

TECHNOLOGY

LEGAL UPDATE

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Expanded technology team

Middletons has significantly expanded its technology law team in Sydney. The team now includes all the technology lawyers of Acuiti Legal who joined Middletons' Sydney office in November 2004.

Nationally, we now have 20 lawyers dealing with technology-based industries.

Our technology lawyers have a wealth of experience in the private and public sectors in areas including information technology

& eCommerce, intellectual property, telecommunications and biotechnology. As well as our increased technology team, Middletons has expanded its commercial litigation team and acquired even more experience in protecting your technology and enforcing your rights.

Please see our website www.middletons.com.au for more information about the lawyers who work in these areas.

The FTA's sleeping giant

An important part of the copyright provisions in the Australia-United States Free Trade Agreement (FTA) has not yet been implemented. Within two years, Australia must implement its obligations under the FTA governing technological protection measures (TPMs).

In Brief

Australia has 2 years to implement its part of the technological protection measures under the copyright provisions of the FTA. What are the implications for Australian businesses?

TPMs are currently defined in Australia's Copyright Act 1968 to include devices which prevent copyright infringement by controlling copying or restricting access by means of passwords, encryption or scrambling. Circumvention devices are devices whose main purpose is to evade TPMs. An example is 'copy-cracking' software which is designed to bypass codes which prevent other software being copied. Currently, the Copyright Act makes the importation, manufacture, sale or hire of circumvention devices illegal. Simply using

a circumvention device (if you can get one) is currently not itself illegal.

Article 17.4.7 of the FTA will result in significant changes to the law relating to TPMs and circumvention devices. Currently, both criminal and civil penalties apply only to the suppliers of circumvention devices. Now, under the FTA, not only is the supply of a circumvention device a breach of the law but using it will now also be illegal.

In addition, the FTA will require the definition of TPMs to be widened to an

extent that it may include some things which are currently thought of as devices for protecting copyright. Article 17.4.7 is modelled on United States Digital Millennium Copyright Act 1998 (DMCA) codified in s.1201 of the Copyright Act 1976 (US). It consequently gives us an insight into how the FTA's provisions will affect copyright in Australia.

«... increased risk of litigation from US-based copyright owners, perhaps reducing the ability of Australian companies to compete in the world market.»

In the US, the DMCA was legitimately intended to prevent flagrant copyright piracy. At first the strong US film lobby argued for a blanket ban on the circumvention of TPMs until the more moderate software industry stepped in. They argued for limited exemptions to the ban, allowing circumvention of TPMs to accommodate activities like developing interoperable software and testing computer system security.

Unfortunately, despite the existence of exemptions in the US, s.1201 has not only been used to prevent piracy but also to prevent genuine research, fair use, competition and innovation.

For instance, in September 2000 the industry group Secure Digital Music Initiative (SDMI) challenged the public to defeat their watermark technologies designed to protect digital music. A team of researchers from Princeton conducted an analysis of the watermark and were ultimately able to remove it. However, when the researchers

attempted to publish the results at an academic conference, SDMI threatened legal action under s.1201 and the researchers subsequently withdrew their proposed publication from the conference.

In another instance, Lexmark (a printer manufacturer) used s.1201 to limit competition in the toner cartridge market. Lexmark printers contained authentication routines designed to identify only Lexmark's cartridges and ensure their printers would only work with Lexmark's cartridges and not with their competitor's cheaper cartridges. Lexmark used s.1201 to prevent Static Control Components, which produced competitive cartridges, from selling Smartek chips, which enabled competitor cartridges to work with Lexmark printers. Static Control had reverse-engineered (but did not copy) Lexmark's authentication protocols to produce the chips. Lexmark used s.1201 to obtain an injunction against Static Control from distributing the chips.

Sony Corporation has also used s.1201 to segment markets by suing a number of 'mod chip' manufacturers for alleged circumvention under s.1201. Ordinarily, a Sony game purchased in one Sony-defined geographical region of the world, say, the US, would not be playable on an unmodified Sony machine purchased in Australia. Mod chips permit games legally purchased overseas to be played on a game console in another geographical region. In the US, Sony sued Gamemasters Inc. the distributor of Game Enhancer, which allowed US Playstation users to play Playstation games purchased in Japan or other countries. Despite the fact that the

games did not infringe Sony's copyright, the US court granted an injunction under s.1201's circumvention provisions. This has the effect of banning the use of technology that would permit gamers to use legitimately purchased, non-infringing games. A similar battle is currently being fought in Australia.

