

THE MORAL OF THE STORY: MORAL RIGHTS IN AUSTRALIA SEVEN YEARS ON

It has been over seven years since moral rights were introduced in Australia under the *Copyright Amendment (Moral Rights) Act 2000*. Moral rights protection has since been extended to performers in July 2007, and the feasibility of recognising and protecting moral rights for Indigenous communities has been under consideration for a number of years.

Despite these developments and the occurrence of various disputes involving moral rights, there has been only one case, *Meskenas v ACP Publishing Pty Ltd* [2006] FMCA 1136,¹ in which infringement of moral rights has been successfully established under the new provisions.

This article looks at the state of play in relation to moral rights in Australia and how this might influence the way in which agencies deal with and manage moral rights. In particular, it considers the nature of moral rights, moral rights disputes under the new regime, managing moral rights and future directions.

Nature of moral rights

Moral rights are the personal, non-economic rights of authors in relation to their creations. They are considered to be rights relating to the expression of an author's 'personality' and are distinct from an author's right to commercially exploit their creations.²

Moral rights are conferred upon individuals rather than departments, agencies or corporate entities. Significantly, they cannot be assigned or transmitted. This means that authors will continue to enjoy moral rights protection even though another party owns copyright in the relevant material. This has implications for the management of moral rights by agencies.

Moral rights that are protected

Amendments to the *Copyright Act 1968* (the Copyright Act) on 21 December 2000 introduced the first comprehensive moral rights regime in Australia for the authors and creators of 'works'³ and films.⁴ Specifically, these rights are:

- the right of attribution of authorship
- the right against false attribution of authorship
- the right of integrity of authorship (that is, the right not to have a work subjected to 'derogatory treatment' which is prejudicial to an author's honour or reputation).

Moral rights protection was also recently extended to 'performers' on 26 July 2007 when the *WIPO Performances and Phonograms Treaty*⁵ entered into force



Rachel Chua Senior Executive Lawyer
T 02 6253 7086 F 02 6253 7306
rachel.chua@ags.gov.au

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for Australia.⁶ The moral rights of ‘performership’ cover ‘live’ and recorded performances consisting of sounds, and are generally equivalent to the moral rights of ‘authorship’ given for works and films, except that the moral right of integrity for performers appears to be more limited in scope.⁷

Moral rights apply to most works in which copyright subsists, irrespective of when they were created,⁸ and generally continue for the duration of copyright protection in the relevant material.⁹ However, only acts or omissions occurring on or after commencement of the relevant provisions have the potential to infringe moral rights.

The two main defences to moral rights infringement are ‘consent’ and ‘reasonableness’.¹⁰ However, there are also special defences to infringement—for example, where changes are made to a building in circumstances in which the owner of the building notifies and consults in good faith with the architect over a six-week period.

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Moral rights disputes under the new regime

There have been a number of disputes involving moral rights in Australia since their introduction in 2000.¹¹ Some of the more controversial disputes are discussed below.

National Gallery of Australia

The proposed renovations to the National Gallery of Australia gave rise to the first major controversy back in June 2001 when Col Madigan, the principal architect of the Gallery, became aware of plans to add a multi-storey glass enclosure to the front entrance of the building and to make other changes. Madigan strongly objected to the changes proposed and the Gallery undertook the notification and consultation process for buildings in order to avoid moral rights infringement. However, despite there being no legal requirement to do so, the Gallery continued its discussions with Madigan in an effort to reach a mutually acceptable position. Renovations to the Gallery commenced last year.¹²

The Garden of Australian Dreams

In 2003, the Carroll Report¹³ on the National Museum of Australia sparked controversy when it recommended that alterations be made to the Museum’s Garden of Australian Dreams. The Garden is described by the Museum as a ‘symbolic landscape’. It features a montage of images and concepts such as the dingo fence, explorer’s tracks, a map of the linguistic boundaries of Indigenous Australia and the word ‘home’ repeated in 100 different languages.¹⁴ The Carroll Report’s proposal to add lawn, trees, reproductions of Aboriginal rock art and a sundial to the Garden led to threats by landscape architect Richard Weller to take action against infringement of his moral rights. Weller considered that the changes proposed were ‘offensive to [his] artistic integrity’ and ‘[made] a complete mockery of the entire process by which the [Garden] was chosen and created’.¹⁵ The proposed changes never proceeded.

Pig ‘n’ Whistle pub

In a similar vein, the well-known architect Harry Seidler took legal action in 2003 in relation to changes made to the premises of the Pig ‘n’ Whistle pub located at Seidler’s Riverside Centre in Brisbane. The owner of the pub had installed a glass fence and canopy to protect customers from the wind. He also included signage featuring a trumpet-playing pig in neon lights.¹⁶ Seidler considered the changes offensive to the building’s geometry and the signage

‘vulgar’ and claimed infringement of his moral rights.¹⁷ The matter was settled on a confidential basis but apparently required an acknowledgment that Seidler was not involved in the design of the pub.¹⁸

Ogawa v Spender

In the 2006 case of *Ogawa v Spender* [2006] FCAFC 68, the appellant argued unsuccessfully that the reproduction of her emails in a judgment was a breach of her moral rights. The respondent judge in that case was held entitled to rely on the defence of judicial immunity despite the absence of an applicable defence under the Copyright Act itself.

Meskenas v ACP Publishing Pty Ltd

There has been only one case under the new moral rights provisions in which moral rights infringement has been successfully established. That case is *Meskenas v ACP Publishing Pty Ltd* [2006] FMCA 1136. It concerns the publication of a photograph of Her Royal Highness Crown Princess Mary of Denmark standing in front of a portrait of the late Dr Victor Chang during her visit to the Victor Chang Cardiac Research Institute in 2005. The photo was published in March 2005 in the Australian *Woman’s Day* magazine, which is owned by ACP Publishing.

