exceptions in the Act.

Proposal 6: Whether to establish a voluntary copyright registration system

Currently, there is no copyright registration system in Singapore, which is also the position in most countries. Copyright protection is automatically conferred once the work is made.

Although a majority of the stakeholders expressed that a copyright registry would be useful, this response was largely premised on a misconception that registration would confer copyright ownership. This is not the case, for two reasons – first, Singapore is required by its international obligations to confer protection automatically when the work is made, so copyright registration cannot grant protection; and second, as it is not possible to conclusively determine ownership for copyrighted works that are registered, a copyright registry would only be evidence and not conclusive proof of creation or ownership. Additionally, since registration would only be voluntary, it would not be a comprehensive tool to trace ownership of works.

Therefore, MinLaw's decision was to maintain the status quo, and a voluntary copyright registry would not be set up. Instead, more efforts will be channelled towards providing information and raising awareness about best practices for proof of ownership and existing repositories and registries.

Conclusion

The other changes proposed relate to setting an expiry date for the protection of unpublished works, exceptions relating to works reproduced or/and exhibited by galleries, libraries, archives and museums, improving access to non-patent literature, protection of exceptions from being restricted by contracts, and enhancements to the collective rights landscape in Singapore, among others.

These proposed amendments recalibrate the balance of rights between stakeholders to encourage greater creativity and innovation, as well as ensure that the Act remains a relevant piece of legislation in the digital age. It also provides clarity on certain grey areas in copyright law, and places Singapore on a firm footing to respond to rapid advances in technology and adapt to the evolving nature of how our society handles information.

- 1 Australian Copyright Council, *Submission in Response to the Review of Copyright Online Infringement Amendment*, March 2018, [3.3].
- 2 Australian Copyright Council, *Submission in Response to the Review of Copyright Online Infringement Amendment*, March 2018, [3.4.2].

Current Developments – Europe

EUROPEAN UNION

Dr Marc Mimler, LL.M. (London)

Senior Lecturer in Law, Bournemouth University
Correspondent for the European Union

The Court of Justice of the European Union finds that copyright does not subsist in the taste of cheese spread (*Levola Hengelo BV v Smilde Foods BV* (Case C-310/17))

Introduction

The Court of Justice of the European Union (“CJEU”) has recently provided its verdict about the question whether taste could be susceptible to copyright protection. Copyright in the European Union (“EU”) is not fully harmonised though there are a set of EU Directives which harmonise certain aspects of copyright law. The most far reaching Directive with regard to copyright law is *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* (so-called “InfoSoc Directive”). Within its Articles 2, 3 & 4, the Directive stipulates that the exclusive rights of reproduction, communication to the public and distribution enjoyed by authors relate to their works. Unlike the United Kingdom (“UK”) which has a so-called closed list system of copyright protected works, the InfoSoc Directive leaves this question open as to what constitutes a work. This then leads to the question whether untraditional creations – in the copyright sense – could fall within the canon of copyright protected works. The protectability of taste or smell through copyright then inevitably comes to mind. And copyright law seems to be an attractive solution for IP protection since trade mark protection still remains practically impossible for such unconventional marks.

Background

“Heksenkaas” is a spreadable dip with cream cheese and fresh herbs produced by the Dutch cheese manufacturer Levola Hengelo BV (“Levola”). Smilde Foods BV (“Smilde”) produced and sold a cheese spread called “Witte Wieven” since 2014. Levola considered its competitor’s product to taste like “Heksenkaas” and subsequently filed a suit for copyright infringement before the *Rechtbank Gelderland* (Gelderland District Court). Levola argued that the taste of “Heksenkaas” was its manufacturer’s own intellectual creation and would constitute a “work” in the meaning of Article 1 of the Dutch *Copyright Act*. The company “defined copyright in a taste as being ‘the overall impression on the sense of taste caused by the consumption of a food product, including the sensation in the mouth perceived through the

sense of touch.’”¹ In addition, Levola asked the court to rule that the taste of Smilde’s product was a reproduction of the taste of “Heksenkaas”.

The District Court rejected this claim which made Levola appeal this decision. The *Gerechthof Arnhem-Leeuwarden* (Regional Court of Appeal, Arnhem-Leeuwarden) noted the diametrically opposed arguments of the parties in relation to the protectability of taste through copyright. On the one hand, the appellant Levola argued that taste could constitute “a literary, scientific or artistic work that is eligible for copyright protection”² through an analogy to scent and relied, inter alia, on a judgment of the Supreme Court of the Netherlands (*Hoge Raad*) from 2006. In this decision the court held that the scent of a perfume may, in principle, be capable of copyright protection.³ Smilde, on the other hand, submitted that taste would fall outside the usual categories of copyright protected works which would relate to visual and aural creations. In addition, “the instability of a food product and the subjective nature of the taste experience preclude the taste of a food product qualifying for copyright protection as a work.”⁴ Furthermore, Smilde submitted that the exclusive rights of copyright and its exceptions are practically inapplicable in the case of taste. To support its submission, Smilde noted that the *Cour de cassation* (Court of Cassation, France) has rejected the possibility of scent being protected by copyright.⁵ The Arnhem-Leeuwarden Court of Appeal noted the divergence in the jurisprudence with regard to the protectability of scent as a copyright protected work in national supreme courts within the EU and decided to stay the proceedings. As the definition of protectable subject matter of copyright law is matter for the CJEU under the InfoSoc Directive, it submitted the following questions to the CJEU for a preliminary ruling:

- (1) (a) Does EU law preclude the taste of a food product — as the author’s own intellectual creation — being granted copyright protection? In particular:
 - (b) Is copyright protection precluded by the fact that the expression “literary and artistic works” in Article 2(1) of the Berne Convention, which is binding on all the Member States of the European Union, includes “every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression”, but that the examples cited in that provision relate only to creations which can be perceived by sight and/or by hearing?
 - (c) Does the (possible) instability of a food product and/or the subjective nature of the taste experience preclude the taste of a food product being eligible for copyright protection?

- (d) Does the system of exclusive rights and limitations, as governed by Articles 2 to 5 of Directive [2001/29], preclude the copyright protection of the taste of a food product?
- (2) If the answer to question 1(a) is in the negative:
- (a) What are the requirements for the copyright protection of the taste of a food product?
- (b) Is the copyright protection of a taste based solely on the taste as such or (also) on the recipe of the food product?
- (c) What evidence should a party who, in infringement proceedings, claims to have created a copyright-protected taste of a food product, put forward? Is it sufficient for that party to present the food product involved in the proceedings to the court so that the court, by tasting and smelling, can form its own opinion as to whether the taste of the food product meets the requirements for copyright protection? Or should the applicant (also) provide a description of the creative choices involved in the taste composition and/or the recipe on the basis of which the taste can be considered to be the author's own intellectual creation?
- (d) How should the court in infringement proceedings determine whether the taste of the defendant's food product corresponds to such an extent with the taste of the applicant's food product that it constitutes an infringement of copyright? Is a determining factor here that the overall impressions of the two tastes are the same?⁶

Opinion by the Advocate General

In his opinion from 25 July 2018, Advocate General (AG) Whatelet submitted that the concept of a “work” was not defined within the InfoSoc Directive. Hence, the need for a uniform application of EU law would require an autonomous definition of a “work” which would preclude Member States from providing different or additional standards.⁷ The AG then provided an interesting point on the relationship between the concept of a “work” and the requirement for an intellectual creation – the standard for originality in the EU. The question was whether a work may be protected by copyright within the InfoSoc where only the criterion of originality (i.e. the author's own intellectual creation) is met. The AG, however, expressed the view that both these concepts would need to be satisfied.⁸

By referring to Article 2(1) of the *Berne Convention for the Protection of Literary and Artistic Works* (“Berne Convention”) which states that literary and artistic works that are eligible for copyright protection, the AG deduced that this would only relate to “works which are perceived visually or aurally”.⁹ The AG added that where doubts remained as to whether certain creations could be protected by copyright, the Berne Convention was amended or new multilateral agreements adopted.¹⁰ Additionally, the AG

referred to the idea/expression dichotomy whereby only expressions of ideas were protected not the idea as such and likened a recipe to being an unprotected idea. Finally, the AG elaborated on more practical matters by stating that original expressions protected by copyright would have to be identifiable with sufficient precision and objectivity.¹¹ Here, the AG links the discussion to that held within EU trade mark law. In the *Siekmann* decision, the CJEU¹² held that a non-traditional mark (there a scent) would have to be “clear, precise, self-contained, easily accessible, intelligible, durable and objective” in order to fulfil the criterion of graphical representation.¹³ The AG stated that with “today's technology, the precise and objective identification of a taste or scent is currently impossible”.¹⁴ Hence, the AG found that taste of a food product is precluded from copyright protection.

The decision

After discussing the admissibility of the proceedings, the Court engaged with the first question by the Arnhem-Leeuwarden Court and distilled it into whether “(i) the taste of a food product from being protected by copyright under that directive and (ii) national legislation from being interpreted in such a way that it grants copyright protection to such a taste.”¹⁵ In order to respond to the question, the court found that while Articles 2-5 of the InfoSoc Directive refer to the works of authors that encompass the exclusive rights or may be subject to exceptions or limitations, there is no reference to national law of what constitutes a work. In such case, an autonomous and uniform definition would need to be applied.¹⁶

The Court then held that two cumulative conditions must be met for there to be a work in the meaning of the InfoSoc Directive: First, the subject-matter in question must be the author's own intellectual creation and secondly that this expression may be classified as a work. The Court reiterated the findings of the AG with regard to the EU's obligation to adhere to the provisions of the Berne Convention albeit not being a party to it. Article 2(1) of the Berne Convention would protect literary and artistic works which would include “every production in the literary, scientific and artistic domain, whatever the mode or form of its expression may be.” In addition, the idea-expression dichotomy enshrined within Article 2 of the *WIPO Copyright Treaty* and Article 9(2) of the *TRIPS Agreement* would be part of the EU legal order.¹⁷

Based on these reiterations, the Court held that a work in the meaning of the InfoSoc Directive “must be expressed in a manner which makes it identifiable with sufficient precision and objectivity, even though that expression is not necessarily in permanent form.”¹⁸ It explained that authorities must be able to clearly and precisely identify the subject matter of the exclusive rights in order to protect it. Such considerations would also apply to third parties, such as competitors. Additionally, the Court emphasised the necessity of legal

certainty which would prohibit any form of subjectivity which would mandate that “the protected subject matter [...] must be capable of being expressed in a precise and objective manner”.¹⁹

