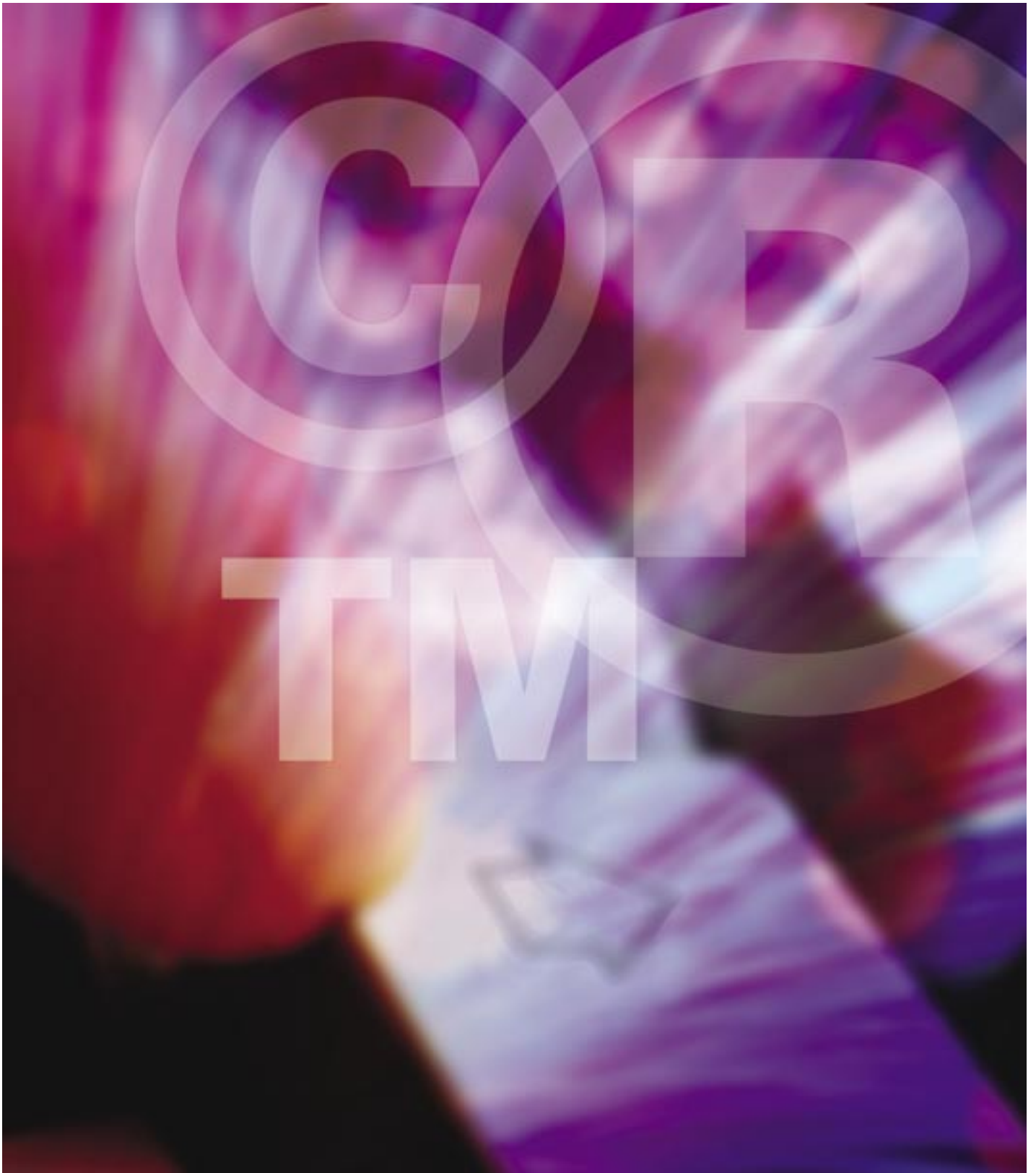


Intellectual Property Update

JULY 2004

Bell Gully



Welcome to ***Intellectual Property Update***, a regular review of issues and developments in this area of New Zealand law from Bell Gully.

In this issue, we feature:

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For more information on any of the cases, articles and features in *Intellectual Property Update*, please call Alan Ringwood on 64 9 916 8925, Garry Williams on 64 9 916 8661 or Daisy Bell on 64 9 916 8372.

