



media & communications

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ACCC considers carbon claims

In recognition of the development of a carbon offset trading market, and the numerous claims being made by companies in their marketing of products and services said to reduce or neutralise the carbon footprint, the Australian Competition and Consumer Commission (**ACCC**) has produced a guide to inform businesses and consumers of the requirements and implications under the Trade Practices Act (**TPA**) for making carbon-related claims.

As the “green” industry develops, businesses are examining their carbon footprint and trying to minimise and offset their emissions in order to stay competitive in the market and attractive to consumers who are now all too aware of the implications of climate change.

It is often difficult for consumers and businesses to know what they are really getting when they purchase carbon offsets or carbon neutral products or services. The confusion is caused by the

growth in the use of such claims, the varied methodology of assessment of reductions or neutrality of carbon and often a lack of adequate information about the carbon offset associated with a product or service.

The ACCC’s aim is to prevent “greenwashing” by unscrupulous traders and ensure consumers are provided with accurate information and not misled about what is being offset and how.

The ACCC began consultations to produce the guide in January 2008, by inviting interested parties to respond to an ACCC Issues paper titled, “The Trade Practices Act and carbon offset claims”. The consultations identified a number of areas of concern which are covered by the guide, including forward credited offsets, double counted offsets, low quality offsets and carbon neutrality or low carbon claims.

The penalties for misleading consumers

are serious and the ACCC has stated they will “vigorously pursue any claims which breach the Act”. Therefore it is important for anyone making carbon related claims to:

- ensure that the target audience will accurately understand your message and won’t be misled;
- provide complete and specific information on which consumers can base their decisions;
- explain to consumers the standards of measurement or accreditation upon which your claim is based and where they can find further information;
- remember that there is no accepted definition for “carbon neutrality” and thus consumers may have varied ideas about its meaning; and
- ensure there is a reasonable and sound basis to any claim being made, particularly statements about the future.

another jewellery store misleads consumers

Ascot Four Pty Ltd, the previous owner of the jewellery retailer Zamel's has been convicted in the Federal Court of making false and misleading representations about the price of goods.

The ACCC instituted criminal proceedings in December 2006 against Zamel's for making false and misleading representations in respect of 11 items in their 2005 Christmas catalogue. Zamel's distributed 2.6 million Christmas catalogues in the ACT, Victoria, Western Australia, Tasmania and South Australia. 11 of the items in the catalogue featured a sale price next to a strike through price.

The court found that the 11 items had not been sold at the strike through price within a reasonable time prior to the sale period, and therefore Ascot Four were in breach of section 75AZC(1)(g) of the Trade Practices Act 1974, which prohibits false or misleading representations being made in relation to the price of goods.

The court also found that Ascot Four falsely represented that the purchase of each of the 11 items during the sale period would result in a saving to the consumer of the difference between a strike through price and a lower sale price.

The decision endorses the findings made by the court earlier this year against Prouds Jewellers Pty Ltd in respect of "was/now" advertising used in two of their advertising campaigns. Both decisions make it clear that if you use comparison or two-price advertising the advertised discounts must be real and the product genuinely offered at the "was" or strike through price for a reasonable period within a reasonable time prior to the sale period.

content services code approved

Further to our news alert of November 2007, the Australian Communications and Media Authority (ACMA) has approved the Content Services Code (the Code) developed by the Internet Industry Association (IIA). The Code was developed pursuant to the new Schedule 7 to the Broadcasting Services Act 1992 (the Act) to regulate providers of online and mobile phone content. ACMA has the power to monitor compliance with the Code.

The Code aims to address community concerns about illegal and offensive online content and particularly provide protection for the safety of children when using online and mobile content services.

The code addresses a number of matters including the classification of content, awareness of safety issues associated with the use of content and procedures for handling complaints about content.

Under the Code, a Commercial Content Service Provider must refer certain content (including content that has not been classified by the Classification Board and would, if it were classified be substantially likely to be classified as prohibited content or potential prohibited content) provided by a Commercial Content Service (other than a news or current affairs service) to a Trained Content Assessor for assessment before making the content eligible to end users.

A Commercial Content Service Provider is a person that provides Content Service that is operated for profit and provided to the public for payment of a fee. Content Service means

- a) a service that delivers Content, by means of Carriage Service (a service for carrying communication by means of guided and/or unguided electromagnetic energy), to persons having equipment appropriate for receiving that Content; or

- b) a service that allows end-users to access Content using a Carriage Service;

that has an Australian Connection. A number of services are not included, such as a licensed, national or re-transmitted broadcasting service, a licensed or re-transmitted datacasting service and an exempt Internet directory search engine service.