In relating this to the question at hand, the Court held that the taste of food could not be established with precision and objectivity. Food, would, unlike literary, pictorial, cinematographic or musical works, be based essentially on taste sensations and experiences which would be subjective and variable. Much would depend “on factors particular to the person tasting the product concerned, such as age, food preferences and consumption habits, as well as on the environment or context in which the product is consumed.”²⁰ The Court added that a precise and objective identification of the subject matter in order to distinguish it from other products would not be possible with current state of scientific development.²¹ Consequently, the Court held that the taste of food could not be regarded as a work within the meaning of the InfoSoc Directive.²² The uniform definition of the concept of work which the Court established also precludes EU Member States from granting copyright protection for the taste of food.²³

Comment

The CJEU’s decision was eagerly awaited and its decision not all too surprising. The case further develops the autonomous concept of what may constitute the subject-matter protectable by copyright. The way in which the Court excluded taste as copyright protectable subject-matter may lead to some doctrinal “hiccups”. Even if the Court did not apply the rationale derived from the *Siekmann* criteria with regard to trade mark law expressis verbis, it appears that the Court was inspired by them. This can be seen where the Court requires that the subject-matter must be clear, precise and objective. The question then arises whether traditional works, such as musical works, are always perceived objectively or are rather subject to the age, experience of the listener as well as to other circumstances. Another issue that the decision creates is for the closed list systems of the UK and Ireland. The CJEU’s decision could mean that such system would not be tenable anymore²⁴ even though the Court denied protection for taste in this particular case. But the general definition which the Court provided applies now in all EU Member States. To a certain degree it appears that the Court was led by the goal of excluding taste from the canon of copyright protected works for practical reasons – a valid goal, especially when one tries to imagine how close tastes must be to be an infringement of copyright. But the means to reach this goal could have been placed on doctrinally more sound arguments.

- 1 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 22.
- 2 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 27.
- 3 *Kekova BV v Lancôme Parfums et Beauté & Cie* SNC NL:HR:2006: AU8940.
- 4 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 23.
- 5 Cour de cassation, chambre commerciale (Court of Cassation, Commercial Division), 10 December 2013, No 11-19.872, not published in the Bulletin, (FR:CCASS:2013:CO01205).
- 6 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 25.
- 7 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 40.
- 8 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 47.
- 9 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 51.
- 10 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 52.
- 11 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 56.
- 12 Case C-273/00 *Ralf Siekmann*, Judgment of the Court, 12 December 2002.
- 13 Note that this criterion was replaced recently by the EU trade mark which was noted by the AG within footnote 29 of the opinion. The new criterion now requires “that signs must be capable of being represented on the register in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.” (see for instance Article 3(b) of *Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks* (OJ 2015 L 336, p. 1) *Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015, amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonisation in the Internal Market (Trade Marks and Designs)* (OJ 2015 L 341, p. 21)). This stipulates that the change was not that substantive and would not alter the considerations given by the AG.
- 14 Case C-310/17 *Levola Hengelo BV v Smilde Foods BV*, Opinion of AG Whatalet, 25 July 2018, para 57.
- 15 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 32.
- 16 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para [39].
- 17 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 39.
- 18 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 40.
- 19 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 41.
- 20 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 42.
- 21 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 43.
- 22 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 44.
- 23 Case C-310/17, *Levola Hengelo BV v Smilde Foods BV*, Judgment of the Court (Grand Chamber), 13 November 2018, para 45.
- 24 Eleonora Rosati, ‘Why the CJEU cheese copyright case is anything but cheesy’ (2017) 12 *Journal of Intellectual Property Law and Practice* 813.

Consultation on Design Protection in the EU: Questionnaire Commentary

Dr Faye Fangfei Wang

Senior Lecturer in Law, Brunel University London

Overview of the public consultation on Design Protection

On 18 December 2018, the European Commission (“EC”) launched a public consultation on design protection in the European Union (“EU”). The consultation period is between 18 December 2018 and 31 March 2019. The EC intends to gather evidence and views from stakeholders on the functioning of the current European Union (“EU”) design protection legislation (namely, the *Design Directive* 1998 and the *Community Design Regulation* 2002). This consultation may help the EC to make decisions in terms of “improvement, modernisation and further harmonisation” of the current legislation.¹

The consultation questionnaire has been divided into different types of questions, i.e. “general questions to all”; “specific question to national authorities”; “specific questions to users of designs of others”; “more specific questions to all”; “specific questions to creators/owners of designs”; and “specific questions to both creators/owners and lawyers/legal advisors”; “specific questions to creators/owners of Designs”; and “specific questions to lawyers/legal advisors, authorities and academia”.²

Among all questions, there are only two specific questions to national authorities: one is about the justification of costs of implementation;³ and the other is asking whether invalidity proceedings can be made available before all national industrial property offices across the EU, rather than only being allowed to be brought before a judicial body.⁴

Specific questions to creators/owners of designs concern the reasons for their design registration or non-registration at the national, Community or international level; the costs and benefits of design protection; as well as the confidence in design protection.⁵ In contrast, specific questions to users of designs of others intend to establish the users’ reasons and practice of using protected designs of others, and their understanding of design protection in the EU.⁶

This report is to provide a summary of the most-asked questions for all stakeholders.

General Questions to All

The general questions to all evaluate the objectives of the current legislation. That is, the consultation seeks general answers from all concerning the current achievement of the harmonisation of national rules and the creation of the Community design system. The harmonisation of national rules and creation of the Community design system can be understood as “the EU Community design protection legislative system” in short.

The consultation questionnaire evaluates the importance of the following nine objectives of the EU Community design protection legislative system:

- *Promoting innovation, creativity and development of new products in the EU.*
- *Allowing products to circulate freely in the internal market.*
- *Providing the same protection of designs everywhere in the EU.*
- *Serving the needs of all industry sectors.*
- *Preventing counterfeiting and copying of Community designs.*
- *Allowing for simple registration of Community designs.*
- *Allowing for affordable regulation of Community designs.*
- *Making Community Design registration readily accessible to small and medium-sized enterprises as well as to individual designers.*
- *Allowing for a simplified enforcement of Community designs.*⁷

Subsequently, the consultation questionnaire evaluates how the EU Community design protection legislative system has contributed to the achievement of those objectives since 2003.⁸ It further asks whether the EU Community design protection legislative system has created added value, compared to design protection by national laws and at national level only.⁹ It then looks into any unintended consequences or shortcomings of the *Design Directive* or the *Community Design Regulation*.¹⁰ It assesses the awareness from designers and entrepreneurs of the availability, benefits and ways for protection designs in the EU.¹¹ It also considers whether the unregistered Community design provides a useful legal protection against unauthorised copying of that design by a third party.¹²

More Specific Questions to All

More specific questions to all cover terms of protection and spare parts protection.¹³ It intends to review the adequacy of the current three-year term of protection for unregistered Community designs and 25-year term of protection for registered Community or national designs.

With regard to spare parts protection, this is currently not covered by the *Design Directive* or the *Community Design Regulation*, although the majority of Member States include spare parts protection in their national laws. The consultation questionnaire provides a definition of “spare parts” as “... concern visible component parts used for the purpose of the repair of a complex product (such as a motorcar) so as to restore its original appearance (covering, in particular, body panels, integrated lighting and automotive glass).”¹⁴ It seeks

answers as to whether lack of harmonised rules concerning spare parts protection has caused any issues and that whether the rules on spare parts protection should be harmonised in the EU.

Specific Questions to both Creators/Owners and Lawyers/Legal Advisors

Specific questions to both creators/owners and lawyers/legal advisors examine the functioning of the EU and national IP offices. As known, the European Union Intellectual Property Office (EUIPO) manages Community design registration. Apparently, EUIPO does not examine the novelty of a design before registration in order to speed up the registration process, although a design is required to be new and has individual character to be protected by a Community design, according to Article 4 of the Community Design Regulation and Article 3 of the Design Directive. Subsequently, the consultation seeks for views on whether the EUIPO should conduct novelty examination even though there is complexity and technical constraints in searching for prior existence on designs (both registered and unregistered) worldwide.¹⁵

Furthermore, the consultation questionnaires assess users' experience with design registration at the EU Industrial Property Office ("EUIPO") and the National Industrial Property Offices in eight areas:

- *General performance related to Community or national design.*
- *Supplied information on how to register a design.*
- *Ease of application process and forms.*
- *Possibility to do it electronically.*
- *Transparency of registration process.*
- *Speed of registration process.*
- *Level of fees.*
- *Procedures for invalidating a registered design.*¹⁶

The above assessment can be linked to specific questions to lawyers/legal advisors, authorities and academia as to whether there are any specific provisions or requirements/conditions in the *Community Design Regulation* or the respective *Implementing Regulation (EC) No 2245/2002* in relation to procedures before the EUIPO which are considered too complex, rigid, or burdensome for users of the system.¹⁷

Specific Questions to Lawyers/Legal Advisors, Authorities and Academia

Specific questions to lawyers/legal advisors, authorities and academia seek professional views on a wide range of core issues, such as subject-matter of design protection, scope of design protection, rights conferred, grounds for invalidity, procedural issues, degree of harmonisation, and relationship

among Community design system, the national design systems and the International Hague system.

Firstly, the consultation seeks to evaluate three key elements in the legislation and its application by industrial property offices and the courts. They are: a) the definition of a "design", a "product" and a "complex product"; b) the requirements for protection (e.g. related to the need of being "visible"); and c) the scope of design protection (e.g. as to how to determine the individual character of a design).¹⁸

Then, the consultation tries to establish whether the current design protection legislation is sufficient to cover new emerging technologies such as 3D printing.¹⁹ It also investigates whether the scope of design rights should interfere with prevention of transiting counterfeit design goods through the EU.²⁰

The consultation looks at the impact on new technologies on the representation of designs, i.e. whether the current legislation is appropriate in terms of the requirements for representation of designs for both tangible products and non-tangible products (e.g. animated designs and graphical user interfaces).²¹

Interestingly, the consultation acknowledges and highlights a list of design law aspects that are not (fully) harmonised by the *Design Directive* and seeks to assess the need for (further) harmonisation. They are:

- *Description of design and its legal relevance for the subject-matter of protection.*
- *Product indication and the design's scope of protection.*
- *Formal requirements to represent a design (e.g. number of views, neutral background).*
- *Deferment of publication.*
- *Multiple applications and its conditions.*
- *Right to the design.*
- *Protection of unregistered designs.*
- *Right of prior use.*
- *National designs as objects of property (transfer, rights in rem, levy of execution, licensing).*
- *Substantive grounds for refusal of registration.*
- *Procedure for refusal of registration.*
- *Responsible authority for invalidating a design.*
- *Procedure for invalidating a design.*
- *Refusal/invalidity based on earlier distinctive sign (optional in the Directive).*
- *Refusal/invalidity based on unauthorized use of a copyright protected work (optional in the Directive).*

- *Refusal/invalidity based on improper use of an item listed in Article 6b of the Paris Convention for the Protection of Industrial Property (optional in the Directive).*²²

Finally, the consultation questionnaire seeks to identify any inconsistencies or discrepancies between the *Design Directive* and the *Community Design Regulations*, as well as between the *Community Design Regulation* and the respective *Implementing Regulation (EC) No 2245/2002*.²³ In addition, their relationship with the International Hague system is also assessed.²⁴

Commentary

This consultation on design protection in the EU is timely. The current EU legislation on design rights was enacted before the boom in digitalised goods and services. Digitalisation has become a trend in our society's economic development. For example, design protection for 3D printing may be problematic under the current legislative system in the EU. The creation and distribution to the public of a 3D replica may be at risk of infringing design rights.

