



# Insight

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## A Resale Royalty Right Comes Closer to Reality

In its pre-election arts policy, 'New Directions for the Arts' (released in September 2007), the Federal Government promised to implement a resale royalty scheme for visual artists, and in the May 2008 budget, the Government allocated \$1.5 million over 3 years to support the establishment of the scheme.

The Government announced the key features of the scheme in October 2008 and it is anticipated that the scheme will take effect from 1 July 2009. On 27 November 2008, the Resale Royalty Right for Visual Artists Bill 2008 (Cth) (Bill) was introduced to Parliament where it is still being considered.

Under the resale royalty scheme, artists will be entitled to a small percentage of the sale price each time their work is resold. Artists will receive the royalty even if the copyright in their work is owned by someone else. The entitlement to the royalty will not be transferable to anyone else, but will pass to the artist's estate when the artist dies.

The artist's resale right is regarded as a copyright right, partly because the major international copyright treaty, the Berne Convention, includes a provision on it. More than 50 countries have a resale royalty scheme in place, including all members of the European Union (EU).

Under the Bill, visual artists will receive a mandatory five per cent of the resale price of their work when sold for \$1000 or more on all resales subsequent to the first transfer of ownership, regardless of whether the first transfer was made by sale, gift or any other means. The scheme will include all resales involving art market professionals, public institutions and organisations.

The resale royalty right will apply to works by living artists and for a period of 70 years after an artist's death. The scheme will cover original works of graphic or plastic art, such as a painting,

a collage, a drawing, a print, a sculpture, a ceramic, an item of glassware or a photograph. This definition reflects similar arrangements in place in the EU.

The resale royalty right will only apply prospectively and, therefore, will only be relevant to re-sales where the seller acquires a work after the resale royalty legislation takes effect.

The scheme will be managed by a single collecting organisation, appointed by the Australian Government following an open tender selection process.

The following are examples of how the resale royalty right would work in practice.

1. In September 2009 (after the resale royalty right legislation has come into effect) a gallery owner negotiates with an Indigenous art centre the outright purchase of a painting for \$20,000 (this does not trigger a royalty payment as it is the first transfer of ownership of the work). In 2011 the gallery owner sells the work at an exhibition for \$16,000. The artist would receive a royalty payment of \$800 (less any administration costs).
2. In 2000 an investor purchases a sculpture from another investor. The sculpture was created in 1999 by a now-deceased artist. Even though this was not the first transfer of the work, there would be no royalty payable to the artist on this sale, as it occurred before the introduction of the resale royalty right.

In 2010 the investor sells the sculpture at auction for \$900,000 (after the resale royalty right legislation has come into effect). This sale would trigger a royalty payment of \$45,000 (less administration costs) which would be paid to the estate of the deceased artist.



### Diana Ferrari Loses Trade Mark Battle

Recently, auto sports manufacturer Ferrari won a three year battle against Diana Ferrari (Australia) Pty Ltd (Diana Ferrari), a women's footwear label, over a trade mark dispute.

Diana Ferrari attempted to prevent Ferrari from registering the words "Ferrari Shop" and the Ferrari logo as trade marks in Australia for retailing services and a range of watches, phones, computer games and clothing that Ferrari planned to sell in a new chain of stores.

Both the words and logo were accepted for registration by IP Australia in early 2005, however, in May that year, Diana Ferrari filed notices of opposition against the registrations. Negotiation between the parties was unsuccessful and the matter was heard before a delegate of the Registrar of Trade Marks.

Diana Ferrari argued that its trade mark was well known in Australia for women's footwear, clothing and accessories, and gave evidence that it was the most widely recognised women's shoe brand in Australia.

Further, Diana Ferrari argued that the distinctive element of 'Ferrari' in both companies' trade marks would lead to confusion amongst consumers.

The delegate of the Registrar rejected Diana Ferrari's arguments. The delegate was satisfied that, despite the similarity between the parties' goods, and the commonality of the name Ferrari, both brands had a sufficient reputation in the market and it was unlikely that the use of the words "Ferrari Shop" or the logo would lead to confusion amongst the general public as to the origin of the goods.

The decision shows that two trade marks can be registered, even if they contain similar elements, as long as the overall impression of the trade marks is not likely to lead to consumer confusion about the goods and services covered by each of the trade marks.

### Saab "GRRRRRREEN" Claims Declared Misleading

In 2008, the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court against GM Holden, the Australian supplier and marketer of Saab motor vehicles, over advertisements claiming that the Saab motor vehicle range is "Grrrrreen" and that carbon dioxide emissions are neutral across the entire Saab range. The advertisements also claimed that Saab would plant 17 trees in the first year following a Saab vehicle being purchased to offset the emissions caused by the use of the vehicle for the life of the vehicle.

The Federal Court recently declared by consent that GM Holden had contravened sections 52 and 53(c) of the Trade Practices Act 1974 (Cth) (Act) by engaging in misleading conduct. GM Holden was ordered by the court to pay the ACCC's costs.

The claims were held to be misleading because the carbon dioxide emissions from a Saab motor vehicle would not be neutral over the life of the vehicle, and the planting of 17 trees would only offset carbon dioxide emissions caused by the use of the vehicle for one year, not the life of the vehicle.