Woman’s Day wrongly attributed authorship of the painting to Jiawei Shen—a competitor of the real artist, Vladas Meskenas. While a personal apology was given by the chief subeditor, the magazine allowed the misattribution to go uncorrected for over a year despite numerous appeals from Meskenas for a formal retraction and apology. When this was finally published in late June 2006, some 90 phone calls later and just a short time before the hearing, it showed the photograph and the painting reproduced in it *in reverse*, adding to the artist’s distress. The reversal of the photograph arguably constituted a further breach—this time of the artist’s moral right of integrity.

ACP Publishing was ultimately liable for infringement of Meskenas’s moral rights of attribution of authorship and against false attribution of authorship. Nominal damages of \$1,100 were awarded for economic loss. But additional or aggravated damages of \$8,000 were also awarded for the additional hurt caused to Meskenas as a result of the magazine’s conduct after it became aware of its mistake.

What is notable in the case is that the court essentially held that damages payable for moral rights infringement are comparable to those payable for copyright infringement and that, in particular, the principles used to work out additional or aggravated damages for moral rights infringement are the same as those applicable in copyright cases.

Managing moral rights

The above disputes illustrate the importance of giving appropriate consideration to moral rights when dealing with copyright material. From an agency perspective, it is important to be aware that, even when an agency owns copyright, has a licence to use copyright material or can rely on some other defence to copyright infringement, it must still consider moral rights because these rights remain with the author.

For example, where the Commonwealth relies on its statutory licence under s 183 of the Copyright Act to use third party material ‘for the services of the Commonwealth’ or upon a ‘free use’ defence to copyright infringement, it will still need to consider moral rights and manage these effectively in order to avoid infringement.

There has been only one case in which moral rights infringement has been successfully established.

Where an agency owns copyright, it must still consider moral rights because these remain with the author.

Accordingly, agencies should make sure that they obtain appropriate moral rights consents or otherwise take steps to increase the chances that they can rely on the defence of reasonableness in their use, alteration or non-attribution of copyright material or performances. These defences are discussed in further detail below.

‘Consent’

As noted previously, one of the two main defences to infringement of moral rights is that the author or performer has consented to the relevant act or omission. The consent must be in writing and cannot be obtained by duress or by false or misleading statements.

However, agencies should be aware that the requirements for a valid moral rights consent appear to differ across three broad categories. Those categories are:

- (i) films, works included in films and performances
- (ii) employee works, films and performances
- (iii) non-employee, non-film works.

Films, works included in films and performances

Consents relating to films, works included in films and performances can be broad in scope. Such consents may relate to *all or any acts or omissions* occurring before or after the consents are given and may concern specified existing films, works or performances, or future films, works or performances of a particular description.

Employee works, films and performances

Similarly, consents relating to employee works, films and performances may also be broad in scope. They may cover all or any acts or omissions occurring before or after the consents are given and may relate to *all* existing or future works or films made, or future performances given, by an employee in the course of their employment.

However, employee consents for *non-film* works must also be ‘genuinely given’.¹⁹

Non-employee, non-film works

By contrast, broad consents may not be validly given in relation to non-film works which are not made in the course of an author’s employment (such works would include those produced by contractors). In order to be valid, these consents must specify the existing or future works *and* the particular acts or omissions to which they relate. The consents must also be ‘genuinely given’.

It is unclear precisely how the consent requirements will be interpreted by courts and how ‘specific’ consents will need to be in order to be valid—particularly those relating to non-employee, non-film works. In view of this, agencies should aim to obtain moral rights consents that are as specific as possible.

Moral rights clauses used in agency agreements typically allow for particular works and acts or omissions to which a consent relates to be set out in a schedule to the relevant agreement, and agencies should take care to complete the schedule item in as much detail as possible.

In addition, given the recent extension of moral rights protection to performers, agencies should consider whether their standard moral rights clauses will need to be updated to cover performances.

Agencies should make sure that they obtain appropriate consents or otherwise take steps to increase the prospects that they can rely on the defence of ‘reasonableness’.

'Reasonableness'

'Reasonableness' is the second major defence to infringement of the moral rights of attribution and integrity. This defence applies if it was reasonable in all of the circumstances not to attribute the author or performer or to subject the work or performance to derogatory treatment, as the case may be.²⁰ However, the defence of reasonableness does not apply to the right against false attribution.

The Copyright Act sets out a non-exhaustive list of factors to consider in determining whether an act or omission is reasonable. These factors include the nature and purpose of the work or performance, the manner or context of use and the existence of any industry practice. However, none of these factors should be looked at in isolation—nor are they the only factors necessarily considered in assessing reasonableness.

Moral rights policies for agencies

In view of the above considerations and the fact that agencies²¹ are required to have their intellectual property (IP) policies in place by 1 July 2008, each agency should also consider developing a moral rights policy as part of its IP policy. The moral rights policy could identify common situations which arise in dealing with copyright material or performances created by employees and/or contractors and define a preferred approach to dealing with moral rights in each of these situations.

The moral rights policy should be circulated amongst employees and, where applicable, contractors. If an agency then acts in accordance with its moral rights policy in dealing with copyright material or performances, it should be better placed to rely on the defence of reasonableness.

An agency could further strengthen its position by having its employees and, where appropriate, contractors sign acknowledgments that they have been made aware of the agency's moral rights policy. This kind of acknowledgment is already part of some standard moral rights clauses used in agency agreements.

Reliance on the defence of reasonableness could be a fallback position in circumstances where a written consent is ultimately held to be invalid by a court.

Agencies should consider developing moral rights policies as part of their IP policies.

Future directions

Indigenous communal moral rights

The feasibility of recognising and protecting Indigenous communal moral rights has been under consideration for a number of years.