An End User can make a complaint to a Designated Content/Hosting Service Provider about Content, and a Hosting Service Provider must investigate all reasonable complaints.

The Code outlines for providers and hosts of content best practice guidelines on how to manage and respond to customer complaints, and for dealing with safety issues associated with access to and use of Chat Services.

who owns the intellectual property rights in your software?

A recent Federal Court decision has highlighted the importance of companies considering and clearly setting out in writing who owns the intellectual property rights in software they pay to have developed. Companies cannot assume they have ownership or a licence to use the software where such terms are not clearly set out.

In the case of *Centre Stage Management Pty Ltd v Riedle*, Centre Stage Management contracted a developer to provide an update of their software. The developer produced an update of the software, but the project did not reach completion. Centre Stage Management then sought to obtain the source code from the developer in order

to use the software.

After initial failure in the Federal Magistrates Court, Centre Stage Management appealed the decision on the basis of its arguments that:

- a) the developer was an employee of their company; and
- b) they had an implied licence to access and use the source code.

The Federal Court dismissed the appeal, finding that the respondent (Mr Riedle) was an independent contractor rather than an employee of Centre Stage Management. As a result the company did not own copyright in the source code of the software Mr Riedle had updated. A

contractor remains the owner of the copyright unless he has assigned the copyright to his client (which differs from the case of an employee, where the employer owns the copyright).

Centre Stage Management was also unsuccessful in arguing that it had an implied licence to access and use the source code. The court held that the agreement did not consider the provision of the source code, and that “no term could be implied into an agreement for the supply of a computer program for the company to use and obtain the source code.” Therefore, the developer did not have to provide the source code for the software to the company.

eBay found not responsible for trade mark policing

A United States federal court judge has ruled that eBay does not have legal responsibility to prevent users from selling counterfeit goods on its online site, and that trade mark policing is the responsibility of the trade mark owner.

The ruling was the result of an action taken in 2004 by Tiffany & Co against the online retailer eBay, arguing that many items listed for sale on the site as genuine Tiffany products were in fact fakes. The judge ruled that eBay could not be found liable for trade mark infringement “based on generalised knowledge that trade mark infringement might be occurring on their websites”. In addition, when eBay was notified by Tiffany of suspected counterfeit goods being sold on their site, eBay immediately removed them. The judge

also stated that eBay did not have the responsibility to take further action and take down suspicious listings of Tiffany products on behalf of the company.

While Tiffany was “shocked and disappointed” by the court’s decision, a spokeswoman for eBay said that the ruling “confirms that eBay acted reasonably and has adequate procedures in place to effectively address counterfeiting.” eBay will remove any listings companies flag as being fake goods, and suspends and blocks users found selling fake goods on eBay.

The decision is a refreshing change for eBay, which was recently convicted by French courts in more than one instance of selling counterfeit goods.

In the first of such cases, eBay was ordered to pay €20,000 in damages to French luxury group Hermes for the sale on its website of three Hermes bags, including two fakes. Last month eBay was ordered by a French court to pay €40 million in damages to upmarket fashion companies for selling fake luxury goods online. The Paris commercial court ruled in favour of six LVMH Moët Hennessy Louis Vuitton brand firms, which accused eBay of illicit sales of expensive perfumes and listing for sale fake handbags, clothes and other luxury goods which it did not have legal permission to sell.

eBay has stated that they will appeal the commercial court ruling. Tiffany also plans to appeal the US court’s decision.

domain names expand

The non-profit group that manages the Internet Domain Name System, the Internet Corporation for Assigned Names and Numbers (**ICANN**), recently voted to open up the rules for top-level domain names and allow the implementation of new names to the Internet.

Described by Dr Paul Tworney, President and CEO of ICANN as an “increase in the ‘real estate’ of the Internet”, this decision will allow for groups, communities and business to

express their identities online.

At present, top-level domain names are limited to .com, .net, .org, and individual country codes such as .au for Australia or .uk for the United Kingdom. The change means web users will be able to acquire generic top-level domain names ending in whatever they want. For example, eBay would be able to add its company name to the end of its URL and become .ebay.

In an important step for the future of Internet in Asia, Russia and the Middle

East and Eastern Europe, the expansion is also planned to extend to a greater number of languages around the world; beyond the 37 roman characters which the present system supports.

Before any changes occur, the ICANN Board must approve a final version of the implementation plan. The Board intends to have the final version published by early 2009 and be accepting the first applications before the middle of 2009.

infringement of copyright by former employees

In October 2007, the Federal Court heard claims by Futuretronics.com.au Pty Ltd (**Futuretronics**), a customer of Graphix Labels Pty Ltd (**Graphix**), against Graphix for alleged copyright of artworks Futuretronics had produced (the **Artworks**).

