



Insight

Media & Communications

Summer Edition - February 2010

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Laugh Kookaburra Laugh

The Federal Court has ruled that Men at Work's iconic anthem 'Down Under' infringes the copyright of Australian folk classic 'Kookaburra sits in the old gumtree'.

Background

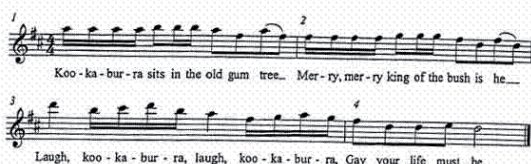
Larrikin Music Publishing, the copyright owner of 'Kookaburra', commenced proceedings against 'Down Under' songwriters (and former Men at Work band members) Mr Colin Hay and Mr Ronald Strykert, and EMI Songs Australia and EMI Music Publishing Australia (the owner and licensee of copyright in 'Down Under'), alleging that the flute riff contained in 'Down Under' infringes the copyright in 'Kookaburra'.

'Kookaburra' was written by Ms Marion Sinclair in 1934 and entered into a Girl Guides Association of Victoria competition in the same year. It was written as a musical "round" (ie. to be sung by four voices/groups of voices in a way in which all parts repeated continuously).

'Down Under' was written by Mr Hay and Mr Strykert in 1978. It was first recorded in 1979 for the B-side of a Men at Work single and was later re-recorded by the band in 1981 for their "Business as Usual" album. Both recordings contain the relevant flute riff, which was composed and performed by Mr Greg Ham.

According to the evidence of musical expert Dr Andrew Ford, 'Kookaburra' is comprised of four bars:

Example A: 'Kookaburra Sits' undotted melody



It was argued by Larrikin Music that the first two bars of 'Kookaburra' are reproduced once in the flute riff of the 1979 recording and three times in the flute riff of the 1981 recording, albeit in various forms. In all cases, the first two bars of 'Kookaburra' are separated by a bar containing a descending phrase of five notes, which Dr Ford described as the "basic hook" of 'Down Under', and the two bars are, therefore, not heard side-by-side in 'Down Under':

Example C: 'Down Under' basic hook



The following example provided by Dr Ford demonstrates how bars 1 and 2 of 'Kookaburra' are separated by the "basic hook" in the 1981 recording (after the second and third chorus). Bars 1 and 3 contain the "basic hook", while bars 2 and 4 reproduce bars 1 and 2 from 'Kookaburra':

Example E: 'Down Under' extended hook (subsequent appearances)



Laugh Kookaburra Laugh cont...

Were the songs objectively similar?

The first issue of the case was whether there was a sufficient degree of objective similarity between the 'Down Under' flute riff and the first two bars of 'Kookaburra'.

Based on Justice Jacobson's aural comparison of the songs, his visual comparison of the relevant notations and the evidence of Dr Ford, Mr John Armiger (another musical expert) and Mr Hay, his Honour held that there was a sufficient degree of objective similarity between the first two bars of 'Kookaburra' and the 'Down Under' flute riff to amount to a reproduction of part of 'Kookaburra'. In coming to this decision, his Honour considered the key musical elements of the two songs (ie. melody, key, tempo, harmony, context and structure).

Based on the evidence of Dr Ford in particular, his Honour found that there was a sufficient degree of objective similarity between the melodies of the two songs. His Honour accepted that the melodies are identical and that the relevant parts of the 'Down Under' flute riff are too long and contain too much musical information for their inclusion to be coincidental.

According to his Honour, the differences in key, harmony and rhythm were of little consequence. However, his Honour referred to bar 2 of 'Kookaburra' and bar 4 of the flute riff in 'Down Under', both of which contain the same distinctive "slur". Such replication was found to be more than just a mere coincidence. His Honour also accepted Dr Ford's evidence that the tempo of 'Down Under' is "more or less" the same as that in which one would ordinarily sing 'Kookaburra'.

As to the separation of bars 1 and 2 of 'Kookaburra' by the "basic hook" of 'Down Under', his Honour agreed with Dr Ford that the separation of the notes does not make them different, rather it means that the notes are just heard differently. In his Honour's view, the separation of the two bars from 'Kookaburra' was not a material difference in 'Down Under' and the separation did not prevent a finding of objective similarity.