Moral rights protection for Indigenous communities was on the previous government's legislative agenda.²² The aim of these reforms was to allow Indigenous communities to take legal action against inappropriate use of copyright material which embodies traditional community knowledge and wisdom. For Indigenous communal moral rights to be protected, the proposed reforms were stated to require a voluntary agreement between the creator of the work and the Indigenous community.²³ However, while the Indigenous Communal Moral Rights Bill was listed for introduction in last year's sittings of Parliament, it was never formally introduced.²⁴

Whilst in opposition, the current Labor government indicated that it would consider implementing the recommendations of the *Report of the Contemporary Visual Arts and Craft Enquiry*²⁵ applying specifically to Indigenous

arts practitioners.²⁶ That report recommends that action be taken to extend moral rights to Indigenous groups (recommendation 4). The government also indicated whilst in opposition that it would respond to the recent report of the Senate Standing Committee on Environment, Communications, Information Technology and the Arts entitled *Indigenous Art: Securing the Future—Australia's Indigenous Visual Arts and Craft Sector*.²⁷ This latter report recommends that 'the government introduce revised legislation on Indigenous communal moral rights' (recommendation 24).

Interaction with copyright defences

Another area of future interest relates to the potential interaction between the copyright defences and the defence of reasonableness under the moral rights regime. For example, while the copyright defence of fair dealing for the purposes of parody and satire²⁸ may operate to absolve a party from liability for copyright infringement, it seems possible that the same use of the relevant material could nevertheless infringe an author's moral right of integrity—subject to the operation of the moral rights defences of consent and reasonableness.

It will be interesting to observe the extent to which the establishment of a defence to copyright infringement or circumstances giving rise to such a defence (including factors supporting the finding of a 'fair' dealing) will be considered relevant to establishing the moral rights defence of reasonableness.

Conclusion

Based on recent moral rights disputes, including the first successful action for moral rights infringement in Australia, and the extension of moral rights to performers and possibly also Indigenous communities, it seems that moral rights are assuming an increasingly higher profile and potential significance.

It is therefore important for agencies to consider moral rights when dealing with copyright material even if they are the copyright owners or licensees of that material or have a valid defence to copyright infringement, because moral rights will in all cases remain with the author. In managing moral rights, agencies will need to have regard to how they can best employ the two defences to moral rights infringement of 'consent' and 'reasonableness'. In particular, they will need to ensure that moral rights consents obtained, particularly from contractors, are as specific as possible to increase the prospects that they will be valid.

As agencies must each have an IP policy in place by 1 July 2008, they should also seek to develop a specific moral rights policy as part of this process. Developing and implementing a moral rights policy will assist agencies to manage moral rights more effectively, and to defend their use of copyright material as 'reasonable'.

In conclusion, it seems evident that moral rights have become increasingly important for agencies to consider. Agencies should accordingly put in place appropriate mechanisms to ensure effective management of moral rights which will in turn minimise their risk of liability for infringement.

Another area of future interest lies in the interaction between copyright defences and the moral rights defence of 'reasonableness'.

Agencies should put in place appropriate mechanisms to ensure effective management of moral rights.

Rachel Chua is co-leader of AGS's national Technology and IP network. She regularly advises agencies on complex legal issues relating to protection and management of IP, and also acts for agencies in significant IT procurement and contracting matters. Rachel has a particular interest in strategic IP management and technology-related legal issues.

Notes

- 1 This case is discussed further on p 3.
- 2 See S Ricketson and C Creswell, *The Law of Intellectual Property: Copyright, Design & Confidential Information* (looseleaf, Lawbook Co), para [10.10]; M Sainsbury, *Moral Rights and their Application in Australia* (2003), p 2.
- 3 Namely, literary, dramatic, musical and artistic works under the Copyright Act.
- 4 Prior to these amendments, the original s 190 of the Copyright Act imposed a duty not to falsely attribute authorship of a work.
- 5 World Intellectual Property Organisation, CRNR/DC/95 (adopted in Geneva on 20 December 1996).
- 6 See *US Free Trade Agreement Implementation Act 2004* (Cth). The new rights are the rights of attribution of performership, the right not to have performership falsely attributed and the right of integrity of performership.
- 7 Specifically, the right applies only to actions that result in a material distortion or mutilation of, or a material alteration to, a performance—it does not extend to doing ‘anything else’ that is prejudicial (for example, inappropriate contextual treatment). Also, it is only possible to look at prejudice to the performer’s ‘reputation’ (as opposed to their ‘honour or reputation’) in determining prejudice.
- 8 However, the rights of attribution and integrity apply only to films produced on or after 21 December 2000. In addition, moral rights subsist only in performances where the corresponding ‘live’ performance occurred on or after 26 July 2007.
- 9 This is usually the life of the author plus 70 years—except that the moral right of integrity for films and recorded performances continues until the author dies.
- 10 See further discussion on pp 4-5. The defence of reasonableness does not apply to infringement of the moral right against false attribution of authorship.
- 11 This article does not consider cases relating to false attribution of authorship under the previous s 190 of the Copyright Act.
- 12 See the National Gallery of Australia website, <http://www.nga.gov.au/AboutUs/press/expansion2.CFM>
- 13 *Review of the National Museum of Australia, Its Exhibitions and Public Programs: A Report to the Council of the National Museum of Australia* (J Carroll, R Longes, P Jones and P Vickers-Rich, 2003).
- 14 See the National Museum of Australia website at www.nma.gov.au
- 15 G Safe, ‘All’s not well in the garden of dreams’, *Weekend Australian*, 19 July 2003.
- 16 E Farrelly, ‘Genius doesn’t mean pleasure’, *Sydney Morning Herald*, 11 November 2003.
- 17 Ibid.
- 18 Ibid.
- 19 It is not clear how this requirement differs from the requirement that a consent cannot be obtained by duress.
- 20 ‘Derogatory treatment’ is quite a broad concept which potentially encompasses any alteration to a work, or use of a work in a context different to that originally envisaged, which the author considers to be prejudicial to their honour or reputation. Such treatment could nevertheless be reasonable depending on the circumstances—for example, in the case of relatively minor editorial alterations or reproduction of an excerpt for the purposes of literary criticism.
- 21 Specifically, the agencies affected are those subject to the *Financial Management and Accountability Act 1997*.
- 22 An exposure draft of the Copyright Amendment (Indigenous Communal Moral Rights) Bill 2003 was distributed for comment on a confidential basis to a limited number of stakeholders in December 2003. Amendments were made last year to streamline and simplify the bill.