The situation may become even more pronounced when design protection for 3D printing extends to printed objects which have different textures or functions from the original object. Such newly designed 3D printed objects may be novel and with individual character, and the 3D files for that object should qualify for designs protection. This is because such newly designed 3D printed objects are no longer a simple 3D replica.

Whether the creation of newly designed 3D files with different textures or purposes, modified from an existing third party design, can be deemed as an infringement of design rights is a controversial legal issue.²⁵

Digital designs may not be well protected under the current legislation, in particular when a design involves technical function. The rigid requirement of non-functionality in design law may not be appropriate in a digital world where most designs purposefully merge functional and aesthetic elements to display novel and individual characters. There is a need to revise current legislation to provide a balanced assessment of non-technical functions in design protection requirements. This may help in preventing technological monopolies through design rights without jeopardising innovation of modern designs. Currently, Recital (10) of the *Community Design Regulation* provides [with emphasis]:

*Technological innovation should not be hampered by granting design protection to features dictated solely by a technical function. It is understood that this does **not** entail that a design must have an **aesthetic quality**. Likewise, the interoperability of products of different makes should not be hindered by extending protection to the design of mechanical fittings. Consequently, those features of a design which are excluded from protection for those reasons should not be taken into consideration for the purpose of assessing whether other features of the design fulfil the requirements for protection.*

The fact that a design need not have an aesthetic quality according to this provision, leaves the way open for the underlying architecture of a design (e.g. the coding of a computer game for effects) to be protected by designs law. Moreover, it raises the question whether the designed process of making a product can be protected by design protection.

According to Article 8(1) of the *Community Design Regulation*, a Community design shall not subsist in features of appearance of a product which are solely dictated by its technical function.²⁶ In the light of the recent case of *Doceram GmbH v CeramTec GmbH*, Article 8(1) of the *Community Design Regulation* together with its Recital (10) intends to “prevent technological innovation from being hampered by granting design protection to features dictated solely by a technical function of a product”.²⁷ It was held that Article 8(1) of the Community Regulation 2002 on Community designs must be interpreted as:

*in order to determine whether the features of appearance of a product are **exclusively** dictated by its technical function, it must be established that the technical function is the **only** factor which determined those features, the existence of alternative designs not being decisive in that regard.*²⁸

In the light of the above judgment, it appears that the relationship between the appearance/aesthetic consideration and technical function needs to be exclusively and solely linked to each other to be excluded by design protection, regardless of whether there is an existing alternative design to fulfil that function. For example, the shape of a car wing mirror will be determined by both aerodynamic considerations and the aesthetic design language of the car manufacturer. In the author's view, such a part should not be excluded from designs protection merely because this function has millions of alternatives and is in common use.

As it stands, the above provisions concerning design protection in the *Community Design Regulation* (Recital 10 and Article 8) may contradict the definition of “design” in that Regulation:

*“design” means the appearance of the **whole** or a **part** of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation.*²⁹

According to the above definition of “design”, appearance is the decisive factor for a design.³⁰ A design is unlikely to connect with technical function exclusively, solely and completely as a design involves a wide range of features. There therefore appears to be a need for the EC to clarify these issues.

It is hoped that this consultation on design protection will result in further harmonisation of the design protection legislative system and the building of a more coherent and constructive design protection framework.

- 1 Evaluation of EU legislation on design protection, 18 December 2018, available at <https://euipo.europa.eu/ohimportal/en/news?p_p_id=csnews_WAR_csnewsportlet&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=2&journalId=4889122&journalRelatedId=manual/> accessed on 31 January 2019.
- 2 *Questionnaire of Consultation on Design Protection in the EU* (hereafter “Questionnaire”), 18 December 2018, available at <https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-3527248/public-consultation_en> accessed on 31 January 2019.
- 3 Questionnaire, Q.5.
- 4 Questionnaire, Q.49.
- 5 Questionnaire, Q.18-30.
- 6 Questionnaire, Q.10-13.
- 7 Questionnaire, Q.3.
- 8 Questionnaire, Q.4.
- 9 Questionnaire, Q.6.
- 10 Questionnaire, Q.7.
- 11 Questionnaire, Q.8.
- 12 Questionnaire, Q.9.
- 13 Questionnaire, Q.14-17.
- 14 Questionnaire, p.14.
- 15 Questionnaire, Q.31.
- 16 Questionnaire, Q.32-33.
- 17 Questionnaire, Q.46.
- 18 Questionnaire, Q.39.
- 19 Questionnaire, Q.40.
- 20 Questionnaire, Q.41.
- 21 Questionnaire, Q.43. Related questions are Q.44-47.
- 22 Questionnaire, Q.48.
- 23 Questionnaire, Q.50-51.
- 24 Questionnaire, Q.52-54.
- 25 European Parliament, *3D bio-printing for medical and enhancement purposes: Legal and ethical aspects*, 07.2018, p. 9, available at <[http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614571/EPRS_IDA\(2018\)614571\(ANN2\)_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614571/EPRS_IDA(2018)614571(ANN2)_EN.pdf)> accessed on 31 January 2019.
- 26 *Community Design Regulation* 2002, Article 8(1).
- 27 CJEU Case C-395/16, *Doceram GmbH v CeramTec GmbH*, Judgment of the Court (Second Chamber), 8 March 2018, para. 29. See further, German update in this issue of *Intellectual Property Forum*.
- 28 CJEU Case C-395/16, *Doceram GmbH v CeramTec GmbH*, Judgment of the Court (Second Chamber), 8 March 2018, para.39 (1).
- 29 *Community Design Regulation* 2002, Article 3(a).
- 30 CJEU Joined Cases C-361/15 P and C-405/15 P, *Easy Sanitary Solutions and EUIPO v Group Nivelles*, Judgment of the Court (Fourth Chamber) 21 September 2017, para. 62.

FRANCE

Thomas Bouvet and Céline Ruste

JONES DAY

Correspondents for France

Patent infringement - Damages

The Court of appeal of Paris awarded a EU€3,000,000 indemnity for the loss and moral harm suffered by AIRBUS HELICOPTERS (previously named EUROCOPTER) because of infringement of its patent designating a “skate landing gear for helicopter” by its competitor BELL HELICOPTER. This decision dated 14 December 2018, has been issued after a first decision of the Court of appeal of 20 March 2015 which held BELL liable for patent infringement and ordered quantum expert proceeding. This decision deserves special attention as it presents an interesting approach of the assessment of damages in the form of a “*lump sum greater than the amount of the royalties or duties which would have been due had [the infringers] ...been authorized [by the patentee] to use the right to which they had infringed*” in accordance with provisions of the Article L. 615-7 paragraph 2 of the *French Intellectual Property Code*.

1. Methodology for the assessment of the lump sum to be paid

In the absence of comparable licence agreements on which the expert could refer to identify a “royalty rate”, the expert sought to consider what could have been the negotiation scenario between the parties by taking into account the interest of the invention for each of the parties and the possible availability of a non-infringing solution.

The Court of appeal, following the court appointed expert’s analysis, dismissed AIRBUS’ request for an assessment of the lump sum based on the development costs that BELL would have saved, because of a lack of detail in the examples provided by the parties of other development budgets.

The Court also noted that it can not be considered that a worldwide global license would have been accepted by BELL because BELL’s second landing gear was found to be infringing only in France.

The Court decided to follow the expert’s recommendations for:

a compensation based on the profits expected by the BELL companies on the French market, as allowing to establish the link between the damage resulting from the infringement of the patent 96-07156 in France and the compensation referring to the assumption of a negotiation between the parties on the eve of the infringement (date of the hypothetical negotiations).¹

This approach was accepted by the parties.

2. Factors taken into consideration to assess the fair royalty rate based on the profits expected by the theoretical licensee

In order to assess the fair royalty rate based on the profits expected by the theoretical licensee, the Court of appeal took several parameters into account.

Expected sales in volume

The quantity of infringing helicopters had been identified in a statement drafted by BELL's external auditor listing nine aircraft.

The Court of appeal held that five of them should be considered as infringing sales: two aircraft were sold for a use in France and three aircraft, although sold for use in other countries, had given rise to contracts being signed at the two Paris Air Shows during which BELL presented the disputed device. The Court held that this showed a direct link between the profits made by BELL because the ceremonial signatures during the trade shows amounted to offers which are material acts of infringement, and because the three helicopters concerned were then actually sold. The Court pointed out that "the transfer of a sales contract, the choice of the B429 device or the conclusion of an initial sale have been agreed in France".

The Court excluded from the infringing sales, four other aircraft equipped with infringing landing gear because of the absence of a link between the sale of the aircraft and France. Of these aircraft, one had been rented by a parent company of BELL's initial purchaser for use of that aircraft in France: the Court noted that there was insufficient evidence that BELL knew, at the time of the sale, that the aircraft was likely to be used in France by another company, even if the subsequent purchaser belonged to the same group.

Multiplier factor

The expert increased the number of infringing aircraft to be considered in the assessment of the lump sum, to take into account the quantity of sales expected by BELL in France in 2008, namely, at the date at which the expert had to determine the conditions of a lump sum licence agreement. He expressed the view that, at that time, BELL could hope to sell two additional aircraft in France. The Court confirmed his approach and thus set a total of seven infringing helicopters.