Disclaimer: This publication is necessarily brief and general in nature. You should take professional advice before taking any action in relation to the matters dealt with in this publication.

Using a competitor's trade marks in comparative advertising

The Trade Marks Act 2002 makes it clear that the use of a competitor's trade mark in comparative advertising is allowable in certain circumstances - although advertisers should take care not to overstep the mark.

The proper extent to which the rights of a trade mark proprietor should be enforceable against a competitor who has used a registered trade mark in comparative advertising has been the subject of debate for some time, and has now been addressed by an amendment to the trade marks legislation to permit such use within limits.

The Trade Marks Act gives the registered proprietor of a trade mark the "exclusive" right to use the mark in relation to the goods for which it is registered. This means that there has historically always been a basis for a trader to contend that any comparative advertising by a competitor which used the trader's trade mark infringed that mark.

Because use must be "in a trade mark sense" for there to be infringement, the comparative advertiser would generally claim in response not to have been using the mark as a trade mark, but rather using it "descriptively", i.e. simply to identify the relevant product. This is often a fine or illusory distinction; and presented particularly difficult issues given that the only real way of describing some products is to use a registered trade mark (e.g. a "Big Mac").

The ability of trade mark proprietors to sue for trade mark infringement by otherwise unobjectionable and accurate comparative advertisements came to be seen as an undesirable restriction on the freedom of traders to inform the public of the respective merits of products. Even where trade mark infringement was established, the Court became reluctant to grant injunctive relief to stop the comparative advertising, and treated damages as being an adequate remedy for the infringement.

Now that section 94 of the Trade Marks Act 2002 has come into force, some of these issues have been addressed. Section 94 provides:

94. No infringement for comparative advertising of registered trade mark—

A registered trade mark is not infringed by the use of the registered trade mark for the purposes of comparative advertising, but any such use otherwise than in accordance with honest practices in industrial or commercial matters must be treated as infringing the registered trade mark if the use, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

This change means that a competitor's registered trade mark can now be used in comparative advertising without infringing the mark, provided the use does not fall foul of the balance of the section. That part of the section introduces new issues, i.e. whether the use:

- a. is otherwise than in accordance with honest practices in industrial or commercial matters;
- b. without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

This appears to leave significant scope for arguments of trade mark infringement to continue to arise; particularly in cases where there are issues about the accuracy of the comparisons being made, or where the comparisons are to some degree derogatory rather than purely factual.

There are various decisions of the English Courts on the similarly worded section in the UK legislation which will be relevant to the scope of the proviso to section 94 in New Zealand.

While now permitting the use of a competitor's trade marks in comparative advertising, section 94 of the Trade Marks Act 2002 does not therefore give *carte blanche* to comparative advertisers, and they must continue to take care not to overstep the mark.

Need more information?

For more information on the use of a competitor's trade marks in a comparative advertisement, please email or call [Alan Ringwood](#) on 64 9 916 8925.

Can you register a colour as a trade mark?

The use of colour has long been an important aspect of trade - adding to product appeal, attracting attention, conveying unspoken clues as to a product's qualities and in certain cases helping consumers distinguish the goods or services of one trader from those of another.

Despite apparent registrability under the Trade Marks Act, trade marks consisting of a single colour have proven to be very difficult to register, primarily due to their inherent low level of distinctiveness.

To be registrable as a trade mark, colours must be *capable of distinguishing* one trader's goods or services from another's. It is not enough that consumers simply "associate" the colour with a product. The colour itself must also be perceived, in and of itself, as indicating the origin of the goods.

On 26 November 2003, the Assistant Commissioner for Trade Marks rejected an application by Effem Foods Limited to register the colour orange (described as Pantone 021C) for rice and rice snacks on the basis that the use of the colour orange by Effem Foods Limited was not sufficiently distinctive to be inherently capable of distinguishing its Uncle Ben's rice from that of other traders.

Colours can only be inherently capable of distinguishing one trader's goods or services (and therefore registrable) if the colours are not colours which other traders would ordinarily and legitimately want to use for their own goods or services.

A key factor in the decision against Effem Foods Limited was that other traders, without improper motive, may wish to use the colour orange for similar rice products, and in fact already were.