- 23 Senator the Hon R Alston, the Hon D Williams MP and the Hon P Ruddock MP, 'Indigenous communities to get new protection for creative works', joint media release, 19 May 2003. http://www.dbcde.gov.au/Article/0,,0_4-2_4008-4_114525,00.html
- 24 See 'Legislation proposed for introduction in the 2007 Autumn sittings' (<http://web.archive.org/web/20070426092247/www.dpnc.gov.au/parliamentary/index.cfm>); and 'Legislation proposed for introduction in the 2007 Spring sittings', from the Parliament House of Australia website.
- 25 *Report of the Contemporary Visual Arts and Craft Enquiry* (R Myer (Chairman), 2002): http://www.arts.gov.au/_data/assets/pdf_file/12087/Report_of_the_Contemporary_Visual_Arts_and_Craft_Inquiry.pdf
- 26 *Federal Labor Arts Policy Discussion Paper* (30 July 2006): http://www.alp.org.au/download/now/federal_labor_arts_policy_discussion_paper.pdf
- 27 June 2007. See also the *Official Newsletter of the Australian Indigenous Art Trade Association*, November 2007.
- 28 Copyright Act, s 41A.

SOURCEIT: SUMMARY OF INTELLECTUAL PROPERTY PROVISIONS

On 28 May 2007, the Australian Government Information Management Office (AGIMO) of the Department of Finance and Administration released Version 2 of the SourceIT model contracts and user notes. The purpose of this article is to provide a brief summary of the approach the model contracts take to intellectual property issues.

Background

The SourceIT model contracts were first issued on 31 May 2006 in response to a review of the Government Information Technology Contracting (GITC) templates conducted by AGIMO in 2005. This review showed that, while there were some problems with the GITC documents, there was strong interest among agencies in the existence of a suite of model ICT contracts. Following the issue of Version 1 of the SourceIT model contracts, further consultation and review of the documents was undertaken, and Version 2 was issued on 28 May 2007.

Use of the SourceIT model contracts is not compulsory; however, AGIMO encourages both *Financial Management and Accountability Act 1997* (FMA Act) and *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies to use the model contracts for simple ICT procurements.¹ In relation to more complex ICT procurements, AGIMO advises that GITC4 can continue to be used as the basis for developing the contracts.²

SourceIT model contracts

There are four SourceIT model contracts and each is accompanied by separate user notes. They are:

- ICT Consultancy Services Contract
- Licence Contract—Commercial Off The Shelf (COTS)³ Software
- Licence and Support Contract—COTS Software
- Hardware Acquisition and Maintenance Contract.

Definitions

The SourceIT model contracts contain a number of standard defined terms, with common or at least similar definitions across all model contracts. These definitions reflect terms that are commonly used in many contracts and other templates that may be used by an agency. As with any template document, it is important that the definitions are carefully reviewed prior to using a SourceIT model contract; while the term itself may be one that agency personnel are familiar with, there may well be subtle (or not so subtle) differences in the wording of the definition. It is important that the exact scope of a defined term is understood, as this will obviously have a significant impact on the meaning and operation of the operative clauses in which the term is used.

Some issues that agencies should note in relation to the defined terms are as follows:⁴

- The definition of 'Intellectual Property Rights' does not include a reference to confidential information or confidential material. This is appropriate, as the term is used in clauses dealing with the ownership of or the right to use an asset, whereas confidential information is concerned with the disclosure of information, independent from who may own any intellectual property rights in material that contains the confidential information (there are separate clauses dealing with confidentiality).



Kenneth Eagle Senior Executive Lawyer

T 03 9242 1290 F 03 9242 1481

kenneth.eagle@ags.gov.au

AGIMO encourages both FMA and CAC Act bodies to use the model contracts for simple ICT procurements.

- The term ‘Contract Material’ covers Material created by the Contractor for the purpose of or as a result of performing its obligations under the Contract.
- The term ‘Auxiliary Material’ deals with Material ‘made available’ by a party for the purposes of the relevant Contract. In many contracts, the term ‘Background Material’ is used to describe this concept.
- ‘Customer Material’ refers to Auxiliary Material that is provided by the Customer (that is, the agency). The definition includes a reference to the list of this Material that is to be included in the Contract Details. It is important to note that this list is not exhaustive: it is not necessary for the Material to be included in this list for it to fall within the scope of the definition.
- The term ‘Third Party Material’ covers Auxiliary Material in which a third party holds the Intellectual Property Rights.

As noted above, it is important that agencies carefully review these definitions before using the SourceIT model contracts. In particular, the scope of and interaction between Contract Material, Auxiliary Material, Customer Material and Third Party Material should be clearly understood.

ICT Consultancy Services Contract

The ICT Consultancy Services Contract provides for two ownership models. Under one, the Customer (that is, the agency) will own the Intellectual Property Rights in the Contract Material.⁵ Under the other, the Contractor will own the Intellectual Property Rights in the Contract Material. The selection of the model that will apply is achieved by including the appropriate detail in the Contract Details. If no selection is made in the Contract Details, the default position is that the Customer will own the Intellectual Property Rights in the Contract Material.

Under both models, ownership of Intellectual Property Rights in Auxiliary Material is not affected. However, the Contractor is required to grant or arrange licensing of Auxiliary Material (including any Third Party Material) provided by the Contractor ‘to the extent that the Customer needs to use the Auxiliary Material to get the full benefit of the Services, including the Contract Material’. While this licence allows for sublicensing, it does not allow for the ‘exploitation’ of the Auxiliary Material ‘for commercial purposes’ by the Customer.

Where the Customer is to own Intellectual Property Rights in the Contract Material, the Contractor is licensed to use the Contract Material and any Customer Material (including any Third Party Material contained in the Customer Material) for the purpose of performing the Services. It will be important that the agency ensures that it is able to provide such a licence in relation to any Third Party Material contained in the Customer Material prior to providing it to the Contractor.