Margin

Based on the entire market value, the court appointed expert determined the average direct cost margin achieved on the sale of a B429 helicopter equipped with the infringing landing gear (EU€388,945 per aircraft), plus the net margin on maintenance services and spare parts related to landing gear (i.e. EU€6,878 per aircraft).

Confirming the approach of the expert, the Court used a global profit of EU€2,770,761 as the basis for the lump

sum that would have been negotiated between AIRBUS and BELL in 2008, considering expected sales of seven aircraft in France, or for use in France.

Royalty Rate

The Court endorsed the expert's proposal to set the royalty rate at 73 percent of the profits expected by BELL (thus keeping 27 percent of the margin generated to BELL).

This high rate in favour of AIRBUS was justified by the very competitive advantage provided by the patent. The Court of appeal stressed that the patent allowed BELL to enter the market rapidly by offering a light twin-engine helicopter; such lightness had been technically reached only by the patented landing gear, as BELL did not have any alternative solution at that time. The patent was therefore an essential entry ticket for BELL, which knew the technical and commercial advantages it will provide.

After updating at the date of the decision by applying the legal interest rate, the Court awarded AIRBUS EU€2,300,000 as the rounded lump sum for compensation.

3. Moral harm

In addition, the Court awarded EU€700,000 in respect of moral harm suffered by AIRBUS. The Court reinforced the importance of the patent which provided a commercial advantage for AIRBUS: this was undermined by BELL's infringing use of the patented technology for its helicopter B429. The Court pointed out that BELL falsely claimed to be the originator of this innovative landing gear, which compounded the damage suffered by AIRBUS.

Comment

This decision is in line with Art. 13 of the European Union *Directive 2004/48 dated 29 April 2004 related to the enforcement of intellectual property rights*, which has been implemented under French rules by the Act 2007-1544 dated 29 October 2007 as amended by Act 2014-315 dated 11 March 2014, which strengthens compensation for damage suffered because of infringement acts.

It is based on the "lump sum" specified in Article L.615-7 paragraph 2 of the *French Intellectual Property Code*:

However, the court may, as an alternative and at the request of the injured party, award damages by way of a lump sum. This sum is greater than the amount of royalties or duties that would have been due if the infringer had applied for permission to use the right to which he had infringed. This sum is not exclusive of compensation for moral damage caused to the aggrieved party.

Royalties that are specified in licence agreement can be various: upfront fee, milestones, percentage of gross sales, of net sales, of net profit, etc. The use of comparative licence agreements can be helpful, when they exist, to establish a market rate. However, in the present case, no licence

agreement existed. And the court expert had to construct a hypothetical bargain that would apply if BELL had been licensed by AIRBUS to use its patent.

The choice of an account of profits made by the infringer as the basis for the lump sum royalty is consistent with some of the methods recommended by economists to set the fair market value of a royalty rate, in the absence of known comparable agreements.

A result of this approach is that the profits of the infringer can be taken into account not only based on Article L. 615-7 paragraph 1 of the *French Intellectual Property Code* but also based on paragraph 2.

The award of a 73 percent share in the expected profits exceeds the normal profit-share a patent holder could expect (which is generally in the region of 25-30 percent). In this instance, the high royalty rate was justified by the circumstances of the case and also by the fact that the law provides for a greater lump sum to compensate the claimant.

Lastly, some readers will also see in this decision, the possibility to engage the responsibility of a company for contentious acts subsequently occurring in France because of a co-contractor, if it can be demonstrated that the company knew that its co-contractor (its client) would resell the product in France.

¹ In French, *une indemnisation fondée sur les profits escomptés par les sociétés BELL sur le marché français, comme permettant d'établir le lien entre le préjudice résultant de la contrefaçon du brevet 96-07156 en France et l'indemnisation sur la base d'une hypothèse de négociation entre les parties à la veille de la contrefaçon (date des négociations hypothétiques).*

GERMANY

Christopher Weber and Sören Dahm

Kather Augenstein
Correspondents for Germany

European Court of Justice (“CJEU”) clarifies interpretation of Art. 8(1) of Designs Directive

Decision of 8 March 2018 - C-395/16 – DOCERAM GmbH/ CeramTec GmbH

The decision concerns design protection of products with technical functions. According to European designs law, it is not possible to protect a design that is solely dictated by its technical function. As a large number of products in the market have technical functions, there was a long-lasting dispute about how to determine if the design, in fact, solely consists of mandatory technical features. The decision of the CJEU provides a new regime of requirements, which are now applicable in the European Union. The starting point for the decision was the Higher Regional Court of Dusseldorf (“HRC”) which referred two questions to the CJEU.

The CJEU handed down its decision with respect to the interpretation of Art. 8(1) of the *Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs* (“CDR”) on 8 March 2018. This decision answers the question of how to determine if a design is solely dictated by its technical function. The general question is, under which requirements these technical features could still be design protected. The CJEU had to decide between two opposing opinions:

1. According to the first opinion, the question should be answered by asking whether there are alternative designs.
2. According to the alternative opinion, the question should be whether the technical function is the only factor which dictated the characteristics of the design.

In addition, the CJEU also dealt with which perspective is decisive when assessing whether the relevant features of appearance of a product are exclusively dictated by their technical function.

Background in detail

Art. 8(1) CDR is systematically attached to Title II, Section 1 of the CDR addressing the “requirements for protection” and addresses “Designs dictated by their technical function and designs of interconnections”. The provision reads as follows:

Art. 8

[Designs dictated by their technical function and designs of interconnections]

1. A Community design shall ***not subsist in features of appearance of a product which are solely dictated by its technical function.***

Until now, the interpretation of this provision has been unsettled.

Partly it was argued that the sole criterion for the application of Article 8(1) CDR was the existence of alternative designs which fulfilled the same technical function. This demonstrated that the design at issue was not dictated solely by reason of its technical function within the meaning of that provision.

- Others are of the opinion that that provision was applicable where the various features of appearance of the product were dictated solely by the need to achieve a technical solution and that the aesthetic considerations were entirely irrelevant. In that case there was no creative effort worthy of protection as a design.

In addition, there has been no legal certainty until now with respect to the question which perspective is decisive when assessing whether the relevant features of appearance of a product are exclusively dictated by its technical function. It seemed to be accepted that the “subjective intent of the designer” could not be decisive since the designer’s intent when designing the product had to be assessed in the proceedings and the designer – when heard – might be influenced with respect to his statement by the fact that his design will only be protected if he claims to have considered aesthetic aspects. To counteract this, the “objective observer” test was also used. This looks at the design in question and asks whether the choice of the features of appearance was influenced by anything else than functional aspects.

The Decision of the CJEU

The underlying legal dispute was initiated by DOCERAM, a company manufacturing technical ceramic components, in particular weld centering pins, and holding a number of registered Community designs protecting centering pins. DOCERAM filed a complaint against CeramTec, another manufacturer of centering pins in the same classes as those protected by the designs of which DOCERAM is the proprietor, before the Regional Court (“RC”) Dusseldorf (docket number 14C 0 98/13) based on infringement of its community designs. The attacked centering pins had the same shape and design as protected by the community design. CeramTec brought a counterclaim for a declaration of invalidity of the contested designs, maintaining that the features of appearance of the products in question were dictated solely by their technical function.

After the RC Dusseldorf had dismissed the action brought by DOCERAM and declared the designs in suit to be invalid based on Art. 8(1) CDR, DOCERAM filed an appeal before the HRC Dusseldorf (docket number I-20 U 124/15). Based on its assessment of the case and due to the aforementioned dispute in respect to the interpretation of Art. 8(1) CDR, the HRC Dusseldorf considered two questions to be crucial for its decision and submitted these questions to the CJEU for a preliminary ruling:

1. Are the features of appearance of a product solely dictated by its technical function, within the meaning of Art. 8(1) CDR which excludes protection, also if the design effect is of no significance for the product design, but the (technical) functionality is the sole factor that dictates the design?
2. If the Court answers Question 1 in the affirmative: From which point of view is it to be assessed whether the individual features of appearance of a product have been chosen solely based on considerations of functionality? Is an “objective observer” required and, if so, how is such an observer to be defined?

With respect to the first question, the CJEU decided that Art. 8(1) CDR:

*must be interpreted as meaning that in order to determine whether the features of appearance of a product are exclusively dictated by its technical function, **it must be established that the technical function is the only factor which determined those features, the existence of alternative designs not being decisive in that regard.***

The CJEU first (i) found that the wording of neither Art. 8(1) CDR nor any other provision of the CDR indicated that the existence of alternative designs which fulfil the same technical function as that of the product concerned is the only criterion for determining the application of that provision. Referring (ii) to the context of Art. 8(1) CDR it concluded based on Art. 3(a) CDR defining the term “design”, Art. 6(1) CDR addressing the individual character of the design and Art. 10 CDR the extent of protection, both referring to the “overall impression” that appearance is the decisive factor for a design. Finally, the CJEU (iii) referred to the objective of CDR (see recitals 5 and 7 CDR) and of Art. 8(1) CDR (see recitals 10 CDR) and concluded that a competitor might file applications for multiple designs if the existence of alternative designs providing for the same function was sufficient to exclude the application of Art. 8(1) CDR. By that he could receive exclusive protection which was generally only achievable with patents without having to fulfil the corresponding requirements.

With respect to the second question, the CJEU concluded that Art. 8(1) CDR:

*must be interpreted as meaning that, in order to determine whether the relevant features of appearance of a product are solely dictated by its technical function, within the meaning of that provision, **the national court must take account of all the objective circumstances relevant to each individual case.** In that regard, there is no need to base those findings on the perception of an ‘objective observer’.*

The CJEU also referred in this context to the objective of the CDR to create a Community design directly applicable and protected in all the Member States.

In summary, the CJEU concluded that the subjective point of view of the designer is decisive when assessing whether the features of appearance of the relevant product are solely dictated by its technical function. However, these motives of the designer must be assessed and proven based on all objective circumstances of the relevant case.

Why is this decision interesting?

The decision of the CJEU is interesting because recent German cases have dealt with the application of Art. 8(1) CDR based on the CJEU decision and have come to different conclusions:

1. The decision of the HRC Dusseldorf

After the decision of the CJEU in the abovementioned preliminary injunction proceeding, the HRC Dusseldorf continued the pending appeal proceeding (docket number I-20 U 124/15). In its decision of 6 December 2018, it concludes that the Community designs in suit were excluded from design protection based on Art. 8(1) CDR.