This is not to say that colours and colour combinations which other traders might ordinarily wish to use cannot ever acquire distinctiveness, and therefore become registrable. Where consumers have come to regard the colour or colour combination as indicating a particular trader's goods and services as a result of use, that colour or colour combination will be registrable.

The following marketing/legal strategies have proven useful in establishing that consumers recognise a given colour as indicating the source of goods or services:

- **Colour saturation advertising** – brand recognition may be improved by creating a consistent colour/brand identity by saturating everything associated with a particular product or service (including packaging, brochures, advertising and websites) with a colour.
- **Look-for advertising** – use of advertising which sends the verbal message "when you see X colour, think of Y trader". This may assist with reinforcing the idea that the colour is performing the function of a trade mark, i.e. to indicate a particular trader's goods or services, and should promote rapid consumer recognition of the colour as a trade mark.



Need more information?

For more information on the registration of a colour as a trade mark, please email or call [Tania Laird](#) on 64 9 916 8766.

Court of Appeal confirms existence of tort of breach of privacy

In Hosking v Runting, a majority in the Court of Appeal has confirmed the existence of the tort of breach of privacy in New Zealand.

In a long awaited judgment, Gault P and Blanchard and Tipping JJ held that there are two fundamental requirements for a claim to be successfully brought for interference with privacy, namely:

1. The existence of facts in respect of which there is a reasonable expectation of privacy; and
2. Publicity given to those facts that would be considered highly offensive to an objective reasonable person.

The majority was at pains to stress that it was not attempting to prescribe all the boundaries of the cause of action in the case before it and that the cause of action will evolve through future decisions "as courts assess the nature and impact of particular circumstances".

However, in strong dissenting judgments both Keith and Anderson JJ strongly criticised the recognition of the tort as unnecessary and an unwelcome encroachment on the right of freedom of expression, Anderson J going so far as to say:

"Freedom of expression is the first and last trench in the protection of liberty. All of the rights affirmed by [the New Zealand Bill of Rights] are protected by that particular right. Just as truth is the first casualty of war, so suppression of truth is the first objective of the despot. In my view, the development of modern communications media, including for example the world wide web, has given historically unprecedented exposure of and accountability for injustices, undemocratic practices and the despoliation of human rights. A new limitation on freedom of expression requires, in my respectful view, greater justification than that a reasonable person would be wounded in their feelings by the publication of true information of a personal nature which does not have the quality of legally recognised confidentiality."

Need more information?

For more information on the tort of breach of privacy, please email or call [Garry Williams](#) on 64 9 9168661.

Trade secret theft becomes a criminal offence

An amendment to the Crimes Act creates further criminal offences to protect certain types of intellectual property.

Last year, Parliament amended the Crimes Act 1961 (the Act) to create a number of new offences, discussion of which has principally focused on computer-related crimes.

However, the Act also now includes the potentially important new crime of “taking, obtaining or copying trade secrets”, which applies to some types of intellectual property infringement occurring after 1 October 2003.

This new offence is the first attempt to protect any form of intellectual property through a Crimes Act offence and carries a maximum sentence of five years’ imprisonment. Prior to the amendment, trade secrets were protected by the general law, usually through an action for breach of contract or breach of confidence.

The new offence supplements but does not replace the general law. As the new provision is yet to be tested in court, it is too early to say what impact it will have.

However, at the very least the creation of a criminal offence may have a deterrent effect, and should shift some of the financial burden of bringing a claim against an employee or commercial spy away from the private sector.

What is a trade secret?

The definition of “trade secret” contained in the Act is broad and not markedly different from that developed by the courts under the general law. Prior case law will be instructive in illuminating the Crimes Act definition of a trade secret.

Under the Act, it means any information that is (or could be) used industrially or commercially, is not generally available, has potential economic value, and is the subject of “all reasonable efforts” to preserve its secrecy. Examples could include chemical formulae, industrial processes, business plans, quotations and plans prepared for tendering purposes.

The Act treats trade secrets fundamentally differently from other forms of property in that it protects the trade secret owner’s economic rather than possessory interest. The owner of the trade secret is additionally required to preserve that economic interest by taking reasonable steps to preserve the confidentiality of the trade secret. The extent of the security measures taken by the owner of the trade secret need not be absolute, but must be reasonable under the circumstances, depending on the facts of the specific case.