The relationship between the two parties began in 2005 when Futuretronics entered into a non-written agreement with Graphix to reproduce the Artwork onto “skins” — form-fitting vinyl covers for iPods, mobile phones, electronic game controllers and the like. Graphix later decided it would begin manufacturing its own skins and produced a brochure to promote its services.

Futuretronics brought a number of claims against Graphix and one of its employees, Mr John Atta, including copyright infringement and breach of

implied terms, after discovering that the brochure produced by Graphix and provided to potential customers included the Artworks. Further, it was discovered that Graphix had provided samples of Futuretronics’ skins to potential customers and potential competitors of Futuretronics.

The Federal Court decided to determine the issues of liability separately from and prior to issues of quantum. In October last year, the court found Graphix liable for breach of copyright for their use of the Artworks, and breach of an implied term of agreement between Futuretronics and Graphix (the Agreement) that the Artworks would be used for the purpose of fulfilling orders and not for any other purpose (the Implied Term). The court decided not to imply a term that Graphix could not manufacture, advertise or sell skins in competition with Futuretronics once its

relationship with Futuretronics had broken down. The supply by Graphix to its potential customers of sample skins bearing the Artworks was also found not to have infringed Futuretronics’ copyright.

Damages

In May this year, the Federal Court made findings as to Futuretronics’ entitlement to relief. The relief that a court may grant in an action for an infringement of copyright includes an injunction (subject to such terms, if any, as the court thinks fit) and either damages or an account of profits. In this case, Futuretronics elected to claim damages rather than an account of profits.

Because there was no evidence to establish that any economic loss flowed from the distribution of the brochure, Futuretronics relied on loss of reputation

and commercial embarrassment as its entitlement to damages. The court did not believe that any embarrassment or loss of reputation had resulted from the production and distribution of inferior or substandard copies of the Artworks and therefore found that Futuretronics had not sufficiently established any loss which should be reflected in an award of damages.

An award of nominal damages of \$10.00 was given to vindicate the invasion of the applicant's proprietary right.

Additional Damages

Despite the fact that only nominal damages were awarded, the court was still entitled to make an assessment for the award of additional damages under section 115(4) of the Copyright Act.

In assessing the award of additional damages, the court had regard to certain matters in the Copyright Act such as flagrancy of the infringement, the need to deter similar infringements in the future and other relevant matters.

The infringements of copyright were considered by the court to be flagrant.

Mr Gatt, the employee for Graphix who was responsible for producing the brochure on behalf of Graphix, had previously been employed by Futuretronics, and knew that one of its employees had produced the Artworks on behalf of Futuretronics. Whether he actually knew that the use of the Artworks was an infringement of copyright was immaterial, the important

point for the court's consideration was that he knew the Artworks were the applicant's artworks or, that they belonged to the applicant.

Further, the court stated that in terms of the standard practice in the printing industry of using other people's brands to illustrate work which can be done, "it is one thing to use a sample showing a brand which announces itself as a brand of a well-known business; it is quite another for a previous employee of the applicant so shortly after he left the applicant's employ to use the Artworks, which in no way announce themselves as belonging to the applicant, to promote his new employer's business."

Despite the fact that the infringements were few in number and that it was accepted that Graphix did not intend to produce the skins with the Artworks for sale to customers, it was still found to be flagrant.

The court also considered in its award of additional damages the need to deter similar infringements of copyright in the future, as well as the conduct of Graphix after the distribution of the brochure, or after the respondents were informed that they had allegedly infringed copyright in the Artworks. Whilst the conduct was a clear infringement, it was amended upon complaints being made by Futuretronics, with undertakings made not to use the Artworks. This combined made the need to deter similar infringements of copyright "a somewhat neutral factor" according to the court.

The amendments and undertakings

along with a signed Deed of Undertaking that Graphix and its employees would cease and desist from reproducing in material form, publishing or communicating to the public the Artworks, albeit with a denial of liability of any breach of copyright, also made the consideration of conduct in the court's view, "not relevant in this case".

The fact that Graphix secured no financial benefit in this case by reason of the distribution of the brochure also reduced the need for additional damages.

Ultimately, after having regard to the above matters, the court found that a modest award of additional damages should be made in the amount of \$10,000.

Lessons from the case

This case highlights the importance of parties ensuring they have clearly agreed upon terms for the use of copyrighted material. It also highlights the need for a publisher or manufacturer to seek permission and agreement from other parties on express licence terms before including any of its customer's logos, trade marks, artworks or other copyrighted materials (or works produced using those materials) in its brochures or advertising.

ownership of patents by academics

A recent decision by Justice French of the Federal Court has put universities and research organisations on the alert to review their employment arrangements with staff.