The HRC referred to the decision of the CJEU and summarised the legal basis for its assessment of the case before it:

*The question whether the features of appearance of a product are dictated solely by its technical function in the sense of Art. 8(1) CDR is determined - according to the CJEU – by the **objective, decisive circumstances of the individual case** indicating the motives for the choice of the features of appearance of the product concerned, based on the information of its application and the existence of alternative designs allowing to achieve the same technical function as far as **sustainable evidence** is present with respect to these circumstance, information and alternative.*

*It is true that the **defendant** who refers to the ground for exclusion according to Art. 8(1) CDR bears the **burden of proof** with respect to the corresponding requirements. It has **fulfilled this obligation**. The objective circumstances to be determined in the present case exclusively allow the conclusion that the features of the community designs in suit are **exclusively determined by the technical function** of the protected centering pins.*

The Court went on to focus on a kind of “reasonable market approach” when assessing the question whether the features of appearance of the product concerned are exclusively dictated by the technical function:

*In the case of **products acquired only by professionals** which are then **installed in machines** and subsequently used exclusively **in industrial production**, it already corresponds to the general **life experience that the characteristics of the product are exclusively due to their function**. The **decisive factors for the user** in such a constellation are the **fit and longevity of the parts**, for the manufacturer it is a **large sales market and a cost-effective manufacturing option**. ... Objectively, there*

*is **nothing to suggest** that [...] an industrial designer designs features for such products also regarding the fact that they look “**elegant**” and/or **help to avoid confusion in the purchase and daily use**. “Elegance” is not an aspect that offers any economic advantage. However, it is only this economic advantage that is important to industrial customers. As far as the purchase is concerned, ... the “elegance” of the product is not a factor. **A purchase on “sight” does not occur in the industry**. When it comes to wearing parts, ... the first attempt is to get spare parts from the same manufacturer, since one then can be **sure they will fit**. [...] It is excluded that the “**fit**” is determined by an industrial buyer by “sight”. This holds too many risks, especially with respect to the solely visible form. Here it comes down to millimeters. Furthermore, the **material** is relevant so that a buyer can only be sure to purchase a suitable spare part if he refers to the exact article description ... or to its shape in figures and the material required. If the spare part is not receivable from the manufacturer, industrial buyers select the manufacturer **who can deliver a product that meets the technical requirements on time**. ...*

The Court then dealt with the plaintiff’s request for the designer to give evidence:

*“According to the principles established by the CJEU, **it is irrelevant whether the plaintiff wished to achieve the objective of avoiding confusion** [...] since **solely the objective circumstances** clarifying the motives for the choice of the features of appearance of the product concerned must be taken into account, **not the subjective circumstances**. It is therefore incorrect that [...] the relevant motives can be established solely by questioning the designer.”*

This corresponds to the CJEU decision that the designer – when heard – might just claim to have considered aesthetic aspects when deciding in favour of the features of appearance to achieve that his design is protected.

The HRC Dusseldorf concluded that considerations other than the requirement that that product must fulfil its own technical function, were not relevant when deciding in favour of the features of appearance.

*Since the **only thing** that remains as a factor speaking in favor for the fact that the features of the designs in suit are not exclusively technically dictated is the **existence of design alternatives** by which the same technical function can be fulfilled, the protectability is excluded because **this criterion solely cannot provide evidence for legal reasons according to the principles of the CJEU** that considerations of a nature other than the requirement that the product must have its own technical function fulfilled, played a role in the decision for the features.*

2. The decision of the RC Hamburg

Another relevant case was the (unpublished) decision of the RC Hamburg of 19 December 2018 (docket number 308

O 120/17). It concerned a Community design for tyres for industrial vehicles. The plaintiff filed a complaint for infringement of the Community design and the defendant brought a counterclaim for a declaration of invalidity of the contested design. Based on the arguments of the defendant, the RC Hamburg had to deal inter alia with the question whether the features of appearance in the plaintiff's Community design were dictated solely by their technical function. The RC Hamburg decided that this was not the case.

The RC Hamburg first referred to the CJEU DOCERAM decision:

The mere existence of alternative designs providing for the same function as the corresponding products does not lead to an exclusion of Art. 8(1) CDR because otherwise it could not be excluded that an economic operator filed applications for multiple possible forms of a product which exclusively shows features of appearance caused by its technical function and by that achieved protection by the community designs comparable to patent protection. Therefore, the requirements of Art. 8(1) CDR are only excluded if considerations other than the requirement of the product fulfilling its technical function, in particular such considerations which are connected to the visible appearance, have not been relevant when deciding in favor of these features. The same applies if there are other designs which allow to fulfil the same function. Insofar and according to the jurisdiction of the CJEU it needs to be assessed whether this function is the only factor which determined these features. All decisive objective circumstances of the relevant case must be considered.

After summarising the principles laid down by the CJEU in the afore-DOCERAM, the RC Hamburg concluded that not all features of the Community design were dictated solely by their technical function. Unlike the HRC Dusseldorf, the RC Hamburg focused on the intention of the designer, set out in the description of a parallel patent of the plaintiff which also concerned tyre treads. In this context, the Court stated:

the description of the patent ... and insofar objective circumstances allow to determine precisely the motives of the designer when designing the community design in suit.

and that

... the patent explicitly disclosed an also aesthetical function of the appearance.

With respect to the defendant's request for an expert opinion the Court added:

it seems questionable whether the motivation of the designer for a certain design which is decisive with respect to Art. 8(1) CDR could be determined afterwards with the help of an expert opinion. At least in case that the motives of the designer are disclosed in the patent in timewise close connection with respect to the development of the design and

independent from the litigation, this represents an objective clue necessary according to the jurisdiction of the CJEU to assume the presence of creative motives."

Furthermore, the Court responded to the defendant's reference to further design alternatives noting:

according to the jurisdiction of the CJEU, solely the existence of design alternatives does not provide for a sufficient reason to exclude the requirements of Art. 8 (1) CDR. Nevertheless, even according to the Jurisdiction of the CJEU design alternatives can allow conclusions about the motivation of the designer as indices of objective nature. In case the relevant patent specification ... does not disclose any technically compelling indications for a concrete [design] and the patent specification itself specifies an optical-aesthetic goal, which can be achieved with the help of the of a certain technical solution is to be achieved, the large number of different designs [...] confirms the already found result that, in any event, the concrete [design] is not exclusively technically-functional dictated.

The Court concluded that there was no reason to deviate from this finding based on the fact that the defendant had not emphasised the creative function in its advertisement:

It's likely not conducive for promotional purposes to give customers a better understanding of the design ... when the design is essentially intended to give a visual impression of a technical quality which the [product] does not have.

Conclusion

The approach of the HRC Dusseldorf does not seem convincing as it does not focus the identification of the designer's motives to implement the relevant features of appearance but principally applies a kind of "reasonable market approach" considering the market in which the relevant product is used and to then draw conclusions with respect to the expectations of the market participants, in particular the potential customers. However, the assumption resulting from this approach is "it is unlikely that the features of appearance of the relevant product are also influenced by aesthetic considerations" is too short-sighted.

In contrast, the decision of the RC Hamburg tries to find a more suitable approach in considering several objective circumstances to assess the designer's motives and therefore focuses a more specific approach.

It remains to be seen how other courts will handle the determination of the designer's motives to implement the relevant features of appearance in future. From the designer's point of view, it might be advisable to make records about the design process so that they can be used in evidence should there later be a dispute about the design's validity.

In any case, the decisions indicate that design protection is still a useful tool to secure one's position in the market.

UNITED KINGDOM

Bristows LLP, London
Correspondents for the United Kingdom

Infringement of second medical use patents in the United Kingdom: Supreme Court judgment in the Lyrica case

Brian Cordery, Partner and Charlie French, Senior Associate

Introduction

The judgment of the Supreme Court of the United Kingdom in *Warner-Lambert Company LLC v Generics (UK) Ltd t/a Mylan & another* [2018] UKSC 56 grapples with a number of issues arising from second medical use claims in patents. This article focuses on just one: the correct approach to determining infringement of Swiss-form claims. The comments of their Lordships on this issue were *obiter dicta* as the Supreme Court held by a majority that the relevant claims were invalid for insufficiency. However, they arguably represent the most interesting and important aspect of the judgment, raising further questions for patentees and generics. There were a range of views on the correct approach to direct infringement of Swiss-form claims (arguably a 2:2:1 split between their Lordships), so the issue remains open for future cases.

Background

Warner-Lambert (a subsidiary of Pfizer) owned a second medical use patent (the “Patent”) with Swiss-form claims directed to the use of pregabalin to treat pain (“claim 1”) and neuropathic pain (“claim 3”) in the following forms:

1. Use of [pregabalin] or a pharmaceutically acceptable salt thereof for the preparation of a pharmaceutical composition for treating pain.
2. Use according to claim 1 wherein the pain is neuropathic pain.

The product patent had expired in May 2013 and data exclusivity ended in July 2014 so pregabalin *per se* was no longer protected. Pfizer had a marketing authorisation to sell its pregabalin product (“Lyrica”) for the treatment of epilepsy, generalised anxiety disorder (“GAD”) and neuropathic pain. Following expiry of data exclusivity, Actavis obtained a “skinny label” marketing authorisation for their generic product (“Lecaent”), limited to the off-patent indications of epilepsy and GAD.

Actavis and Mylan sought the revocation of the Patent, commencing revocation proceedings in June 2014. In turn, Warner-Lambert claimed that Actavis’ marketing of Lecaent infringed claims 1 and 3.

Issues before the Supreme Court

Aside from the question of infringement, the issues before the Supreme Court (consisting of Lords Sumption, Reed, Briggs, Mance and Hodge) were:

- Construction: how should Swiss-form claims (claims in the form “the use of compound X in the manufacture of a medicament for the treatment of indication Y”) be construed, and in particular was “neuropathic pain” in claim 3 limited to peripheral neuropathic pain only?
- Abuse of process: was a post-judgment application by Warner-Lambert to amend claim 3 abusive?
- Sufficiency: did the teaching of the Patent render the treatment of neuropathic pain according to claim 3 plausible?

On construction, the Supreme Court unanimously affirmed that claim 1 extended to all pain and claim 3 extended to all neuropathic pain, including both central and peripheral neuropathic pain. Their Lordships also agreed that Warner-Lambert’s post-trial application to amend claim 3 should be rejected as an abuse of process. The issue of sufficiency caused a division in opinion amongst their Lordships but the Supreme Court held by a majority that the disclosure in the specification supported the claims so far as they extended to inflammatory pain but not to any kind of neuropathic pain (whether central or peripheral) and therefore claims 1 and 3 were not plausible and were invalid for insufficiency. Their Lordships’ comments regarding infringement by Actavis were therefore *obiter dicta*.