Elements of the offence

The offence is committed where the person taking, obtaining or copying the trade secret:

- knows that the document, model or other depiction of any thing or process contains or embodies a trade secret;
- intends to obtain a pecuniary advantage or to cause loss to any other person; and
- acts without a belief that he or she was authorised to take, obtain or copy the trade secret and without a belief that his or her actions were lawful.

Significantly, given that issues as to the misappropriation of trade secrets often arise in the context of allegations that an employee who has been given confidential material has improperly retained it for use to his or her own advantage, “obtain” is defined elsewhere in the Act to include “retain”.

For example, where an employee has authorisation from his or her employer to possess a trade secret during the course of employment, he or she commits an offence if he or she “retains” it after the employment relationship ends. To take or to copy is also likely to cover the situation where the employee conveys the trade secret to a competitor without his or her employer’s permission.

Other provisions of the Crimes Act cover attempts and conspiracies and some conduct occurring outside New Zealand (where any act forming part of the offence, or any event necessary to the completion of the offence, occurs in New Zealand).

Potential problems?

The application of the criminal burden of proof means that the offence will be more difficult to prove than a breach of the general law. The experience in foreign jurisdictions with similar provisions suggests that the Crown will be reluctant to prosecute all but the clearest cases.

Some commentators have attributed the conservative use of comparative provisions to the tension between criminal law and the generally civil nature and history of intellectual property protection.

Difficulties may also arise out of the exact meaning to be given to the word “take”. For example, will it cover conduct such as an accused reading a document containing the trade secret but making no physical or electronic copy of it and then using the memorised information for his or her own purposes? On these facts there is no obtaining or copying of the document. Nor would the conduct obviously appear to be a “taking”. Under the general law, such conduct is actionable if the reader deliberately memorised the information, but not if it was later fortuitously recalled.

The impact of the Bill of Rights Act in the criminal context could have implications for the confidentiality of the trade secret at trial as the necessity of proving the offence will require at least some details of the trade secret to be put before the court.

Benefits

The principal benefit of the creation of the criminal offence is that it will be significantly less expensive for the owner of a trade secret to pursue his or her rights. Instead of becoming the plaintiff, the owner will take the role of the complainant and the Crown will wear the cost of the prosecution.

A related benefit is that it may be possible to obtain search warrants in advance of the trial to recover the trade secret. This is significant in that it avoids the need to apply for the often prohibitively expensive civil law equivalent – the Anton Pillar order.

Under the Act and the Proceeds of Crime Act 1991, it is possible for the complainant to receive the equivalent of civil remedies, especially if the offender has profited from use of the trade secret. At a more general level, it is likely that the criminal offence will have a deterrent effect on employees and commercial spies.

Practical steps for employers and manufacturers

In order to maintain business information as a trade secret under both the civil and the criminal law, you must take reasonable precautions to prevent the information becoming generally known to competitors.

As under the general law, employee education and other risk management policies are an important part of trade secret management. Reasonable precautions could include:

- Restricting business information to employees on a “need-to-know” basis.
- Keeping sensitive documents secure, including requiring passwords to access computer files.
- Restricting access to certain areas of production facilities and requiring visitors to sign in and out.
- Ensuring manufacturing contracts include express and comprehensive confidentiality clauses.
- Ensuring employment agreements and contracts for service make the confidentiality of trade secrets an express condition of the contract. Having a contract in place will make it easier for the employee to be found to be criminally liable.
- Conducting entrance interviews to inform and educate employees about trade secrets generally and specifically those that they may encounter in their new job.
- Using exit interviews to review what you consider to be a trade secret and to review the contractual terms of the employee’s agreement in that respect.



Need more information?

For more information on these new criminal offences, please email or call [Daisy Bell](#) on 64 9 916 8372.

Advances in technology prompt proposed changes to Copyright Act

In June 2003, a Cabinet Paper set out the Government's proposals on amendments to the Copyright Act 1994 (the "Act") to take account of advances in digital technology.

The proposed changes recognise that the Act has not kept pace with technological developments in this area and that reform is required if New Zealand is to move closer to compliance with its international obligations.

The Ministry of Economic Development is progressively posting all submissions received on the Cabinet Paper on its website.

"Format shifting" of sound recordings

The proposal that has the New Zealand and international music industries crying foul is the creation of a new exception to infringement of copyright in sound recordings. Effectively, if enacted, it will allow what is known as "format shifting"; the owner of a legitimately acquired sound recording will be able to make one copy of that recording in different formats for his or her personal and domestic use.