His Honour also placed a significant amount of weight on the evidence of Mr Hay, the affidavit of Mr Ham and the failure to call Mr Ham in person, which his Honour believed put the question of objective similarity beyond doubt. First, Mr Hay admitted that he had, on previous occasions, while performing 'Down Under'

live at concerts, sung the words of 'Kookaburra' where the flute riff is ordinarily played. Secondly, the 'Down Under' music video includes a shot of Mr Ham playing the flute riff while sitting in a tree and, in evidence, Mr Hay accepted that this part of the video was a direct reference to 'Kookaburra' (although Mr Hay did not think this reference was an obvious one and denied that he was aware of it at the time the video was made). Finally, in his affidavit, Mr Ham admitted that he was familiar with 'Kookaburra' at the time of composing and performing the flute riff and that the purpose of the flute riff was to inject an Australian flavour into 'Down Under'. The failure to call Mr Ham caused his Honour to infer that Mr Ham deliberately reproduced part of 'Kookaburra' for that purpose.

Was a substantial part of 'Kookaburra' reproduced in 'Down Under'?

The second issue of the case was whether the first two bars of 'Kookaburra' reproduced in 'Down Under' were a substantial part of 'Kookaburra'.

His Honour held that the 1979 and 1981 recordings of 'Down Under' reproduced a substantial part of 'Kookaburra'.

His Honour did not consider the appearance of bars 1 and 2 in the 'Down Under' flute riff to be trivial in either a qualitative or quantitative sense. As to quality, his Honour found that Mr Hay's performance of the words of 'Kookaburra' at live concerts demonstrated that a substantial part had been taken. As to quantity, his Honour emphasised the fact that two of the four bars of 'Kookaburra' (ie. 50% of the song) had been reproduced in 'Down Under'.

How much income will Larrikin Music be entitled to?

The percentage of income from 'Down Under' to be paid to Larrikin Music was not determined in the present case, although Larrikin Music claimed to be entitled to 40-60%. In any case, his Honour emphasised that his findings did not amount to a finding that the flute riff is a substantial part of 'Down Under' or that it is the "hook" of the song.

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Internet Filter Worries the Industry

The Communications Minister, Stephen Conroy, recently announced a proposal for controversial new internet filter laws. As part of the proposed laws, internet service providers would be required to block access to blacklisted websites. The blacklist would be monitored by the government and would prohibit offensive material such as child abuse, sexual violence and bestiality.

The proposals have been met with substantial criticism from both the internet community and industry. Industry leader Google has said the plan was alarmingly undefined and too far-reaching. According to Google, the proposed laws could lead to

the prohibition of socially and politically-controversial material. Not only could this have implications for freedom of speech, it could also have a negative impact on Australia's reputation in the international community.

In an effort to combat the potential problems, Microsoft Australia has suggested the introduction of an external review board to ensure the blacklist is kept in line with contemporary standards of appropriate internet content.

Public submissions on the proposals closed on 12 February 2010.

ACCC Continues Crackdown on Telecommunications Advertising

An information paper has been released by the Australian Competition and Consumer Commission (ACCC) regarding the advertising of mobile and wireless internet services. The paper contains a checklist to assist companies in complying with the consumer protection provisions of the *Trade Practices Act 1974* (Cth) when advertising such services.

The ACCC is urging businesses to consider the checklist before advertising any existing or new mobile or wireless internet services. The information paper advises companies not to advertise "maximum", "up to" or "peak network" speeds if those speeds are not generally achievable or likely to be achieved

by consumers using the network. Any internet speed claims should be based on "appropriate tests of network performance" and when advertising mobile and wireless internet speeds, companies should state the factors affecting speeds, such as congestion and location.

The information paper is part of a broader ACCC crackdown on advertising in the telecommunications industry. It also follows recent court-enforced undertakings given by Telstra, Vodafone Hutchinson and Optus to the ACCC that they will review their advertising practices to ensure consumers are better informed about their telecommunications products and services.