Direct infringement

It was common ground between the parties (and agreed by their Lordships) that Swiss-form claims are purpose-limited process claims. Warner-Lambert’s allegation of direct infringement by Actavis was therefore based on s.60(1)(c) of the UK Patents Act 1977 (the “Act”), which applies to a product obtained directly by means of the patented process. s.60(1)(c) requires no mental element for infringement so liability is strict and, provided that the product has been obtained directly by means of the patented process, it extends to all subsequent dealings with that product, irrespective of knowledge. This includes anyone in the downstream generic market, including wholesalers and pharmacists.

Prescribing practice in the United Kingdom (“UK”)

The complication for second medical use patents is largely based on prescribing practice, as outlined by Lord Sumption at the beginning of the judgment. In the UK, doctors usually prescribe generically by reference to the international non-proprietary name for the drug (“INN”) rather than by brand (“pregabalin” rather than “Lyrica” or “Lecaent”) and do not usually include any description of the condition being treated on their prescriptions. Pharmacists therefore rarely know the indication for which the drug has been prescribed and are free to dispense either a branded or generic product (although they are incentivised to dispense generic products where possible). As a result, the use of a “skinny label” will not prevent the pharmacist from dispensing a generic product for a patent-protected use.

The parties' proposed tests for infringement

At the hearing before the Supreme Court (and at the hearings in the lower courts), the parties were agreed that, although there was no mental element in the terms of s.60(1)(c) as such, a mental element was intrinsic to the claims said to have been infringed. This was on the basis that the preparation of the compound must be “for” the treatment of the designated condition according to Swiss-form claims, and this could not simply mean “suitable for”, since this would deprive such claims of novelty (pregabalin was just as suitable for the treatment of pain before the priority date of the Patent). The parties therefore agreed that the manufacturer must make the product with the intention that it be used for the patented purpose to fall within s.60(1)(c).

The parties put forward two different approaches to the test for intention. Actavis' case (which was supported by a number of interveners in the case, including the Secretary of State for Health) was that the test should be subjective: was the manufacturer making the product with the intent to target the patent-protected market? Warner-Lambert's proposed test was that of objective intent: was it foreseeable to the manufacturer that more than de minimis amounts of product would be used for the patented use?

At first instance, Arnold J accepted Actavis' submission as to the legal test. In contrast, the Court of Appeal broadly accepted Warner-Lambert's proposed test, albeit with some additional qualifications, including that the requisite mental element could be negated if the manufacturer had taken all reasonable steps in its power to prevent the downstream use of its drug for treating pain. At the hearing before the Supreme Court, Actavis and Warner-Lambert maintained their previous positions, although Warner-Lambert adopted the Court of Appeal's qualified version of the foreseeability test as a fall-back. However, following the hearing, the Supreme Court asked the parties to address a further option in writing, referred to by Floyd LJ in the Court of Appeal as the “only packaging will do” approach. This test involves no mental element and is based entirely on the physical characteristics of the product at the end of the manufacturing process. In response, Actavis adopted the test by way of alternative to their primary case that proof of subjective targeting was required.

Direct infringement according to the Supreme Court

Their Lordships agreed that, had claims 1 and 3 of the Patent been valid, they would not have been infringed by Actavis. However, their reasons differed. At least two (and possibly three) tests for infringement of Swiss-form claims under s.60(1)(c) emerged from the *obiter* comments in the judgment, as outlined below.

Lords Sumption and Reed – “outward presentation”

Lord Sumption (with whom Lord Reed agreed) expressly rejected any test for infringement based on the manufacturer's intention, stating that such a test “would be contrary to principle and productive of arbitrary and absurd results”. His

primary concern was that, if the manufacturer's intention were relevant, the liability of all of those downstream would be dependent on the manufacturer's intent. If the manufacturer had intended the pregabalin to be used for the treatment of pain, a distributor supplying or a pharmacist dispensing generic pregabalin would be dealing in a product obtained by means of a patented process within the meaning of s.60(1)(c), and would incur liability for infringement even if the product was ultimately prescribed for a non-patent protected purpose, i.e. epilepsy rather than pain.

In particular, if foreseeability were the test, where more than de minimis leakage into the patented market was foreseeable (as was the case for generic pregabalin), all stock would infringe, any subsequent dealing with that stock would infringe and the patentee would obtain a de facto extension of the expired patent for the original use until the expiry of the new one. Warner-Lambert had submitted that this could be mitigated by a flexible approach to remedies (for example the refusal of injunctions and limiting financial recovery by the patentee to an account of the infringer's profits related to the use of generic pregabalin for pain). However, Lord Sumption considered these concessions to be unsatisfactory, not least because damages are not a discretionary remedy (the patentee has a legal right to elect between damages and an account of profits). The qualification to the test proposed by the Court of Appeal (and adopted by Warner-Lambert as its secondary case) was also not satisfactory as there are no reasonable steps that can be taken by a manufacturer to eliminate leakage entirely so the leakage would remain foreseeable. The Court of Appeal's proposal was in reality a non-statutory defence which, however desirable, it is not the function of the courts to invent.

Lord Sumption's proposed solution, which he referred to as the “outward presentation” test (essentially the same test as that referred to in the Court of Appeal as the “only packaging will do” test), is an objective test based solely on the physical characteristics of the product as it emerges from the relevant process, including its formulation and dosage, packaging and labelling and the patient information leaflet. He considered this to strike “a fair balance between the public interest in rewarding the invention by allowing the patentee to exploit his monopoly and the public interest in the free use of the invention for therapeutic uses which do not have, or no longer have, patent protection”. However, this is questionable and undermined by his acceptance later in his judgment that the outward presentation test gives insufficient protection to the patentee, for example in circumstances in which the labelling and patient information leaflet of a generic manufacturer is a charade (his only answer to this is that “there is no perfect solution” but “the outward presentation test is less imperfect than any other”).

Lords Briggs and Hodge – “so-called” subjective intention

Both Lord Briggs and Lord Hodge took issue with Lord Sumption's approach to infringement. In their judgment,

although s.60(1)(c) itself does not impose a mental element, the purpose limitation in a Swiss-form claim must involve a mental element on the part of the manufacturer as a matter of claim construction. If “for” in a Swiss-form claim means something more than “suitable for”, it must point to something in the mind of the manufacturer. In support of this, Lord Briggs noted it was “striking” that neither Actavis nor any of the interveners had put forward the “outward presentation” test at any stage of the litigation until prompted to do so by the Supreme Court after the hearing. He also agreed with the Court of Appeal that the test would plainly afford inadequate protection for patentees, in particular where a generic manufacturer’s “skinny label” and patient information were a charade (as Lord Sumption had also acknowledged).

Although they agreed that the foreseeability test proposed by Warner-Lambert and the qualified foreseeability test adopted by the Court of Appeal were wrong, Lords Hodge and Briggs concluded that the “so-called” subjective intention test proposed by Actavis and approved by Arnold J had been broadly right. The packaging, labelling and patent instruction leaflets will in most cases be the best evidence of the manufacturer’s intention, but other evidence such as documentary records of the manufacturer’s decision-making process and evidence that the manufacturer has flooded the market with the generic product might also prove the intention of the manufacturer to “serve (and profit from)” the patent-protected market so such evidence should be accommodated into the test for infringement.

Lord Briggs acknowledged that this solution is “a compromise like any other”. In particular, it falls short of providing complete protection to patentees, and may discourage pharmacists from using the generic product due to the exposure of pharmacists to strict liability where the manufacturer is proved to have had the requisite intent. However, he considered the solution to be based on a correct construction of the claim and to strike as fair a balance as possible between the different policy objectives. Lord Hodge suggested that, if the subjective intention approach were to cause serious problems to suppliers and pharmacists so as to result in them refusing to handle such generic products, it should be for the legislature to address those problems.

Lord Mance – modified “outward presentation” test: somewhere in between?

Acknowledging that he was the “swing” voice on the issue, Lord Mance was unwilling to pronounce on the issue of infringement at all given that all of their Lordships’ remarks would be *obiter*. However, he did pronounce on the issue, and unfortunately did not settle the point clearly.

He rejected both foreseeability and subjective intention. However, he did not fully approve Lord Sumption’s straightforward “outward presentation” test and left open whether a generic manufacturer might be expected to go further in some cases, by a notice positively excluding the

patent-protected use (if permitted by regulatory law). He also suggested that it might go too far in favour of generic manufacturers to suggest that a generic product must always be viewed in isolation by reference only to its packaging and instructions, and without regard to the realities of the market. The circumstances might make it obvious that a product was in fact destined for wider use so that its outward presentation should not be taken at face value. As a result, despite Lord Mance expressly rejecting the subjective intention test, it is unclear how different his approach really is.

Indirect infringement

Their Lordships agreed that there could be no indirect infringement by Actavis under s.60(2) of the Act (which applies to the supply or offer to supply of means, relating to an essential element of the invention, for putting the invention into effect). The invention protected by the Swiss-form claims of the Patent was the manufacture of pregabalin and therefore anything downstream of manufacture (such as the dispensing of Lecaent by a pharmacist against a prescription) could not amount to putting the invention into effect.

Implications

One point that is clear from the judgment is that foreseeability (and mitigation of its problems through remedies) is not the correct test for direct infringement of Swiss-form claims. However, it remains unclear whether evidence of the manufacturer’s intention for use of the generic product should be taken into account.

There are problems with each of the solutions proposed by their Lordships:

- the “outward presentation” test gives almost no protection to the patentee and makes it very easy for generics to avoid infringement by launching under “skinny labels”, even where they are clearly targeting the patented market through other means;
- the “so-called” subjective intention test may expose those downstream of the manufacturer, including pharmacists, to strict liability for infringement where they are not in a position to assess whether the manufacturer had the requisite intent; and
- Lord Mance’s modified “outward presentation” test suffers from both problems.

It is extremely disappointing for both patentees and generics to have no clear guidance on this issue in the UK, more than four years after proceedings were commenced, and it is unclear what will happen next to resolve the issue. The issue may be addressed in future cases, but there are no imminent cases on the horizon. It is particularly disappointing that, after a period of convergence in approach, the UK courts now appear to be diverging from the position taken in the patents courts of other major jurisdictions including Germany and the Netherlands.