The proposal is intended to legalise the practice of "ripping" (the creation of mp3 files or other digital copies of the tracks on a CD), so long as no more than one copy of each track is made in the relevant digital format and it is for personal and domestic use.

It is not surprising that the music industry has been particularly vocal in its opposition to this proposed amendment, particularly as it has been the practice of "ripping" that has allowed peer-to-peer music file sharing via the Internet to undermine the industry's profits.

The Government's response to criticism of this change appears to be that, if made, the change will recognise the fact that format shifting is widespread both in New Zealand and elsewhere and will allow New Zealanders to take advantage of the benefits of digital technology in a way that does not compromise the rights of copyright owners. It is not surprising that the music industry has viewed this response sceptically.

Other significant proposed changes

- *Exception for "transient" copying:* A limited exception to the reproduction right is proposed that would allow the creation of "transient" copies by computers and communication networks. If enacted, this will make it clear that routine and temporary storage in the random access memory (RAM) of a computer of a copyright work in order to execute a program or view a web page will not amount to an infringement of copyright.
- *Recognition of "communication works":* A new class of protected work is proposed. This class is to be known as "communication works" and it is intended to extend the protection currently given to the signals that carry programme content in broadcasts and cable programmes to all communication technologies, including, for example, interactive and on-demand services.
- *Clarification of Internet service providers' ("ISPs") liability:* It is proposed to exempt ISPs from liability for infringement where they merely provide the physical facilities (e.g. a server) that enable infringing conduct to take place. It is also proposed to limit the liability of ISPs for certain types of caching they undertake when providing their services. It is also proposed that where an ISP is hosting infringing material on behalf of a third party, it should only be held liable for secondary infringement under the Act if the ISP knows that the relevant material infringes copyright and fails to take action to remove or disable access to it.
- *Technological protection measures ("TPMs"):* TPMs include devices, mechanisms or systems to protect or restrict the use of media in digital format. They have become commonplace (e.g. encryption of pay television channels; regional zone coding of games and DVDs). It is proposed to amend section 226 of the Act to enable copyright owners to take action on devices, means or information which enable the circumvention of TPMs where that circumvention could enable infringement of any of the copyright owner's exclusive rights, not just copying. However, the Government has indicated that copyright owners should not be able to take action on circumvention devices, means or information where the purpose of the circumvention is to enable a user to exercise a permitted act, or to view or execute a

legitimate non-infringing copy of a work (e.g. a parallel imported region code protected DVD). The creation of a criminal offence for large scale commercial dealing in circumvention devices, means or information is recommended. A penalty of a fine not exceeding \$150,000 and/or five years' imprisonment is recommended for this offence.

- *Electronic rights management information ("ERMI")*: Provisions are also proposed which will prohibit the intentional removal or alteration of ERMI or commercial dealing in copyright material where the dealer knows that the ERMI has been removed or altered. The creation of a criminal offence for such conduct is also recommended.
- *Clarification of the fair dealing exception for news reporting*: This exception is to be clarified so that it is apparent that it will apply to all communication technologies and media, including the Internet.
- *Clarification of the ambit of the research and private study exception*: This exception is to be clarified to make it apparent that it does not authorise the making of more than one copy of a work, or part of a work, on any one occasion.
- *Provisions relating to libraries, archives and museums*: It is recommended that section 55 of the Act be amended to allow libraries, archives and museums to preserve works by digital means, including format shifting where there is a need to preserve works.
- *Extension of the "time-shifting" exception*: The Government is also recommending that section 84 of the Act be amended to apply to all "communication works" (e.g. to web-casts). However, the section is also to be clarified to make it apparent that time-shifted copies of works are only to be kept for as long as is reasonably necessary to enable them to be viewed or listened to. In other words, the section will expressly indicate that time-shifted material cannot be kept indefinitely.
- *New exceptions for decompilation and error correction of software*: An exception is proposed to allow the copying of software to enable a lawful user to obtain the information necessary to create an independent, but not substantially similar, program, where that information is not otherwise readily available. A further exception is also proposed which will allow users to copy or adapt software, where the activity is necessary for the program to be used for its intended purpose (i.e. to correct an error or bug). This exception will only apply if a functioning and error-free version of the software is not available within a reasonable time and at an ordinary commercial price.