GM Holden has given the ACCC court enforceable undertakings that the company will:

- refrain from republishing the advertisements; and
- re-train all Saab marketing staff in relation to misleading and deceptive conduct in the context of 'green' marketing claims to make them aware of their responsibilities under the Act.

GM Holden has also said that it will plant an additional 12,500 native trees, which it believes will offset the carbon dioxide emissions for the life of all of the Saab vehicles sold during the campaign.

The outcome highlights that companies need to be careful when making green claims about the operations, products or services they provide, and be aware that any vague, misleading or unsubstantiated green claims risk breaching the Act.



### ACCC Continues its Fight Against Misleading Price Comparison Advertising

The Australian Competition and Consumer Commission (ACCC) has successfully taken action against Harbin Pty Ltd, trading as Ray's Outdoors (Harbin), over a price comparison advertisement it posted in the Adelaide Advertiser in March 2007.

The ACCC alleged that Harbin had engaged in misleading conduct by placing an advertisement in the Advertiser promoting a sale for the opening of a new store in Elizabeth, South Australia. The advertisement featured a "Rio Grand" barbecue with a sale price of \$99 next to a strike-through price of \$299.00.

The Federal Court declared that Harbin had made a false or misleading representation and engaged in misleading and deceptive conduct because, before the sale, the price customers paid for the barbecue was less than the strike-through price.

The advertisement misrepresented what customers would have paid for the barbecue immediately before the sale, and further misrepresented the savings customers would make by purchasing the barbecue during the sale.

This decision highlights the importance of ensuring all advertising is accurate, particularly that price comparison advertisements correctly display savings for customers purchasing a good or service during a sale, compared with the price they would have paid for the good or service immediately prior to the sale.

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### Film Studios Take Action Over Illegal Downloads

A number of Australian film and television distributors have taken legal action against the internet service provider (ISP) iiNet, the third largest ISP in Australia after Telstra and Optus, suing for failing to stop customers illegally downloading a number of the distributors' film and television programs over the iiNet network.

There are 34 applicants taking part in the action, including Disney, Paramount, Sony, Twentieth Century Fox, Universal, Village Roadshow, Warner Bros and the Seven Network, all of which had investigated the alleged illegal conduct by iiNet under the banner of the Australian Federation Against Copyright Theft (AFACT).

The case follows a five month investigation by AFACT of file-swapping websites. The companies allege that the investigation identified thousands of infringements of copyright by iiNet's customers, and despite providing iiNet with notices of those infringements nothing was done to address the infringements.

The companies seek a ruling that: (i) iiNet infringed copyright by failing to take reasonable steps to prevent known unauthorised uses of copies of the companies' films and television programs by iiNet's customers; and (ii) iiNet must terminate the accounts of users who breach copyright.

The companies also seek a permanent injunction preventing film or television program downloads via the peer-to-peer site BitTorrent. Unspecified damages are also being sought.

iiNet believes that ISPs should not be forced to police their users and should only be required to take action against customers once they have been found guilty of an offence by the courts. In iiNet's view, the person who illegally downloads the film or television program is the person who should be held responsible, not the operator of the network.

This is an important test case for the provisions of the newer clauses in the Copyright Act and the lengths to which ISPs need to go to prevent illegal file sharing on their networks. According to Peter Coroneos, chief executive of the Internet Industry Association, "It will test the effect of the safe harbour provisions that were introduced with the US Free Trade Agreement, which provides immunity for ISPs in certain circumstances such as transmission, hosting, caching and referencing activities."

The case follows similar action taken within the music industry against the Kazaa file sharing service in 2002. In that case the music industry was successful and was awarded over \$100 million in damages.

## Elwood Wins Copyright Appeal

The Full bench of the Federal Court (Lindgren, Goldberg and Bennett JJ) has allowed an appeal by Elwood Clothing (Elwood), a designer and manufacturer of clothing and accessories, against the decision of Gordon J of May 2008 which held that Cotton On had not infringed Elwood's copyright in a computer-designed drawing for a t-shirt known as the "New Deal" design.

Gordon J had concluded that the design, featuring text, was a "drawing" for copyright purposes, but that it was not infringed when a rival company merely had regard to the overall design, shape and layout of the t-shirt, as they were ideas and not a "substantial part" of the drawing. The Full Court however disagreed and found that a t-shirt that copied the look and feel of another t-shirt was an infringement of copyright, even if none of the words, numbers or trade marks were copied.

Therefore, the design of Elwood's t-shirts pictured below, was found to have been infringed by the design of Cotton On's "Moscow" t-shirts further below.



The first consideration of the appeal was whether the t-shirt design was an artistic work, as Gordon J had concluded, or a literary work. If it was a literary work, there would have been no copyright infringement as none of the words from the Elwood t-shirt design had been used by Cotton On. The Full Court agreed with the trial Judge that when deciding whether a work is a drawing, the issue is whether the work can be said to have a visual function. The Full Court, therefore, held that Elwood's t-shirt design was properly classified as an artistic work and not a literary work.

The second consideration for the Full Court was whether a substantial part of the t-shirt design had been copied by Cotton On. The Full Court found that a substantial part had been copied because the look and feel of the design which arose from the selection, arrangement and style of the elements of the work (such as the text, colour, font and shape) had been taken and copied.

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