Snooze Caught by ACCC

Retailers have been put on notice to cease misleading pricing strategies after an investigation by the Australian Competition and Consumer Commission (ACCC) into the October 2008 advertising campaign by Snooze Management Pty Ltd and Snooze Sleep Well Pty Ltd (Snooze), the owner and franchisor of 70 Snooze bedding retail stores across Australia.

In October 2008, Snooze ran a "comparison pricing" advertising campaign, in which many of its products were priced in the form of "Was/Now". However, the stated "Was" price was as an internally-set recommended retail price which was higher than the cost at which the goods were actually offered for sale immediately prior to the October campaign.

The deception was uncovered in an ACCC initiated audit of "two-price" advertising in bedding retail stores.

Snooze has admitted that the pricing in its advertising campaign was likely to mislead or deceive customers about the savings they would obtain on some of its products, in breach of sections 52 and 53(e) of the *Trade Practices Act 1974* (Cth).

Snooze has offered to write an apology letter to customers known to have purchased a product promoted by the "Was/Now" pricing during the campaign and provide them with a \$50 gift voucher. Snooze has also offered court-enforceable undertakings which include publishing corrective notices and setting up a trade practices compliance program.

The ACCC has advised that to comply with the law, a retailer's advertised higher price must be genuine and have applied prior to a "Was/Now" sale campaign for a reasonable period of time immediately prior to that sale.

Fame Comes at a Price for Maltesers

The Full Federal Court has dismissed an appeal brought by Mars Australia against Sweet Rewards for the alleged infringement of Mars' "Maltesers" trade marks, passing off and misleading and deceptive conduct.

Mars Australia manufactures, distributes and sells the well-known chocolate product "Maltesers" in Australia. Sweet Rewards distributes and sells a similar chocolate-covered malt ball product called "Malt Balls". The Malt Balls label comprises a red background, the word "Delfi", a "Delfi" logo, pictures of floating brown chocolate balls (some in cross-section showing a yellow filling) and the words "Malt Balls" written in cursive style diagonally from bottom-left to top-right.

First decision

In an earlier decision of the Federal Court, Mars alleged that the Malt Balls label conveyed a representation that Malt Balls were associated with Maltesers (or had the same source or origin) and that Malt Balls were made from the same ingredients and recipe, and provided the same experience as Maltesers when eaten. The Court held that, despite some of the similarities between the products, the most important aspect of the Maltesers get-up is the word "Maltesers" itself and it is highly unlikely that an ordinary consumer of chocolate would mistake Malt Balls for Maltesers. As such, there was no passing off and Sweet Rewards had not engaged in misleading and deceptive conduct.

In the same decision, the Court held that Sweet Rewards had not infringed Mars' "Maltesers" trade marks. The Court found that the word "Delfi" on the Malt Balls label was the only feature used by Sweet Rewards as a trade mark. Consumers are so familiar with Maltesers that they could not possibly be confused by the Malt Balls label and there was no likelihood of imperfect recollection by consumers of Maltesers leading to confusion.

Appeal decision

On appeal, Mars argued that the Court had inappropriately used the strength of the "Maltesers" trade marks to Mars' disadvantage.

The Full Federal Court upheld the first decision, finding that the Malt Balls label, considered as a whole, was not deceptively similar to the "Maltesers" trade marks and did not pass off the Malt Balls as Maltesers, and the use of the Malt Balls label was not misleading or deceptive.

The Full Federal Court agreed that the distinguishing feature of the Maltesers get-up and trade marks is the word "Maltesers", while the distinguishing feature of the Malt Balls is the "Delfi" trade mark.

The other features of the Malt Balls label (eg. the red colour and the pictures of whole and cut-through malt balls) are not distinguishing features of Maltesers and are not used as trade marks. Rather, on the evidence of the case, such features are commonly used in the confectionary industry.

Implication

This case illustrates that where a brand is so iconic that consumers are aware of differences in competing products, the Courts are unlikely to find that the owner of the brand will suffer damage from products with similar brands, labels and packaging.