Need more information?

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Amendments proposed to Patents Act

Last year, the Government recommended substantial changes to the Patents Act 1953 (the Act) to cope with advances in technology and sciences.

Three papers were released as part of Stage 3 of the Government's review of the Act. The first of the papers considered:

- a. the sufficiency of the definition of the term "invention" in the Act;
- b. whether it is appropriate to retain certain exclusions to patentability in New Zealand (e.g. methods of medical treatment and processes for the generation of human beings);
- c. whether business methods and computer software should be excluded from patentability; and
- d. whether the test for determining whether or not a patent should be granted in New Zealand should be revised.

The second paper dealt with the issues surrounding the patenting of plants and animals, and the patenting of genes.

The third paper recommended the establishment of a Maori Consultative Committee that will be consulted by the Commissioner of Patents where a patent application may impact on Maori rights or interests.

The definition of "invention" in the Act

Section 2 of the Act currently defines an "invention" as:

"any manner of manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies and any new method or process of testing applicable to the improvement or control of manufacture; and includes an alleged invention."

The limits of the current definition have recently been tested by the development of new technologies (e.g. developments in biotechnology and computer software). As a result, the sufficiency of the current definition has been questioned and it has been recommended that in light of such developments it is appropriate to amend the definition by adding to it three further internationally recognised criteria, namely that an invention be novel, involve an inventive step and be useful.

Such an amendment will bring the definition into line with that used in Australia and this harmonisation will allow case law from Australian courts on the interpretation of this definition to be relied on in New Zealand.

Retention of exclusions from patentability

Currently, under section 17 of the Act, the Commissioner of Patents will refuse to grant patents that might include humans or processes for their generation within their scope. There is, however, no specific exclusion in this regard in the Act. It is therefore proposed to put this issue beyond doubt by amending the Act by adding a specific exclusion in relation to the patenting of human beings or processes for their generation.

At present, methods of medical treatment of humans are treated by the Commissioner of Patents as not being patentable in New Zealand. However, the position is unclear and because of this it is proposed to amend the Act to include a specific exclusion from patentability for diagnostic, therapeutic and surgical methods for the treatment of humans.

Business methods and computer software

There being no strong arguments against the patentability of business methods and computer software and patentability of these being broadly consistent with the approach taken in other jurisdictions, the Government has concluded that business methods and computer software should continue to be patentable in New Zealand, so long as they fall within the definition of "invention".

Changes to the test for granting a patent

Under the current Act, the Commissioner of Patents can only refuse to grant a patent application if it is “practically certain” that if a patent was granted it would be invalid. As a consequence of this, many granted patents may be invalid but go unchallenged because of the significant costs associated with invalidity actions. This is thought to be unjust (and to have associated economic costs). Accordingly, it is proposed that the Act be amended so that patents will only be granted if, on the balance of probabilities, the requirements for patentability are met.

How should patent applications for plants and animals be dealt with?

The Government intends to amend the Act to allow patents to be granted for plants and animals subject to a requirement that the Commissioner of Patents refuse patent claims if he or she considers that the commercial exploitation of the claimed invention will be “contrary to morality or ordre public”, or prejudicial to plant life, or human or animal health, or to the environment.

What about plant varieties?

It is also recommended that plant varieties should be specifically excluded from patentability to avoid double protection of plant varieties under the Act and the Plant Variety Rights Act 1978 in breach of New Zealand’s obligations under the 1978 UPOV Convention.

The patentability of genes

Under the Act, genes and parts of genes are patentable in New Zealand. However, overseas experience, particularly in the United States and the European Union, has demonstrated that there needs to be a requirement for applicants to show that there is a credible, specific and substantial use for the claimed gene before a patent issues.

If there is not, a patent that claims a gene will be open to the criticism that it covers no more than a discovery. Accordingly, it is proposed that utility, or usefulness, is to be a specific criterion that will need to be satisfied prior to the grant of such patents in New Zealand.

The Maori Consultative Committee (the “MCC”)

This proposal appears to have had its genesis in the Royal Commission on Genetic Modification which considered that an established system of consultation with Maori in relation to patent applications was “overdue”.

The functions of the proposed MCC will be limited to the provision of advice to the Commissioner of Patents as to whether:

- a. an invention claimed in a patent application is derived from or appears to be derived from traditional knowledge or indigenous plants and animals; and/or
- b. the commercial exploitation of such an invention is or is likely to be contrary to Maori values.