Where the Contractor is to own Intellectual Property Rights in the Contract Material, the Customer’s licence of the Contract Material is on the same terms as the Auxiliary Material provided by the Contractor—that is, ‘to the extent the Customer needs to use the Material to obtain the full benefit of the Services’—and it is subject to the same restriction concerning commercial exploitation. Importantly, the Contractor’s right to use Customer Material is still only for the purpose of performing the Services. In some situations, the Contractor may seek a broader or longer-term licence of Customer Material: for example, where this would enhance its ability to exploit the Contract Material with other Customers. Care should be taken when considering such a request, particularly where Third Party Material is involved.

The scope of and interaction between Contract Material, Auxiliary Material, Customer Material and Third Party Material should be clearly understood.

Licence Contract—COTS Software

As the name suggests, the Licence Contract—COTS Software is a licence agreement, so ownership of the Intellectual Property Rights in the Software is retained by the Contractor. The licence covers the use of the Software on the 'Existing System' by the 'specified users' and at the 'specified sites' (details of these terms are to be included in the schedule). The licence is more limited than under the ICT Consultancy Services Contract discussed above. In particular, adaptation of the Software is allowed only to the extent that it is necessary to use the Software on the Existing System. The licence covers any Documentation that is associated with the Software. It also addresses making additional copies of the Software and Documentation for backup and security purposes.

As drafted, the Licence Contract—COTS Software provides for an irrevocable licence. If this is amended during contract negotiations, agencies should ensure that they carefully consider the issue of survivorship: will the agency need an ongoing licence for the purpose of maintaining backup copies? The Licence Contract—COTS Software also explicitly refers to assignment of the licence where there is a change in the Administrative Arrangements Orders. Interestingly, this reference covers only the licence that is granted under the Licence Contract; it is not a 'general novation' clause and does not cover all of the rights and obligations under the Licence Contract. Agencies should consider whether a more general clause would be more appropriate.⁶

The Licence Contract—COTS Software provides for the licence to be extended to the Customer's contractors (where this is specified in the schedule) and also extends to a third party provider of IT support services where this function has been outsourced by the Customer.

Other important features of the Licence Contract—COTS Software include:

- a prohibition on 'reverse engineering'
- a requirement for the Customer to take 'reasonable care' to prevent unauthorised use
- a requirement on the Customer to maintain a log of the number and location of any copies of the Software
- a right for the Contractor to conduct annual audits of use.

It is important to note that the Licence Contract—COTS Software does not deal with updates, improvements, modifications or new releases, nor does it include any requirement for the source code to be held in escrow or otherwise to be available to the Customer. These issues, however, are covered in the Licence and Support Contract—COTS Software.

It is important to note that the Licence Contract—COTS Software does not deal with updates, improvements, modifications or new releases ...

Licence and Support Contract—COTS Software

The scope of the licence granted under the Licence and Support Contract—COTS Software is broadly similar to that discussed above in relation to the Licence Contract—COTS Software. However, there are some differences. The licence in favour of the Customer is limited to use that is 'solely for the benefit of the Customer'. Another difference is that the Contractor is required to provide 'reasonably required assistance' to any outsourced provider of IT support services to the agency at no extra cost. Depending on what level of assistance is going to be required in a particular case, it may be worth clarifying (both with the Contractor and the outsourced provider) exactly what 'reasonable assistance' is to be provided.

As the name suggests, this model contract covers the support of the Software by the Contractor. It also contains provisions dealing with the placement of source code in escrow, with the option of using the Contractor's own escrow

arrangements. The Licence and Support Contract—COTS Software also deals with the provision of updates and new releases. Importantly, while there is a requirement on the Contractor to provide the Customer with details of any updates or new releases, there is no obligation on the Customer to ‘take up’ a new release. Any decision not to take up a new release does not affect the Contractor’s obligation to continue to provide the support services. Care should be taken when considering any amendments to these provisions if they are proposed by a potential Contractor. If a new release is taken up by the Customer, there is an obligation on the Customer to destroy any superseded versions when they are ‘no longer required’. This concept is not further defined: a significant issue here is the extent to which superseded versions may be required for backup or archive retrieval purposes.

While there is a requirement on the Contractor to provide the Customer with details of any updates ... there is no obligation on the Customer to ‘take up’ a new release.

Hardware Acquisition and Maintenance Contract

The Hardware Acquisition and Maintenance Contract covers the sale and purchase of Hardware; it does not cover the leasing of Hardware. The obligation is on the Contractor to deliver and install the Hardware. The Hardware Acquisition and Maintenance Contract also contains provisions dealing with:

- Acceptance Testing
- remediation of problems
- a Warranty Period of 90 days
- the provision of Maintenance Services during the Support Period.

The Hardware Acquisition and Maintenance Contract also provides for the implementation of ‘engineering changes’ and upgrades. In a similar way to the arrangements set out in the Licence and Support Contract—COTS Software, the Customer is not obliged to take up an upgrade, unless it is ‘classified by the manufacturer as mandatory for safety reasons’. And, as with the Licence and Support Contract—COTS Software, a decision by the Customer to not take up a non-mandatory upgrade does not affect the obligation on the Contractor to provide Maintenance Services. This can be overridden in the Contract Details, and any proposal by a potential Contractor in this regard should be carefully considered.

The provisions dealing with intellectual property are similar to those contained in the ICT Consultancy Services Contract except that the assumption is that the Contractor will own any Intellectual Property Rights in Contract Material. The Customer is licensed to use the Contract Material and Auxiliary Material ‘to obtain the full benefit’ of the Deliverables (that is, the Hardware and any associated Documentation and so on). The Customer is entitled to sublicense these rights; however, the Customer’s licence does not extend to ‘exploitation for commercial purposes’.

Summary

The SourceIT model contracts are intended for use in simple ICT procurements. The model contracts would not be appropriate for more complex or highly integrated procurements, where there is likely to be a significant amount of customisation, or where it is proposed that hardware is to be leased. While use of the model contracts is not compulsory, AGIMO encourages all FMA Act and CAC Act bodies to use them.