ACMA's New Children Television Standards

Section 122 of the *Broadcasting Services Act 1992* (Cth) requires the Australian Communications and Media Authority (ACMA) to determine standards which relate to programs for children that are to be observed by commercial television broadcasting licensees. ACMA has released new Children's Television Standards (the **Standards**) for commercial television. The Standards came into effect on 1 January 2010.

The release of the Standards follows a comprehensive review of the effectiveness and relevance of the Children's Television Standards 2005 (**Previous Standards**). ACMA also released proposed draft standards and invited submissions from interested parties. The Standards reaffirm the major decisions included in the draft standards.

Some of the major changes under the Standards are summarised below.

Programming and Scheduling

The programming provisions in the Standards set out quota, scheduling, notification and classification requirements for children's programming.

The programming quota has been maintained with each commercial television licensee being required to show 260 hours of children's material and 130 hours of pre-school material each year.

There are more stringent requirements on licensees under the Standards to submit to ACMA their annual programming schedules as well as to publish the schedules in their main program guide and on their website.

Under the Previous Standards the mandated morning timeframe for children's programming on weekdays was from 7 – 8am. Under the Standards this has been extended by 30 minutes to 7 – 8:30am and the weekday afternoon timeframe for children's programming has been retained.

The Previous Standards required licensees to broadcast children's material for a minimum of 30 minutes on each weekday within the mandated timeframe for children's programming. Licensees now have an alternative scheduling option to broadcast children's material for a required minimum of 60 continuous minutes, on a minimum of two days per week, in the mandated children's programming timeframe (known as "block" programming).

Children's programming can be "displaced" to allow for coverage of national, State or Territory events of importance or major sporting events where such coverage is suitable for children. Any programs displaced must be broadcast within 14 days of the scheduled displacement and licensees must now notify ACMA of any displacements or variations to their children's or pre-school programming schedules. At least two on-air notifications of schedule variations and expected schedule displacements must also occur. This clarifies and expands on the Previous Standards, which required licensees to "appropriately" notify the child audience in respect of any program variations and required licensees to broadcast details of when a displaced program will next be broadcast only once.

ACMA is preparing a guide to the Standards which will give information on what may constitute an "event of national, State or Territory importance".

Advertising and Promotions

The Standards retain the position under the Previous Standards that a reference to a premium (anything offered with an advertised product or service which is intended to induce a purchase) must be merely incidental to the reference to the advertised product or service. However the Standards now clarify how this provision will be interpreted by listing considerations which are relevant to whether a premium offer is merely incidental.

ACMA's New Children Television Standards cont...

The Previous Standards prohibited the endorsement, promotion or recommendation of a commercial product or service by a "principal" personality or character from a children's or pre-school program, during, or immediately before or after the broadcast of children's or pre-school programming. Under the Standards this prohibition is extended to include the use of "popular" characters and personalities, and the characters and personalities need not be from a children's or pre-school program. These new provisions will be subject to certain exceptions, such as if an advertisement contains the promotion of a toy or game, and the character promoting the toy or game is

represented in that toy or game.

Restrictions on food advertising were hotly debated during the review process, however ACMA has decided not to implement any further restrictions on food advertising in the Standards. ACMA was not confident that restrictions on such advertising would have a "direct or a real benefit" and that "a general ban would be a blunt regulatory intervention with uncertain results and significant costs to the sector."

Overall, the new Standards increase reporting and notification obligations, while providing flexibility in programming for commercial television broadcasting licensees.

Deckers Outdoor Corporation INC V Farley

[2009] FCA 1298

The proceedings of which this decision is part relate to a series of separate claims by Deckers Outdoor Corporation Inc (**Deckers**) against a number of respondents in respect of its well-known product, "UGG Australia" Ugg boots. This decision applies to two of the respondents, Hepbourne Pty Ltd (**Hepbourne**) and Leonid Mykhalovskiy (**Mr Mykhalovskiy**), who were the only outstanding respondents with whom Deckers could not reach settlements.