In the decision of *University of Western Australia v Gray* (No 20) [2008] the court determined that inventions created by academics during the course of being employed at a university to 'research' were not property of the university.

Dr Gray was employed by the University of Western Australia (**UWA**) as an academic. During this time he worked on a number of inventions including the development of a new liver cancer treatment. Subsequently Dr Gray left UWA and became associated with Sirtex Medical Limited (**Sirtex**). Dr Gray transferred to Sirtex and the Cancer Research Institute (**CRI**) his intellectual property rights in his inventions. Sirtex and CRI then continued the development of a number of Dr Gray's inventions.

The UWA sought declarations, orders and damages against Dr Gray, CRI and Sirtex. UWA claimed that Dr Gray had obtained the intellectual property rights in breach of his contractual and fiduciary duties, and claimed that Dr Gray and Sirtex held their shares and options and patents and innovations respectively on trust for UWA.

In making his determination, Justice French considered whether Dr Gray's

employment contract, or the University of Western Australia's Intellectual Property Regulations (University's IP Regulations) gave UWA ownership of the invention.

In relation to Dr Gray's employment, Justice French found that "rights in relation to inventions made by academic staff in the course of research and whether or not they are using university resources, will ordinarily belong to the academic staff". While an express or implied term of a contractual agreement may negate this general rule, a duty to research is not considered to include a duty to invent. Therefore, only inventions which are the product of work the employee is specifically engaged to perform will be the property of an employer. The judge found that Dr Gray was employed to undertake research, not to invent, and therefore retained ownership of the inventions.

The judge also found that the university's IP Regulations, which purported to appropriate IP created by the originator in the course of his employment, were invalid. Even where such regulations are incorporated into the individual employment contract, the regulations were considered invalid. The Patents Act 1990 vests the property rights in the inventions to the inventor, and the University's IP Regulations, albeit created under statute, could not modify the operation of the Patents Act. Justice French concluded that the UWA Act, under which the University's IP

Regulations were formed, did not allow for the modification of other Acts of Parliament or the modification of its employee's property rights.

The case confirms that for universities to acquire intellectual property generated by academic or research employees, they must include appropriate provisions in the employment contracts. These provisions will need to be express and cover inventions generated in the course of employment and in the use of university funds and resources. An alternative solution suggested by the Judge was that universities could offer academics help with commercialisation in return for a stake in their intellectual property.

UWA has appealed the decision. The appeal will be heard in November this year.

guidelines for federal government advertising

On 2 July 2008, the Federal Government released a new advertising guideline for its own political advertising, titled "Guidelines on Campaign Advertising" (**Guideline**). The purpose of the Guideline is to "govern the content of, and expose to greater scrutiny, Federal Government taxpayer-funded campaign advertising". It applies to advertising by all Federal Government departments, statutory authorities and agencies. It does not extend to Commonwealth-owned companies such as Australia Post.

The Guideline does not extend to political advertising undertaken by anyone other than the Federal Government.

Greater scrutiny for Federal Government advertising campaigns

Under the Guideline, any campaign that is budgeted to cost in excess of \$250,000 must be reviewed by the Auditor-General to ensure its compliance with the Guideline. Any campaign that is budgeted to cost less than \$250,000 will be reviewed by the Chief Executive of the relevant agency undertaking the campaign.

Campaigns that are budgeted to cost less than \$250,000 may also be reviewed by the Auditor-General if the Minister responsible for the campaign believes such a review is appropriate. In addition, the Federal Government will release to the public details of the expenditure for all campaigns commissioned by any agency of the Federal Government every 6 months.

According to a Joint Media Release issued by Cabinet Secretary, Senator the Hon John Faulkner and the Minister for Finance and Deregulation, The Hon Lindsay Tanner MP on 2 July 2008, in 2006 and 2007 expenditure on campaign advertising by the Federal Government amounted to \$139.6m and \$281.2m respectively.

Political and Election Matter

Parts 1 and 2 of the *Broadcasting Services Act 1992* (Cth) (**BSA**) contain provisions that require the broadcast of political and election matter to be identified and 'tagged' with the details of the person who authorises the political or election matter. A person authorises the broadcast of political or election matter if they are responsible for approving its content and for making the decision to broadcast it.

The purpose of tagging political matter and election matter is to make it clear to the viewer or listener that the advertisement is a 'political' advertisement that advocates a certain point of view with regard to government, political parties or their policies. Advertisements that are not required to be tagged are advertisements that do no more than inform the viewer or listener and provide factual information to the viewer or listener, as opposed to advertisements that attempt to directly or indirectly influence the viewer or listener. It is only the latter type of advertising that requires 'tagging' under the BSA.