As with any template, agencies should carefully review a model contract before using it, to ensure they fully understand its scope and operation. This careful approach should also be taken in relation to any amendments that may be proposed by a potential contractor.

Kenneth Eagle practises in the areas of commercial law, including competitive tendering and contracting, contract drafting, risk allocation and management, as well as intellectual property, including technology development and licensing agreements. In addition, he has gained expertise in handling complex legal issues and processes through his involvement in major privatisation and corporatisation projects.

Notes

- 1 <http://www.finance.gov.au/SourcelT/faq.asp>
- 2 <http://www.finance.gov.au/SourcelT/faq.asp>. AGIMO advises that GITC4 is being reviewed and indicates that it is possible that additional model contracts will be developed as part of the SourcelT suite. It is also important to note that the current version of GITC4 does not address some of the more recent Commonwealth procurement policy developments (for example, the cessation of the Endorsed Supplier Arrangements). Care should therefore be taken when using the existing GITC4 documentation.
- 3 COTS refers to products that are generally available from the relevant vendor rather than a product that is being purpose-built or developed by the vendor.
- 4 Using the terms as defined in the ICT Consultancy Services Contract. These definitions are broadly consistent across the model contracts; however, there are some differences.
- 5 There are a number of issues that should be considered when deciding which ownership model is appropriate. Discussion of these issues is beyond the scope of this article. For a discussion of the Commonwealth policy on intellectual property ownership (among other things), refer to: http://www.ag.gov.au/www/agd/agd.nsf/Page/Copyright_CommonwealthCopyrightAdministration_StatementofIPPrinciplesforAustralianGovernmentAgencies
- 6 Although note the possible application of s 19C of the *Acts Interpretation Act 1901* (Cth) in this context. This section provides for references to a particular department in an agreement to be taken to be references to another department where that other department takes over the functions of the original department in relation to the subject matter of the relevant agreement.

PROTECTING CONFIDENTIAL INFORMATION

This article looks at a range of practical options that Australian Government agencies can use to protect their confidential information, particularly when seeking to commercialise agency-owned intellectual property.

Confidentiality arrangements

The common law provides protection for confidential information in some cases where an equitable action for breach of confidence can be found. This has limitations and, with respect to the protection of government information, includes a requirement that any disclosure must have been contrary to the public interest.

A more precise and effective way to protect confidential information is to utilise an appropriate combination of legally binding confidentiality obligations: in other words, a confidentiality agreement. Confidentiality agreements provide the opportunity for parties to unambiguously determine the scope and nature of the information which is to be protected, any special measures and procedures to be used to secure the information, and the consequences for unauthorised release of that information.

Why is it important to protect government intellectual property from disclosure?

Government intellectual property—for example, the source code in a software program that has been developed by or for an agency and in which that agency owns the relevant intellectual property rights—can potentially have significant commercial value. If government does not protect this source code from disclosure then third parties may attempt to copy and exploit it, thereby denying government the opportunity to derive royalties or other benefits from the commercial use of that intellectual property.¹

In some circumstances, the value of government intellectual property can be very significant. For example, in the Ordnance Survey case, which is discussed at the end of this article, the value of maps produced by Ordnance Survey (a UK government business entity) and later adapted for use by a commercial organisation in that organisation's own products amounted to many tens of millions of dollars.

Hogwarts Confidential

It is worth noting that confidentiality arrangements would not necessarily be the only line of defence in securing the confidentiality of specific agency information. An example of the breadth of arrangements that could be put in place to protect confidential information is given by the publication and distribution of the book *Harry Potter and the Deathly Hallows*.² The publishers had arranged for a worldwide synchronised release of the book on 21 July 2007 and had published and distributed millions of copies to distributors and retailers. In order to achieve maximum impact, the publishers needed to ensure that copies were not leaked prior to the release date. To do this, they put in place a highly elaborate security operation, which, according to new reports, included:

- contracts with distributors and retailers involving strict confidentiality provisions
- confidentiality undertakings from the publisher's own employees



Adrian Snooks Senior Executive Lawyer
T 02 6253 7192 F 02 6253 7306
adrian.snooks@ags.gov.au

Confidentiality agreements would not necessarily be the only line of defence in securing the confidentiality of specific agency information.

- 24-hour security around published editions of the book
- satellite tracking of distribution vehicles to ensure that there was no deviation from assigned delivery routes
- secure storage precautions, including alarmed pallets
- the threat that lawyers were ready to pounce on anyone who breached an agreement.

Despite this protection, the book was scanned in its entirety and posted on the internet a number of days prior to its release. Given the sheer number of copies printed, perhaps the biggest surprise is that it was not leaked sooner. So the question is: at what point did the confidentiality procedures break down? Was it at the publishing stage—where it is rumoured that publishing staff had to work in semi-darkness to avoid obtaining vital clues about the plotline of the book—or was it at the distribution stage? Perhaps a copy ‘disappeared’³ from a satellite-tracked van to an accomplice on a street corner?

As it turns out, what allegedly happened is that, despite all of the books being packed in boxes which were marked ‘Do not distribute before 21 July 2007’, two US distributors accidentally sent the book out early. When the mistake was realised, the US distributors asked the 1,200 readers who had received their copy early to kindly put the book aside and not read it until 21 July 2007. Not surprisingly, this request was ignored by at least some of the readers—so the lawyers duly pounced and litigation was commenced by the publishers to sue the distributors in question for breach of their confidentiality agreements.

Methods can be used in conjunction or layered to provide additional protection.

This example demonstrates the following:

- There is a wide range of possible methods for protecting confidential information.
- Such methods can be used in conjunction or layered to provide additional protection.
- These methods can be surprisingly effective. Given the massive number of copies published and distributed in the Harry Potter case, it appears that an accidental mistake rather than a deliberate breach led to the breakdown in confidentiality.

In order to provide an overview of how such methods can be used by agencies, this article returns to the situation where an agency owns the intellectual property in a software program, has identified the potential commercial value of the software and intends to seek a commercialisation partner to further develop and commercialise that software.