The proceedings came about as a result of Deckers' discovery of the respondents' operation of a business which manufactured and supplied counterfeit copies of its "UGG Australia" branded Ugg boots. The respondents manufactured the boots out of a factory in suburban Melbourne and supplied the goods to its customers through the eBay online auction sites of Australia, UK and United States. The counterfeit enterprise had been operating for over four years.

Claims against Hepbourne

Deckers sought various remedies in respect of claims against Hepbourne for infringement of copyright, passing-off, misleading and deceptive conduct under the *Fair Trading Act 1999* (Vic) (**Fair Trading Act**) and/or the *Trade Practices Act 1974* (Cth) (**Trade Practices Act**) and for breach of the terms of settlement entered into by Deckers and Hepbourne in 2004.

It was argued by Deckers that Hepbourne infringed its copyright in various features of the "UGG Australia" product, which

amounted to "works" under the *Copyright Act 1968* (Cth) (**Copyright Act**), including in the "sun" and "UGG" logos and the care and instruction booklets. Deckers claimed that Hepbourne reproduced a substantial part of those works, distributed products which incorporated a substantial reproduction of those works and authorised the reproduction and distribution of those works. Hepbourne denied copyright infringement and argued, in particular, that the sun logo was not of sufficient complexity to amount to a work in which copyright could subsist.

It was held, on unchallenged evidence, that Deckers was the owner of the copyright works and that Hepbourne infringed its copyright. In particular, the Court found that the sun logo was "plainly drawn with care, to obtain an effect" and was therefore of sufficient substance to attract copyright protection.

The Court dealt with the claims for passing-off and misleading and deceptive conduct together by considering the legal issues of reputation, misrepresentation and damage. The Court held that Deckers had established a distinct brand reputation, which satisfied the first element of the passing-off claim. Tracey J found that there were features of the UGG Australia product which set it apart from generic Ugg boots, including, among other things, the sun logo and stylised "UGG", the shape and style of the boot, the moulded features on the soles and the packaging, including care and instruction booklets. The judge also found that Deckers' advertising and marketing activities contributed to the brand's well-established international reputation.



Deckers Outdoor Corporation INC V Farley cont...

The Court found that the deliberate nature of Hepbourne's actions in producing the counterfeit products, and the absence of countervailing evidence relied on by Hepbourne to resist the claims, made it inevitable that the counterfeit products were deliberately made to mislead consumers into believing they were purchasing genuine UGG Australia articles, which amounted to a misrepresentation. Accordingly, the second element of the passing-off claim and the Fair Trading Act and Trade Practice Act claims were established.

It was held that the good reputation of Deckers' brand in the marketplace was damaged as a result of loss of sales and the undermining of consumer confidence in the UGG Australia product, which was heightened due to the fact that the counterfeit products were of inferior quality. Accordingly, Deckers established the final element of the passing off claim.

Tracey J ordered that Hepbourne pay Deckers \$3,000,000 in general damages. The judge also awarded additional damages in the amount of \$3,550,000 against Hepbourne for its "contumelious disregard" of Deckers' rights and its legal obligations. Despite a number of court orders made over the course of four years variously restraining Hepbourne's manufacturing and selling activities, these orders were only

followed for short periods until it was believed that the attention of Deckers had lapsed, after which the counterfeit activities resumed. The judge commented that the "case must be adjudged as one of the worst of its kind to come before the court" and that "it is probably too generous to describe it as 'flagrant'". In respect of the breach of the 2004 settlement, Tracey J held that Hepbourne contravened the settlement and declared that it pay Deckers \$150,000.

Claims against Mykhalovskyi

In a related prior proceeding, Tracey J had already found Mr Mykhalovskyi liable for breaches of trademark and copyright, misleading and deceptive conduct and passing-off. In these proceedings the Court considered the appropriate damages to be paid by Mr Mykhalovskyi for the infringing conduct. After considering the level of his involvement, both in his engagement in the manufacture of the counterfeit footwear and as a director of a number of companies involved with the manufacture and sale of the counterfeit footwear, the Court ordered that Mykhalovskyi was to pay \$40,000 by way of compensatory damages, and \$50,000 by way of additional damages.

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