It is important to note that the final decision regarding the patentability of any invention remains with the Commissioner of Patents. Given the recommended functions of the MCC, it has been suggested that it would be appropriate if its members had expertise in Maori traditional knowledge (particularly in respect of flora and fauna) and Maori protocol and culture. It has also been suggested that members should possess scientific, technological and commercial expertise.



Need more information?

For more information on any of the cases, articles and features in *Intellectual Property Update*, please email or call [Garry Williams](#) on 64 9 916 8661.

Government reviews performers' rights

As part of its on-going appraisal of New Zealand's intellectual property legislation, the Government has completed its review of New Zealand's performers' rights regime.

The Government's recent review considered whether the current regime is adequate to create an economic incentive for public performance; and given developments in digital technology.

The review concluded that the extent of performers' rights in New Zealand should not be substantively extended at this time.

However, it also recommended that the rights should be reviewed again in the future under the terms of the World Intellectual Property Organisation's (WIPO) Performances and Phonograms Treaty 1996 (WPPT) and the proposed WIPO Audiovisual Performances Treaty (WAPT).

Such a review would also allow New Zealand to consider how other like jurisdictions (e.g. the US, the UK and Australia) have changed their performers' rights regimes to take account of their international obligations.

The review also considered whether New Zealand should accede to the WPPT and the proposed WAPT, if concluded.

Performers' rights were introduced into New Zealand law when the Copyright Act 1994 was passed. Their introduction was intended to enable New Zealand to comply with its obligations under the TRIPS Agreement.

Designed primarily to enable performers to stop the sale of bootleg copies of their performances, performers' rights provide performers with limited economic rights to control the exploitation of their performances when they have not given consent to exploitation.

Performers' rights subsist in the following types of performances:

- a dramatic performance, including a dance, a mime, and a performance given with the use of puppets;
- a musical performance;
- a reading or a recitation of a literary work; and
- a performance of a variety act or any similar presentation.

It is an infringement of performers' rights in a "live performance" to, without consent:

- make a recording of a live performance;
- broadcast it live; or
- include it live in a cable programme.

It is also an infringement of performers' rights to deal in the following ways with a recording of a performance that has been made without the performer's consent:

- to show or play such a recording in public;
- to broadcast such a recording or include it in a cable programme;
- to copy such a recording; or
- to import, possess or otherwise deal with the recording in the course of business.



Need more information?

For more information on any of the cases, articles and features in *Intellectual Property Update*, please email or call [Garry Williams](#) on 64 9 916 8661.

“Ethical” hacking affected by recent changes to Crimes Act

With computer hacking now a criminal offence, companies providing “ethical” hacking services to test system security should take steps to avoid liability.

The Crimes Amendment Act 2003 (the “Act”), which came into force on 1 October 2003, has made certain conduct involving the use or access of computers systems illegal.

In particular the intentional access of a computer system without authorisation, more commonly known as “hacking”, is now a criminal offence. These provisions will be relevant to companies who engage in “ethical” hacking in order to test the security of their clients’ computer systems.

The definition of “computer system”

The term “computer system” is given a wide definition under section 248 of the Act and encompasses standalone computer terminals and computers linked remotely or to a network. The definition also extends to components which may not normally be regarded as being part of a computer system, such as software and stored data.

The inclusion of communication links between computers or remote terminals in the definition of a “computer system” suggests the definition may include Internet Service Providers (ISPs). Consequently, it will be prudent for those seeking to undertake ethical hacking to obtain express authorisation from relevant ISPs before attempting to gain access to a client’s computer system.

The width of the definition means that on occasions there may be other parties from whom it will be necessary or wise to obtain authorisation, e.g. where two (or more) linked computers are used by two (or more) different parties, but comprise one “computer system” under the Act. Unhelpfully, the Act provides no definition of “authorisation”.

The offence

The principal provision of the Act for those carrying out ethical hacking is section 252. This prescribes a maximum two-year sentence for anyone who intentionally accesses, directly or indirectly, any computer system without authorisation.

The section is invoked if either the person conducting the hacking knew that they were not authorised to access the system or were reckless as to whether or not they were authorised to do so. The provisions, however, do not apply if a person is authorised to access a computer system then accesses it for a purpose other than the one for which they were given access.