A possible structure for protecting the confidential intellectual property embodied in the software is as follows:

- If the agency is going out to tender for a commercialisation partner, it should require that the download of the tender, or the component of the tender relating to the confidential information, be contingent on the potential tenderer signing a deed of confidentiality.
- Once a preferred tenderer is selected, it should ensure that the contract with the tenderer includes robust confidentiality obligations.
- It should require confidentiality deeds to be provided by personnel of the contractor and subcontractors who are likely to obtain access to the information.

Confidentiality agreements

A good confidentiality agreement, whether it forms part of a contract or is a stand-alone agreement, should first define the information that needs to be held confidential. It is critical that this confidential information be specified as accurately and in as much detail as possible. That is a requirement of Commonwealth confidentiality policy⁴ and it also improves the chances that truly confidential information is recognised and properly protected.

The agreement should also, in respect to the Commonwealth's confidential information:

- include the purpose for which the commercialisation partner may use the confidential information (for example, that the commercialisation partner may only use the agency's confidential information for the purposes of evaluating commercialisation prospects)
- impose a non-disclosure obligation on the commercialisation partner such that the partner is not permitted to disclose information except as allowed under the agreement
- set out the consequences of a failure to comply, including the potential for breach of Part 10.7 of the *Criminal Code Act 1995* or breach of ss 70 and 79 of the *Crimes Act 1914*. There may also be agency-specific legislation that imposes sanctions for disclosure of the agency's confidential information
- include a requirement on the commercialisation partner to arrange for the provision of confidentiality undertakings from its personnel, including subcontractors and their personnel. This requirement can be linked to a template confidentiality undertaking attached to the agreement; this makes it legally and administratively easier to get the rights that the agency wants rather than having to negotiate an appropriate agreement after the contract is signed when the agency has less bargaining power
- include a requirement to report any breach of the agreement to the agency.

Other optional inclusions are:

- an uncertainty clause that requires the commercialisation partner to seek approval from the agency if it is uncertain as to whether a particular set of information is confidential. This more squarely places the onus on the partner to carefully consider whether information it is provided with is confidential
- requiring the commercialisation partner to limit the release of agency confidential information within the partner's organisation on a need-to-know basis. This could be achieved through the partner providing a list of nominated personnel to whom access may be granted. It could then be approved by the agency and updated as necessary. It need not be limited solely to the commercialisation partner but could also include employees of subcontractors or related entities. This is a particularly valuable method to use where the partner organisation is large or where there are a multitude of related companies that may require access to the information in order to commercialise the intellectual property
- imposing obligations requiring the partner to ensure that its nominated personnel have been informed of the confidential information that requires protection or even trained in how to ensure that information is not used contrary to the agreement with the agency for particularly sensitive information

A good confidentiality agreement ... should first define the information that needs to be held confidential.

- other specific measures to protect the confidential information against disclosure, such as limits on the number of copies or a requirement to store the information in a particular way (for example, in lockable secure storage cabinets or on encrypted electronic media).

AGS has recently finalised a major update of our commercial template agreements. They include a new drafting approach that involves dealing with confidentiality of Commonwealth information as part of the security clause. The advantage of this approach is that it provides a clean and simple way of dealing with two very closely related subjects—as can be seen in the Harry Potter example earlier, where security and confidentiality measures are brought together to maximise protection of information.

Individual confidentiality undertakings

If the agency seeks additional protection, then it could activate the requirement on the commercialisation partner to obtain confidentiality agreements from those of its personnel (including employees and subcontractors) with access to the protected information. An organisation's employees are not a party to any confidentiality agreement that the organisation may enter into with the agency. The same goes for subcontractors and the employees of subcontractors as well as the employees of subsidiary and holding companies for the commercialisation partner. The contract itself would not be able to impose any direct penalty on the employees for releasing confidential intellectual property information belonging to the agency. So, if it is considered important to fully protect the agency's intellectual property, the agency may wish to consider entering into confidentiality arrangements with nominated personnel.

The element of personal responsibility ... is provided through the agreements with individuals.

The purpose of entering into these arrangements with nominated personnel is not primarily so the agency can take direct action against or sue individuals (as this is highly unlikely in practice) but, rather, to act as a clear reminder to those individuals of their responsibilities to protect the confidentiality of the agency's intellectual property that they may see. This method can be highly effective when used in conjunction with a confidentiality agreement with the commercialisation partner. The element of personal responsibility that is missing from the agreement with the partner is provided through the agreements with the individuals.

Nevertheless, from a policy perspective, agencies may want to use such agreements sparingly in order to maximise their effect when they are required. Also, some commercial organisations may object to their staff being required to sign confidentiality deeds.⁵ As a general point—both to underline the personal responsibility emphasis of the deeds and to minimise resistance from commercial organisations—it is usually not necessary for such agreements to include indemnities for breach. Indemnities should be restricted to the agreements with the commercialisation partner.

The content of such undertakings would otherwise be similar to those of the agreement with the partner, and would need to be drafted in a way that complements and is consistent with the partner-level confidentiality agreement. For example, personnel of the commercialisation partner may in some cases need only to acknowledge a specific obligation that the partner has rather than having an obligation to do that thing themselves.

Given the focus on personal responsibility, however, it would be useful and relevant to point out in such undertakings the applicable legislative provisions (the Criminal Code Act, the Crimes Act and any relevant agency legislation) that may be applicable to any breach of confidentiality.

Using a layered approach which includes confidentiality agreements with a commercial party and individual undertakings from that party's personnel and subcontractors allows an agency to set up a strong level of protection for its confidential information.

While there are obviously other ways in which to protect information (for example, various security requirements) there is not space in this article to go into detail. However, a final example will suffice to demonstrate an alternative way of protecting intellectual property. In this example, it was not so much a matter of maintaining information as confidential but ensuring that unauthorised copying of that information was easy to detect.