The situation for copyright users in the US may become even more tenuous given that the US government and the US film industry are now seeking to reverse a previous US Supreme Court case by making copying devices of any kind illegal if the predominant use is to permit unauthorised copyright.

Some copyright owners in Australia may support the imposition of stronger legislation in relation to circumvention of TPMs. However, given the US experience, it is likely that the introduction of the FTA's provisions concerning circumvention devices and TPMs will make life difficult for Australian companies seeking to create interoperable products. That may bring the increased risk of litigation from US-based copyright owners, perhaps reducing the ability of Australian companies to compete in the world market.

» **Cameron Abbott**
Partner

» **Simon McDonald**
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Copyright – longer, bigger, but better?

The Free Trade Agreement (FTA) between Australia and the United States has resulted in some important changes to Australian copyright law. The changes came into operation on 1 January 2005 and are wide in scope. They affect a variety of businesses including internet service providers (ISPs) and broadcasters as well as domestic consumers.

In Brief

The FTA's impact on Australian copyright law has extended the period of copyright on most copyright work out to 70 years from the death of its creator. This change is quite broad in its reach, but is it better for Australians?

The period of copyright for most kinds of copyright works (eg. music, books, paintings, plays) has been extended to 70 years from the death of the creator. The extension applies differently to other subject-matter (eg. broadcasts, sound and cinema recordings) which are protected for 70 years from their first publication. Previously, the periods for the different types of works, were 50 years from death or publication. The new periods also apply to works or subject-matter that was under copyright on or before 1 January 2005. If your business has entered into an agreement to use a work or subject-matter that was due

to become copyright free, but which will now not be free of copyright for another 20 years, you can apply for compensation under transitional provisions.

« What is 'necessary' and whether the new law will prohibit legitimate parallel importing is the subject of wide, ongoing debate... »

Copyright is generally associated with exclusive economic rights – for example, the exclusive right to reproduce a work or a broadcast. However, it also includes moral

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rights such as the right to be named as an author. The moral rights, which previously only applied to the works of authors, artists and film-makers, have been extended to apply to the works of performers.

Electronic information that identifies copyright owners is commonly attached to or embedded in works, for example as a pop-up window on a computer program or as crawling text on a broadcast. The penalties for removing or altering the information and for dealing with works afterwards have been strengthened considerably. A person no longer needs to have a commercial motivation to breach the civil sections. If they do have a commercial motivation, they will commit a criminal offence.

Subscription television and radio broadcasts are frequently encoded. The use of unauthorised devices to decode such broadcasts has been prohibited for 5 years. However, as a result of the FTA the prohibitions are now wider and the penalties more severe. Not only are the manufacturers of the devices liable, but so too are the distributors and receivers of decoded broadcasts. A person who acts with a commercial purpose will face criminal penalties, in addition to civil sanctions. Domestic viewers will only be exposed to civil liability.

Works and other copyright materials are often copied and temporarily stored in RAM, buffers or cache memory when a machine, such as a DVD player, accesses them. These reproductions are permitted under Australian law, but only if they are a temporary and necessary part of a

technical process, and they aren't made from an infringing copy or a copy that would infringe if it was made in Australia. What is 'necessary' and whether the new law will prohibit legitimate parallel importing is the subject of wide, ongoing debate.

ISPs will not be liable for copyright breaches committed by their users provided that they comply with formal and informal processes. Broadly speaking, an ISP must comply with industry standards, adopt and implement effective termination policies targeted at repeat infringers and also quickly remove potentially infringing material after it is brought to its attention. The specific sections of the Copyright Act and accompanying regulations are lengthy, complicated and the subject of significant debate.

ISPs are protected from liability only if they comply with a detailed set of rules and forms, and if they set up their internal processes and electronic systems to take advantage of those protections. The US experience of similar provisions has created significant compliance burdens for ISPs who can receive thousands of automated infringement notices. Australian ISPs and aggrieved copyright owners, such as the music, film and television industries are now looking at their new rights and responsibilities with interest.

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