However, during the term of the previous Federal Government, it was the policy of that Government to 'tag' all Federal Government advertising with the details of the person who authorised the political matter regardless of whether it was required to be tagged in accordance with the definition of political matter and election matter under the BSA. This policy was presumably adopted by the previous Government to ensure that there appeared to be no difference between Federal Government advertisements which were overtly political compared to those which were genuinely informative and, in fact, did not require 'tagging'.

The Guideline appears to prohibit advertisements that advocate a certain point of view with regard to government and their policies. In particular,

Guideline 3 states that "*Material should be presented in a manner free from partisan promotion of government policy and political argument, and in objective language.*"

Key sections of the Guideline

The 5 key sections of the Guideline are as follows:

Guideline 1: Material should be relevant to government responsibilities

The subject matter of material to be communicated to the public should be directly related to the Government's responsibilities.

Guideline 2: Material should be presented in an objective, fair and accessible manner

Information in campaigns should be directed at the provision of objective, factual and explanatory information.

Guideline 3: Material should not be directed at promoting party political interests

Material should be presented in a manner free from partisan promotion of government policy and political argument, and in objective language.

Guideline 4: Material should be produced and distributed in an efficient, effective and relevant manner, with due regard to accountability

Campaigns should be justified by a cost/benefit analysis which would best be done after preparation of the communications strategy and consultant briefs.

Guideline 5: Advertising must comply with legal requirements

Campaigns and related material, the manner of presentation and the delivery of the campaign must comply with all relevant laws.

review of children's television standards

The Australian Communications and Media Authority (ACMA) recently released its draft Children's Television Standards 2008 (CTS) for public and industry comment.

The draft CTS 2008 was developed utilising a large body of research, consideration of stakeholder submissions, as well as issues of concern to broadcasters and the community.

A report has also been released which outlines the proposed approach to the CTS and explains the reasons for ACMA's approach.

The draft standards include the following proposals:

- to maintain the existing quotas of 260 hours per year of 'C' (children's) and 130 hours per year of 'P' (preschool children's) programming for each commercial television licensee to ensure the provision of quality children's programming on free-to-air television;
- greater flexibility in how quotas could be delivered; and
- improvements in processes, to improve effectiveness and transparency in the operation of children's programming obligations.

ACMA is also proposing to strengthen certain provisions regulating advertising to children. The report proposes tighter rules on the use of celebrities, licensed characters such as cartoon and movie

characters or popular personalities to promote and endorse products immediately before, during and after 'C' and 'P' periods. ACMA found the research highlighting the influential role of program characters and celebrities in advertising to children to be compelling enough to restrict their use.

Other advertising using premium offers, such as toys offered with food and beverage purchases to attract children to pester their parents for purchases, will also be restricted to ensure that the premium offered is incidental to the product being advertised.

Despite the fact that Britain's media regulator, Ofcom, has imposed a ban on junk food advertising, the review found little evidence of an association between the TV advertising of junk food and obesity levels in children. ACMA decided not to restrict junk food advertising in children's program slots (classified C and usually between 4pm and 5pm) and in peak viewing times. The Authority also considered the economic effect of banning junk-food ads and concluded that the loss of revenue from food and beverage advertising to children may threaten the funding available to produce children's programs.

ACMA will take submissions on its preliminary report and draft CTS until October 17.

A final report is expected early next year.

key contacts

melbourne

Dan Pearce

Partner

t +61 (0)3 9321 9840

e dan.pearce@holdingredlich.com.au

Marilyn Awad

Senior Associate

t +61 (0)3 9321 9850

e marilyn.awad@holdingredlich.com.au

sydney

Ian Robertson

Partner

t +61 (0)2 8083 0401

e ian.robertson@holdingredlich.com.au

Sonia Borella

Partner

t +61 (0)2 8083 0412

e sonia.borella@holdingredlich.com.au

brisbane

Paul Venus

Partner

t +61 (0)7 3135 0613

e paul.venus@holdingredlich.com.au

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melbourne

350 William Street, Melbourne VIC 3000
t +61 (0)3 9321 9999 f +61 (0)3 9321 9900

www.holdingredlich.com.au

sydney

Level 65, MLC Centre, 19 Martin Place, Sydney NSW 2000
t +61 (0)2 8083 0388 f +61 (0)2 8083 0399

brisbane

Level 1, 300 Queen Street, Brisbane QLD 4000
t +61 (0)7 3135 0500 f +61 (0)7 3135 0599