This matter involved alleged copyright infringement of a range of maps produced by Ordnance Survey—a UK government agency tasked with a range of mapping and survey functions. Ordnance Survey staff detected what they considered to be suspiciously similar maps being produced by the British Automobile Association (AA). They suspected that AA had been copying Ordnance Survey maps and using them as part of AA's street directories and other commercial mapping publications. AA initially denied this, claiming that the maps were its own development and its own intellectual property. AA was subsequently taken to court by Ordnance Survey, which alleged that AA had copied more than 500 of its maps and published more than 300 million copies of those maps.

It turned out that Ordnance Survey had introduced deliberate errors into its maps as a type of copy protection: for example, non-existent kinks in streams, missing apostrophes in place names, a few extra buildings here and there, exaggerated curves in minor roads and so on. Ordnance Survey alleged that the same errors arose in the AA maps.

Following evidence provided by Ordnance Survey, AA entered into an out-of-court settlement with Ordnance Survey that reportedly involved the payment of approximately \$50 million by AA to Ordnance Survey and the ongoing licence of Ordnance Survey maps to AA for an annual licensing fee.⁶ This example clearly demonstrates the amount of money that government intellectual property potentially can be worth and therefore the need to ensure appropriate protection in order to properly protect government assets.

The type of approach taken by Ordnance Survey could have application if it is worked into the intellectual property itself (for example, into the source code of a software product) as a way of detecting a breach of a confidentiality agreement. After all, it is one thing to have an agreement and another thing entirely to be able to prove the breach of that agreement.

Summary

Confidentiality agreements offer a flexible, precise and effective way to protect sensitive Australian Government information. As this information can have considerable commercial value, it is important for agency personnel to consider how information under the control of the agency can best be protected from disclosure. Special attention should be paid to this issue in situations which give rise to a higher risk of improper disclosure: for example, where an agency is seeking to commercialise its own intellectual property. Layering protection (for example, through the use of a corporate confidentiality agreement with a commercialisation partner supported by confidentiality undertakings from the individual personnel of that partner) can provide an effective defence against disclosure if appropriately drafted.

It is important for agency personnel to consider how information under the control of the agency can best be protected from disclosure.

Adrian Snooks has considerable experience in intellectual property law and commercial drafting. He has advised on some of the largest procurements of technology by the Australian Government and has worked in the field of intellectual property and technology law in both the UK and Australia.

Notes

- 1 In this example, the agency's copyright in the source code would still be owned by the agency; however, failing to protect that source code from disclosure would make it difficult practically for the agency to enforce its intellectual property rights.
- 2 JK Rowling, *Harry Potter and the Deathly Hallows* (Bloomsbury Publishing, London, 2007).
- 3 Or, in Muggle terminology, 'teleported'.
- 4 See the Department of Finance and Administration's 'Guidance on Confidentiality in Procurement', available at http://www.finance.gov.au/procurement/confidentiality_contractors_info.html
- 5 They may object for a variety of reasons (for example, the personnel may already be bound by obligations of confidentiality even without the deed).
- 6 See the Ordnance Survey press release at <http://www.ordnancesurvey.co.uk/oswebsite/media/news/2001/march/centrica.html>

Guidance on developing an IP policy

The AGS 2008 Intellectual Property (IP) Forum will be held in Canberra on Wednesday, 30 April 2008. Speakers at the forum will discuss issues relating to the development of IP management policies, which agencies are required to have in place by 1 July 2008.

(Enquiries: michelle.easte@ags.gov.au)

The AGS website also contains important resources for agencies developing IP policies. AGS Special Counsel Philip Crisp's paper 'A methodology for developing an agency IP policy' contains some of the basics of IP law and practice and presents a methodology for undertaking a strategic IP management review leading to the development of an IP management policy. The paper contains links to an IP survey questionnaire, a template for an IP Register and other useful resources.

In addition, AGS's IP forum case studies provide food for thought on current IP issues of broad interest.

The paper and case studies can be found at <http://www.ags.gov.au/whatweoffer/areasoflaw/ip.htm>

AGS contacts

AGS has a national team of lawyers specialising in advising agencies on a wide range of intellectual property (IP) and technology matters, including establishing agency-specific IP policies, managing IP in connection with specific transactions and initiatives, and handling IP disputes. For assistance with any IP matters, please contact one of our national Technology and IP network leaders, Philip Crisp, Rachel Chua or Tony Beal, or one of our specialist IP lawyers listed below.



Philip Crisp Special Counsel, Commercial
T 02 6253 7159 F 02 6253 7306
philip.crisp@ags.gov.au



Rachel Chua Senior Executive Lawyer
T 02 6253 7086 F 02 6253 7306
rachel.chua@ags.gov.au



Tony Beal Special Counsel, Commercial
T 02 6253 7231 F 02 6253 7306
tony.beal@ags.gov.au

Adrian Snooks 02 6253 7192
John Berg 02 9581 7624
Kate Brophy 02 9581 7678
Kenneth Eagle 03 9242 1290
Paul Lang 03 9242 1322
Simon Anderson 03 9242 1260
Peter Blennerhassett 07 3360 5767
Scott Slater 08 9268 1144
Andrew Schatz 08 8205 4201
Peter Bowen 03 6210 2104
James Docherty 08 8943 1405

CANBERRA

SYDNEY

MELBOURNE

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PERTH

ADELAIDE

HOBART

DARWIN

Offices

Canberra

50 Blackall Street Barton ACT 2600

Sydney

Level 42, 19 Martin Place Sydney NSW 2000

Melbourne

Level 21, 200 Queen Street Melbourne VIC 3000

Brisbane

Level 12, 340 Adelaide Street Brisbane QLD 4000

Perth

Level 19, 2 The Esplanade Perth WA 6000

Adelaide

Level 18, 25 Grenfell Street Adelaide SA 5000

Hobart

Level 8, 188 Collins Street Hobart TAS 7000

Darwin

Level 3, 9–11 Cavenagh Street Darwin NT 0800

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For enquiries regarding supply of issues, change of address details:
T 02 6253 7052 F 02 6253 7313
E ags@ags.gov.au

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