Since the comments of the Supreme Court are obiter, the lower courts are not obliged to follow them but are likely to consider them in future cases, including cases relating to EPC 2000 claims (purpose-limited product claims in the form “substance X for use in the treatment of disease Y”). These raise similar but not identical issues since, as EPC 2000 claims are product claims, they will not be decided under s.60(1)(c). Further possibilities are that the legislature will create a statutory “good faith” defence to infringement or change prescribing/dispensing rules to address the issues surrounding second medical use claims. However, given the present political upheaval regarding to the UK’s future relationship with the European Union and related legislative problems, these issues are unlikely to be a high priority for the legislature for some time.

Finding a resolution is clearly of great importance to the pharmaceutical industry. If courts, the legislature and/or regulatory bodies cannot find a solution to provide effective protection to patentees for second medical uses whilst avoiding the chilling effect of potential liability for pharmacists and suppliers of generics based on intention or foreseeability of infringement by manufacturers, this may affect the development of new uses for known drugs in future. Although the direct impact of the Supreme Court judgment in the UK may be limited due to the relatively small size of the market in the UK, the issues it raises are likely to apply more broadly.

Recent developments concerning blocking injunctions in the UK

Toby Headdon, Senior Associate

In the UK Supreme Court’s recent judgment in *Cartier International AG and others v British Telecommunications Plc and another* [2018] UKSC 28, Lord Sumption remarked that website blocking injunctions “*have become a familiar weapon in the continuing battle between the holders of intellectual property rights and infringers*”. This important case marks the latest significant development in the evolution of blocking injunctions in the UK.

Since July 2011, when Mr Justice Arnold granted the first UK website blocking injunction against an Internet Service Provider in a copyright case, *Twentieth Century Fox Film Corporation v British Telecommunications plc* [2012] 1 All ER 806, the owners of copyright in music, films and sports footage have continued to seek such injunctions against ISPs. To our knowledge, similar blocking injunctions have been granted on seventeen additional occasions against the main ISPs in the UK.

The growing popularity of blocking injunctions can partly be explained by the challenges copyright owners have faced in enforcing their rights against the operators of specific websites which provide access to infringing content (for

example, file sharing websites can relocate to servers outside of the jurisdiction making enforcement against them in respect of activity within the jurisdiction very difficult). Website blocking injunctions against ISPs in the UK have proved a far more effective route by which the makers and owners of music, films and sports footage are able to prevent the unauthorised dissemination of infringing content online and, over the course of the past seven years, have achieved quite a high degree of standardisation meaning that they are rarely opposed by ISPs.

Responsibility for implementation costs

In *Cartier International AG v BskyB Limited* [2014] EWHC 3354 (Ch) the UK High Court (upheld by the Court of Appeal) took the very significant step of confirming that their jurisdiction to grant blocking injunctions extends to preventing the online infringement of trade marks and is not simply confined to cases involving copyright infringement. This case recently found its way to the Supreme Court (“the *Cartier* case”). The Supreme Court’s judgment in the *Cartier* case was concerned specifically with who should bear responsibility for the costs of actually implementing the blocking injunction in the case. It did not disturb the more fundamental finding in the courts below that blocking injunctions could be sought for online trade mark infringement.

In UK cases where blocking injunctions have been granted to prevent copyright infringements, typically speaking the legal costs of unopposed proceedings to obtain the blocking injunction order from the court have been borne by the copyright owner, whereas the costs of actually implementing the blocking against infringing websites have been borne by the internet service providers (“ISPs”) themselves. The Court’s rationale for requiring ISPs to meet these costs has essentially been two-fold: (1) financial benefit received by ISPs from the volume and appeal of the content available on the internet, including content which infringes intellectual property rights, made it fair for ISPs to contribute to the costs of enforcement and (2) the obligation for ISPs to bear the costs of implementation was implicit in EU Directives requiring Member States to provide for blocking injunctions.

While the High Court and Court of Appeal in the *Cartier* case adopted a similar approach to that taken in the copyright cases in relation to these “compliance” costs, the UK Supreme Court disagreed with them. Lord Sumption decided that a trade mark owner who obtains a blocking injunction against an ISP is required to indemnify that ISP for their reasonable costs of implementing the injunction, provided that the ISP is a legally innocent intermediary.

In disagreeing with the lower courts, Lord Sumption observed that the relevant EU directives are in fact silent on the allocation of responsibility for bearing costs between the right holder and ISP. In other words, he did not accept the rationale of the lower courts in (2) above.

As a result, the incidence of costs – whether of compliance (i.e. implementing the injunction) or of the litigation (i.e. the proceedings to obtain the injunction) – was a matter of English law within the broad parameters set by the EU directives and principles of effectiveness and equivalence and the requirement that any remedy should be fair, proportionate and not unnecessarily costly.

As a matter of English law, the ordinary principle is that unless there are good reasons for a different order an innocent intermediary is entitled to be indemnified by the rights-holder against the costs of complying with a website-blocking order. The position in relation to website-blocking orders is no different in principle from the established position in domestic law in the case of Norwich Pharmacal orders, freezing orders and other injunctions granted to require an innocent party to assist the claimant in the assertion of its rights against a wrongdoer.

Lord Sumption also questioned the rationale of the lower courts in (1) above. The “financial benefit” argument, he said “assumes a degree of responsibility on the part of the intermediary which does not correspond to any legal standard.” The proper basis for a decision on the allocation of the costs of compliance was the legal responsibility of the party, rather than any moral or commercial responsibility. Quite apart from that, Lord Sumption’s view was that blocking injunctions were sought by right holders in their own commercial interest, for the protection of their legal rights and the entire benefit of compliance with the injunction inures to the right holder. As such the right holder should bear the compliance costs, rather than the ISP.

Blocking access to streaming servers

In September 2018, in *Matchroom Boxing Ltd v BT Plc* [2018] EWHC 2443 (Ch), Mr Justice Arnold granted a blocking injunction in respect of streaming servers (rather than websites) used to access live footage of high-profile boxing matches, legally broadcast by Sky and accessible on either a standard or pay-per-view basis. This follows his decision in March 2017 *Football Association Premier League v BT* [2017] EWHC 480 (Ch) requiring the six main ISPs in the UK to take measures to impede or block access by their customers to streaming servers which delivered live unauthorised footage of Premier League matches to UK consumers – an order which was effectively extended in July 2018 duration to cover the next football season.

Technological developments and changing consumer behaviour have driven this development: rather than seeking to access infringing streams via web browsers running on computers, UK consumers are increasingly using alternative devices such as apps, media players and set-top boxes. These applications and devices allow easy access to high quality unauthorised live footage of matches and connect directly to streaming servers via IP addresses, meaning that they do not rely upon access to a specific website. The same streaming

server can be accessed by multiple apps, websites, and set-top boxes, making impeding access to the platform through which the consumer views infringing content more difficult. As a result of this development, website-specific blocking injunctions have been rendered less effective in preventing access to unauthorised live footage of sports matches, prompting copyright owners to look higher up the chain of distribution. If the streaming server is blocked, then the myriad of devices cannot access the infringing footage.

What next?

Both the Cartier case and Matchroom Boxing demonstrate the willingness of the UK courts to exercise their equitable discretion to allow the development of blocking injunctions which are fit for purpose. This is apt given that there is something of a technological arms race between those who develop blocking and filtering technologies and those who wish to circumvent them: the injunctions need to evolve with the technology. The Cartier case does give rise to further food for thought which may well be the subject of additional litigation in the near future. It is not immediately apparent why Lord Sumption’s approach to compliance costs for implementing the blocking to prevent online trade mark infringement should not also be extrapolated to cases of copyright infringement. If that happens, it would mark a significant change of direction to the existing allocation of responsibility for the costs of implementing blocking injunctions to prevent copyright infringements in the UK.

Current Developments – North America

CANADA

Catherine Dennis Brooks
Partner, Miller Thomson LLP
Correspondent for Canada

Transitioning to the New Trade Marks regime in Canada in 2019

The date for the coming into force of amendments to the Canadian *Trade-marks Act* 1985 has been set for 17 June 2019. The long awaited changes to Canada's trade mark regime will then take effect. To assist with the transition, the Canadian Intellectual Property ("CIPO") has published new resources and has provided links to World Intellectual Property Organization ("WIPO") information relating to the Madrid Protocol on its website. These resources provide information and guidance on the new processes and procedures that will apply once the amended *Trademarks Act* and the new *Trademarks Regulations* come into force. CIPO has also issued a draft "Guide to Transitional Provisions of Bill C-31" to help trade mark owners and intellectual property lawyers navigate the significant changes.

The legislative amendments that will come into force on 17 June are the most significant alteration of Canada's trade mark laws in decades and are designed to enable ratification and implementation of *international treaties relating to trade marks, particularly the Singapore Treaty, the Madrid Protocol and the Nice Agreement*. The amendments are also aimed at modernising and harmonising Canadian trade mark practice and procedures with those of numerous other jurisdictions around the world.

Some of the key changes that will come into force and CIPO's transition guidance that trade mark owners should be aware of and consider in developing their current and ongoing intellectual property protection strategy include:

1. Use

Canadian trade mark applications will no longer have to include dates of first use and the filing of a declaration of use or certified copy of a foreign registration certificate (for applications with a foreign use and registration claim) will not be required for a mark to proceed to registration.

For applications that have not been advertised by 17 June, CIPO will not require that the applications be amended to remove the use claims, but the claims will not appear in the advertisement. CIPO has not indicated whether the use claim information will appear on the Trademarks Register.

For proposed use applications that have been advertised by 17 June, it will no longer be necessary to file declarations of use so if applicant simply pays the CAN\$200 registration fee the application will proceed to registration. Six months after the coming into force date, CIPO will assess how many allowed applications are outstanding and may issue registration fee notices requiring that the registration fee be paid within six months.

2. Term

Trade mark registrations issued after 17 June 2019 will be valid for 10 years rather than the current 15-year term. The term for registrations in existence before the coming into force date will remain at 15 years and will not be converted to a 10-year term until the next renewal deadline.

If payment of a registration fee is processed before the coming into force date, an initial term of 15 years will be granted. If it is processed by the Registrar on or after the coming into force date, the term will be ten years.

Registrations may be renewed within the six months prior to the renewal deadline or the six months after the renewal deadline.

Trade mark owners should review their Canadian portfolios and request renewal of registrations coming due for renewal before 17 June as soon as possible as renewal requests that are processed before 17 June will have to be accompanied by the old renewal fee of CA\$350 and a further 15-year term will apply. Renewals done after 17 June will have to be accompanied by the new renewal fee of CA\$400 for the first class and CA\$125 for each additional class and the shorter term of ten years will apply.