“Authorisation”

In order to avoid liability under section 252, those undertaking ethical hacking must obtain authorisation when accessing a client’s computer system. As previously mentioned the Act does not prescribe the form of the authorisation which is required to be given, for example, whether it is necessary for it to be in writing. Nor does it require that it be given by any particular person. Those undertaking ethical hacking, however, should consider several factors when obtaining authorisation to access a computer system. Given this, authorisation should be obtained in writing.

Authorisation to access a computer system should also be obtained from a person who has authority to give it, so that there can be no doubt that it has been properly authorised. Generally authorisation from a person with the requisite delegated authority will suffice. However, given that authorisation is the only protection from breaches of the Act, if any doubt arises as to the scope of that person’s authority it should be clarified.

Finally the authorisation sought should cover the full scope of the access given to the relevant system and refer to the purpose for which it has been granted. Care should be taken if there is a possibility that the relevant system is not owned by the client, or not solely operated by the client, or is comprised of components owned or used by more than one party.

In such cases it may be necessary, and would be wise, to obtain authorisation from all relevant parties. Ethical hackers should consider the nature of the computer system before accessing it and, if it appears

that the authority of any other party might be required to access the system, it would be prudent to obtain it.

The recent changes to the Crimes Act 1961 now mean that those approached to undertake ethical hacking should consider a number of factors in order to avoid prosecution under the new computer offences. In particular, consideration should be given to the nature of the system required to be accessed, from whom authorisation should be sought, and the scope of the authorisation granted.



Need more information?

For more information on the Crimes Act changes that will affect ethical hacking, please email or call [Elizabeth Gambrell](#) on 64 9 916 8830.

“Television broadcast” defined by copyright case in Australian courts

Australia's largest TV channels have taken a debate over copyright infringement all the way to the High Court.

In the recent decision *Network Ten Pty Limited v TCN Channel Nine Pty Limited* [2004] HCA 14 (11 March 2004) the High Court of Australia was required to determine, in an age of continuous broadcasting, what constitutes a “television broadcast” for the purpose of copyright infringement under the *Copyright Act 1968* (Cth) (the “Act”).

Under the Act, a television station's broadcasts are protected. If someone, other than the copyright owner, reproduces all or a “substantial part” of a broadcast they will be liable for a copyright infringement. In this instance Nine alleged that Ten infringed its copyright when Ten used 20 extracts from various programmes previously broadcast by Nine. The extracts which aired in the Ten programme “*The Panel*” ranged from eight to 48 seconds in length.

At trial, Conti J of the Federal Court found Ten had not infringed Nine's copyright in the relevant broadcasts – but on appeal the Full Federal Court overturned Conti J's decision. They held that a singular visual image shown on television and accompanying sound constituted a broadcast in which copyright could subsist.

The High Court of Australia, however, disagreed with the Full Federal Court. In the High Court, Ten successfully argued that the Full Federal Court has misinterpreted the meaning of a “television broadcast” in the context of a copyright infringement. Ten alleged that the approach of the Full Federal Court ignored the requirement under the Act that a copyright infringement of a broadcast required reproduction of all or a “substantial part” of the work.

The High Court upheld Ten's appeal (by a 3:2 majority). The Court found that the approach of the Full Federal Court ignored the question of whether a “substantial part” of the broadcast had been reproduced giving a “very artificial meaning” to the term “television broadcast”. Furthermore, this placed broadcasters in a privileged position compared to other owners of material whose works are protected under the Act and may have been used in the production of the television broadcast.

The majority found that, while “*there can be no absolute precision as to what if any of the infinite possibility of circumstances will constitute a ‘television broadcast’*”, they agreed with the trial judge that programmes and advertisements constituted ‘broadcasts’ for the purposes of the Act.

Although Ten were successful in overturning the Full Federal Court's expansive definition of “television broadcast”, the case has been remitted to the Full Federal Court for determination of the remaining issues. In particular the Full Federal Court is required to determine whether the eight to 42 second segments of the programmes which were used by Ten constitute a “substantial part” of each of Nine's broadcast in which copyright resides. In each case this will be determined as a matter of fact and degree.



Need more information?

For more information on copyright ownership of television programmes, please email or call [Elizabeth Gambrell](#) on 64 9 916 8830.