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## ***Australian IP Law Update – April 2011***

### ***Copyright***

#### **The Ownership of Employees' Works**

Section 35(b) of the Copyright Act 1968 (Cth) states that an employer owns the copyright in works created by an employee "in pursuance of the terms of his or her employment under a contract of service". This section was recently examined by the Federal Court in *EdSonic Pty Ltd v. Cassidy*. In this case, Cassidy was provided with a regular wage for some work carried out for EdSonic, but for some projects, Cassidy received royalties. Cassidy developed a number of training programs for EdSonic and was paid royalties for that work. Cassidy applied to a court for an order restraining EdSonic from using the training materials after a dispute arose, and EdSonic defended the claim on the basis that as an employee of EdSonic, EdSonic owned copyright in those works such that EdSonic could deal with the work as it liked. The court decided that the works that were the basis of the claim, were prepared by Cassidy outside of the employment relationship, and that Cassidy owned copyright in these works. This case

serves as a reminder to employers, that it is vital that intellectual property rights are appropriately and thoroughly dealt with in an employment agreement, as well as contractor agreements. Often, employers are shocked to realize that although they may have funded work, the "employee" or "contractor" can end up owning copyright in that work – the best way to safeguard against this, is to ensure that appropriate clauses are included in an agreement regarding intellectual property ownership.

#### **Seizure of Pirated DVDs**

On 6 March 2011, Queensland Police raided an operation at a local market outside of Brisbane and seized over one thousand pirated DVDs. Titles included many movies that were still in the cinemas at the time, such as *Gulliver's Travels*, *Megamind* and *Love & Other Drugs*. Penalties (per offence) for copyright crimes under the Copyright Act 1968 (Cth) include fines of up to

AU\$60,500 and terms of imprisonment of up to 5 years. There is no doubt that the sale of pirated DVDs is on the rise in Australia.

### **EMI Loses Appeal over Down Under**

In late March, the Full Federal Court handed down its decision regarding whether the Men At Work song, “Down Under” infringed the well known children’s song, “Kookaburra Sits in the Old Gum Tree”. In a unanimous decision, the court said that although only a few bars of that song were used in Down Under, copyright infringement had occurred. EMI had argued that when looking at whether a substantial part of a work had been copied under the copyright laws, the court should compare the two musical works to see if they are substantially similar – the court rejected this argument, concluding that the test regarding copying of a substantial part of a work, was whether a substantial part of the work was copied rather than whether it made up a substantial part of another work. EMI was ordered to pay costs for the appeal.

## ***Trade Marks***

### **The Importance of Distinctive Trade Marks**

Recently the Federal Court looked at the revocation of a registered trade mark on the basis that it was not capable of distinguishing the goods of the owner of the trade mark. In *Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd*, Yarra Valley brought a number of claims against the defendant based on Yarra Valley’s registered trademark “Persian Fetta”. In its defence, Lemnos claimed that “Persian Fetta” was not capable of distinguishing its goods and that the registration should be revoked under the Trade Marks Act 1995 (Cth). The court agreed with Lemnos, implying that “Persian Fetta” was descriptive rather than distinctive, in that it described a certain type of Persian cheese and that all cheese suppliers should be permitted to use the words “Persian Fetta” when describing a certain type of cheese. This case reminds us of the importance for business owners to develop and register “distinctive” trade marks, that can stand up to aggressive revocation actions as necessary – although it may possible to register an inherently non-distinctive mark after years of use, so that it has acquired some distinctiveness,

it can be difficult to enforce these sorts of trade marks due to their vulnerability to attack from infringers. Clients often involve us in the early stages of mark creation, to ensure that the mark can be ultimately and effectively registered in Australia and elsewhere.

## ***Privacy***

### **Cloud Computing**

Cloud computing allows users to store large amounts of data off-site for back up purposes and to allow for the more efficient running of their IT systems. Many are now using cloud computing services, without knowing it – the now popular Internet run data back-up systems are one example of cloud computing. The Federal Government has confirmed that the new privacy law principles will stop Australian businesses from passing information to overseas data storage and processing companies, if those overseas destinations do not possess privacy laws similar to those of Australia. This approach has been used in many regions in the past, including by the European Union for many years (see European Directive 95/46/EC). With the growing popularity of cloud computing by businesses and consumers, such amendments are vital in order to protect personal information from exploitation. It is expected that the introduction of this new principle will make data storage and processing companies offer in-country cloud computing services to their customers, as many countries still do not yet have sufficiently developed data privacy rules in place.

## ***Legislation***

### **Amendment of Intellectual Property Legislation**

The Federal government is currently accepting submissions regarding the Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth) – submissions can be made to IP Australia directly. The Bill is aimed at amending the Patents Act 1990 (Cth), Trade Marks Act 1996 (Cth), Designs Act 2003 (Cth) and Plant Breeders Rights Act 1994 (Cth). The Bill includes a large number of technical amendments

for these laws, of which the following stand out – (i) Patents: amending the test for inventive step to remove the requirement that prior art information be reasonably expected to have been "ascertained, understood and regarded as relevant" by a person skilled in the relevant "art"; allowing prior use to be considered during examination in relation to novelty and inventive step; and requiring usefulness be investigated during examination of both standard and innovation patents; and (ii) Trade Marks – making flagrant infringement damages available; reform of the trade mark opposition process; and improvement of the Customs seizure program for counterfeits and infringements. We expect to see the Bill enter into law by the end of 2011.

### **Misleading and Deceptive Conduct Claims**

Section 52 of the old Trade Practices Act 1974 (Cth)(now the Consumer Law) has earned its stripes as one of the most powerful Australian legal provisions. In essence, it prohibits engaging in misleading or deceptive conduct. The Australian Competition and Consumer Commission ("ACCC") recently took action against National Foods using this provision. The ACC took the view that the "Berri Australian Fresh" fruit juice packaging suggested that it contained only recently squeezed juice. National Foods had admitted that this range of products could contain "aseptically stored" (i.e. stored in sterile bags for up to 12 months from the date of freezing) juice as well. The ACCC concluded that "Berri Australian Fresh" name was misleading and deceptive after reviewing evidence of confusion, and National Foods was

forced to provide an undertaking to change the name of this range to "Australian Grown". Similarly, National Foods has agreed to change the packaging for its "Daily Juice" range, to make it clear that this product may also include reconstituted juice or juice that has been aseptically stored. A copy of the undertaking as agreed to by National Foods is available for download on the ACCC site. The ACCC has said that it will continue to focus on food and beverage companies, given that many producers are seeking to attract consumers on the basis of "Australian grown" or "freshness" claims. Producers that are found to have violated the relevant section of the Australian Consumer Law (ie. the equivalent of the old section 52 of the Trade Practices Act (Cth)) face large fines and corrective orders – early issue identification and communication with the ACCC via a legal team, is recommended, if this sort of issue is identified.

*This newsletter is intended to provide clients with a summary of major or interesting Australian legal developments. All readers of this newsletter should seek formal legal advice prior to relying on any statements or opinions in this newsletter.*