Renewal requests relating to registrations that expire after 17 June will have to be accompanied by the new renewal fees as well as the grouping of all goods and services according to the Nice Classification system. The new 10-year term will apply.

3. Classification of Goods and Services

New applications will have to comply with the Nice Classification system ("NCL"), an international classification system established by the *Nice Agreement* in 1957. The 2019 version of the NCL includes 45 classes of goods and services.

The transitional guide provides that the grouping of goods and services according to the NCL will not be required for an application that was filed and advertised prior to the coming into force date as it is only required for the purposes of advertisement, renewal or following receipt of a notice

issued by CIPO. Trade mark owners will have six months from the date of the notice to comply with the request for classification.

4. Cost

For trade mark applications filed after 17 June filing fees will be CA\$330 for the first class, plus CA\$100 for each additional class of goods and services. This is an increase from the current fee of CA\$250 for all goods and services, regardless of the number of classes and will result in significantly higher filing fees for multi-class applications as there are 45 possible classes of goods and services.

The CA\$200 registration fee will be eliminated for any applications filed after 17 June.

The renewal fee will be CA\$400 for the first class, plus CA\$125 for each additional class of goods/services. This is an increase from the current fee of CA\$350 for all goods and services, regardless of the number of classes.

5. Associated Marks

Section 15 of the *Trade-marks Act* provides that confusing trade marks are registrable if the applicant is the owner of all such trade marks and these are known as “associated trademarks”. Currently a note relating to associated marks is made on the record of each associated mark and the Registrar may not record an assignment or registrant name change for one associated mark unless all associated marks are assigned or in the same registrant name as the others.

Section 15 will be amended to remove the definition of associated marks and the prohibition relating to assignment and name change recordals. On 17 June information pertaining to associated marks will be removed from all trade mark applications and registrations. This will allow formerly associated marks to be assigned to different entities.

6. Examination for Inherent Distinctiveness

As the Registrar will be able to refuse a trade mark application on the basis that it lacks inherent distinctiveness, applications that have not been advertised by 17 June will have to be reassessed by the Trademarks Office Examiners. If the Examiner finds that the mark is not inherently distinctive, the applicant will have the opportunity to file evidence showing acquired distinctiveness as at the filing date of the application. The criteria that will be applied by Examiner’s to assess distinctiveness has not yet been provided, but a Practice Notice is expected to be issued.

Now that the transitional guidelines have been published, Canadian trade mark portfolios should be reviewed and trade mark audits should be conducted to assess the most advantageous strategies for owners of trade marks in Canada.

UNITED STATES OF AMERICA

Eric L. Sophir, Kamyar Maserrat David R Metzger and Kyle Morse

Dentons

Correspondents for the United States of America

USPTO publishes revised patent eligibility guidelines to clarify examination under 35 USC §101

The United States Patent and Trademark Office (“USPTO”) published revised guidelines to increase clarity and consistency in the examination of patent applications under 35 U.S.C. § 101. While the revised guidelines do not change the overall framework of patent-eligibility analysis, they provide a clearer approach for determining patent-eligible subject matter and may offer a lower hurdle for applicants. The revised guidelines follow Director Andrei Iancu’s desire for more clarity and simplification.

As before, the new approach entails considering whether the claimed subject matter falls within four statutory categories of patentable subject matter identified by 35 U.S.C. § 101 – process, machine, manufacture or composition. If the claimed subject matter falls within one of these categories, examiners must first determine whether the claimed subject-matter is directed toward an abstract idea (step 2A). If so, examiners then must determine whether the claimed subject matter provides an inventive concept significantly more than the abstract idea (step 2B).

While the two-step approach remains the same, examiners are no longer required, under the new approach to step 2A, to compare claims to those already found to be directed to an abstract idea in previous cases. Instead, the revised guidelines identify the following categories to be abstract: mathematical concepts (e.g., mathematical relationships and formulas); organising human activity (e.g., hedging, insurance and risk mitigation); and mental processes (e.g., observation, evaluation and opinion).¹ In the revised step 2A, examiners must address two prongs. First, examiners are now required to identify whether the claimed subject-matter is directed toward at least one of the above-described abstract ideas (Step 2A, prong one).² If the first prong is satisfied, examiners must determine whether the claim as a whole integrates the judicial exception into a practical application of the exception (Step 2A, prong two).³ In rare circumstances in which an examiner believes a claim limitation that does not fall within the enumerated groupings of abstract ideas, the claim limitation should nonetheless be treated as reciting an abstract area.⁴

A claim that integrates a judicial exception into a practical application will “apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolise the judicial exception.”⁵ The

revised guidelines provide the following five exemplary considerations as indicative that a claim may have integrated the exception into a practical application:

1. An additional element reflects an improvement in the functioning of a computer, or a technical field.
2. An additional element applies or uses a judicial exception to effect a particular treatment or prophylaxis for a disease or medical condition.
3. An additional element implements or uses a judicial exception in conjunction with a particular machine or manufacture that is integral to the claim.
4. An additional element effects a transformation or reduction of a particular article to a different state or thing.
5. An additional element applies or uses the judicial exception in some other meaningful way beyond generally linking the use of the judicial exception to a particular technological environment.⁶

The revised guidelines also identify three examples in which a judicial exception has not been integrated into a particular application:

1. An additional element merely recites the words “apply it” (or an equivalent) with the judicial exception, or merely includes instructions to implement an abstract idea on a computer, or merely uses a computer as a tool to perform an abstract idea.
2. An additional element adds insignificant extra solution activity to the judicial exception.
3. An additional element does no more than generally link the use of the judicial exception to a particular technological environment or field of use.⁷

If the claim is determined to have integrated a judicial exception into a practical application, the claim recites patent-eligible subject matter, thereby concluding the eligibility analysis. If not, examiners will move to step 2B and determine whether the claim provides significantly more than the judicial exception.⁸ As described in the revised guidelines, it is possible that a claim that does not integrate a recited judicial exception is nonetheless patent-eligible by reciting additional elements that represent an inventive concept. While many considerations in Step 2A need not be reevaluated in Step 2B, examiners are instructed to continue to consider whether an additional element or combination of elements:

1. adds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present; or

2. simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.

Under Step 2B, if examiners determine that the element (or combination of elements) amounts to significantly more than the judicial exception itself, the claim is eligible under § 101, thereby concluding the eligibility analysis.

The revised guidelines will be effective from January 7, 2019, for all applications, and patents resulting from applications, filed before, on or after January 7, 2019.

Helsinn confirms that pre-AIA secret sales case law has not gone away

The 22 January 2019, US Supreme Court decision in *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA Inc.* resolved an ambiguity in the *Leahy-Smith America Invents Act* (“AIA”) definition of what constitutes “prior art,” affirming the Federal Circuit Court of Appeals’ ruling that secret commercial sales are prior art under U.S.C. § 102. The District Court had agreed with plaintiff Helsinn that the patent was valid because the contract with the distributor did not disclose its terms. In a unanimous ruling, the Supreme Court confirmed that Congress’s enactment of the AIA did not alter the meaning of “on sale”.

The patent at issue (the “219” patent) was filed under the AIA and claimed techniques related to a palonosetron product. While developing the palonosetron product and nearly two years prior to filing of any patent application, Helsinn entered into two agreements with another company granting that company the right to distribute, promote, market and sell a 0.25 mg dose of palonosetron in the United States. The agreement requested that the company keep confidential any proprietary information received under the agreements.

The AIA bars a person from receiving a patent on an invention that was “in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” 35 U.S.C. § 102(a)(1). More than 20 years ago, the Supreme Court determined that an invention was “on sale” within the meaning of an earlier version of § 102(a) when it was “the subject of a commercial offer for sale” and “ready for patenting.” *Pfeff v. Wells Electronics, Inc.*, 525 U.S. 55, 67 (1998). The present case required the Supreme Court to decide whether the sale of an invention to a third party who is contractually obligated to keep the invention confidential places the invention “on sale” within the meaning of § 102(a) under the AIA.

The Supreme Court compared the language in the AIA to the language in the *Patent Act* of 1952. The Court noted that the new § 102 retained the exact language used in its predecessor statute (“on sale”), adding only a new catchall

clause (“or otherwise available to the public”). The Court then reasoned that the addition of “or otherwise available to the public” was simply not enough of a change to conclude that Congress intended to alter the meaning of the reenacted term “on sale”. The Court concluded that Congress did not alter the meaning of “on sale” when it enacted the AIA and thus held that an inventor’s sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under § 102(a).

Of note, the decision does not state that the bar to patenting is only a personal bar. Since the decision speaks to the sales as being “prior art”, the decision maintains the viability of third-party sales as prior art. Additionally, secret sales would seem to also be available not only to prove anticipation, but also obviousness. The decision did not address the status of secret commercialization of inventive methods, but it would seem to reason that the law regarding such secret practices of methods would also remain the same.

Based on *Helsinn*, inventors still must be wary of triggering a commercial event even when the transaction is subject to a non-disclosure agreement. For example, not only offers to sell but also offers to buy from manufactures are likely to still start the timer for the one-year time bar. See *Hamilton Beach Brands, Inc. v. Sunbeam Products, Inc.*, No. 12-1581 (Fed. Cir. Aug. 14, 2013). Yet further, the outsourcing of development of prototypes can start the clock, with the start date determined by a combination of the contracted purchases and availability of the prototypes. See, e.g., *Buildex v. Kason Indus., Inc.*, 849 F.2d 1461, 1463-64 (Fed. Cir. 1988) and *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998).

1 *Revised Patent Subject Matter Eligibility*, 2019, (“Revised Guidelines”), 9-11.

2 Revised Guidelines, 16-18.

3 Revised Guidelines, 18-22.4.

4 In these rare circumstance, the Revised Guidelines require the examiner to evaluate whether the claim as a whole integrates the recited tentative abstract idea into a practical application (as described in Step 2A, prong two). If the claim satisfies this inquiry, the claim is not directed to a judicial exception (Step 2A: NO). If the claim fails this inquiry, then the examiner must evaluate the additional elements to determine whether they provide an inventive concept (as described in Step 2B). If the examiner identifies an inventive concept, the claim is eligible. If not (Step 2B: No), the examiner should bring the application to the attention of the Technology Center Director.

5 Revised Guidelines, 18. 4.

6 Revised Guidelines, 19-20.4.

7 Revised Guidelines, 21. 4.

8 Revised guidelines, 22-244.

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