

Considering Employment Issues in Outsourcing

The increase in government and companies outsourcing non-core work has resulted in a number of recent cases examining the issue of employee entitlements and how they might be affected by outsourcing. These cases fall into 2 categories:

- claims that new outsourced providers of services are bound by awards and agreements previously binding on the government or company who outsourced the service, and
- claims that actions to terminate the employment of workers previously performing duties that are now outsourced amount to conduct prohibited under section 298K of the *Workplace Relations Act 1996* ('WRA').

Whether or not the first claim can succeed depends upon establishing that a transmission of business has occurred from the person outsourcing the service to the outsourced provider. The most recent significant decision in this area is from the Full Federal Court in *Minister of State for Employment, Workplace Relations and Small Business v CPSU* [2001] FCA 316 (the *Employment National Case*). In the *Employment National Case*, the issue was whether the conditions of employment for employees of the former CES and EAA were binding on Employment National and its subsidiary. Employment National is a government owned company formed to engage in a competitive tendering process for the provision of services formerly supplied by the CES and EAA.

In assessing whether Employment National was bound, the Court at first instance held that:

- the activities of the CES and EAA constituted a business within the provisions of the WRA
- Employment National was a successor to the business
- Employment National employees were doing substantially the same work as the former CES and EAA employees, and
- the structural changes to the manner of delivering the services did not change the business so as to refute that a transmission of business had occurred.

On appeal the judgment was upheld by a majority.

By contrast in the case of *Stellar Call Centres Pty Ltd v CEPU* [2001] FCA 106 the outsourced service provider was providing telephone answering services to Telstra during periods of high volume of telephone traffic. In assessing whether Stellar was bound by the awards that were binding on Telstra in relation to its employees, the Full Federal Court considered whether the activities outsourced to Stellar themselves formed a distinct part of a business. Because the Court found that the outsourced activities were neither the whole nor part of the business of Telstra, there was no succession and Stellar did not become bound by Telstra awards and certified agreements. The answering of calls by Stellar simply facilitated the conduct of Telstra's business. Telstra had not transmitted its business or a distinct part of its business to Stellar, but only certain ancillary activities.

In the context of a government outsourcing process, consideration should be given to whether a distinct part of a department's business is being transferred, as was the case in the *Employment National Case* or whether ancillary activities (that is, activities that facilitate the conduct of the department's business) are being outsourced as was the case in *Stellar*.

Transmission of business claims are made against the new outsourced service provider and not against the government or private sector entity that is outsourcing the services. However the second category of claim is one made against the entity outsourcing the services – an example of this type is the recent decision of *Greater Dandenong City Council v Australian Municipal Clerical and Services Union* [2001] FCA 349.

In a tender process the council compared a bid lodged by its own staff to perform community care services against a bid from a company. The company's price was significantly lower than that tendered by the council's employees and there was evidence that this was due to the better terms and conditions under the award governing the council's employees. The union, on behalf of the council employees made redundant as a result of the outsourcing, claimed that the council's conduct in accepting the company's tender amounted to conduct prohibited under section 298K of the WRA, because the decision to outsource was based on the employees' entitlement to the benefit of an industrial instrument.

Although the Court at first instance and the Court on appeal both decided in favour of the Union, their reasons for doing so are less straightforward. It would appear that it is possible to draw a distinction between the motivating cause for conduct and the circumstances underlying the conduct. In the *Dandenong case*, two of the Judges on appeal held that the mere awarding of a contract on the basis of a lower price does not support an inference that the reason for the conduct was the entitlement to the

benefit of an industrial instrument. The outcome of the *Dandenong case* may well have been different had the council adduced more evidence of the reasons for their decision.

It should also be noted in relation to claims that a transmission of business has taken place that it is possible for an outsourced provider to apply to the Australian Industrial Relations Commission (AIRC) for an order that, although the outsourced provider is a successor to the business, they are not bound by the award. This is possible because section 149 of the WRA provides that awards are binding on the successor to a business, *subject to an order of the AIRC*. Such an order was gained by EDS (Australia) Proprietary Limited in November 2000 after EDS was found to be a successor to the IT business of a number of private companies and government departments.

Generally speaking, clients should not make any representations in the course of the tender process that the outsourcing of the services will not amount to a transmission of business. Tenderers should be encouraged to obtain their own legal advice in this area. In evaluating tender responses, the focus should be firmly on achieving value for money and on the assessment of the tenders by reference to objective criteria. There should not be a focus on terms and conditions of employment, on cheaper labour costs or on the advantages of being released from obligations under awards and certified agreements. Decision-makers should always record the reasons for their outsourcing decisions on the basis of the objective criteria used and should be prepared to explain the processes and reasoning in court if necessary.

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Websites – Legal Implications of Hyperlinking

Government departments and agencies should be aware of the potential legal issues which may arise when developing their websites. One such issue is hyperlinking.

This note concerns the potential liability of a website developer for copyright infringement in respect of ‘bare’ hyperlinking to the home page of a website and ‘deep’ linking to a subsidiary page of a website both prior to and after the commencement of the *Copyright Amendment (Digital Agenda) Act 2000* (the Digital Agenda Act) on 4 March 2001.

What is hyperlinking?

The Web is that part of the Internet which is characterised by hyperlinking. ‘Hyperlinks’ are text or graphics on a website that when ‘clicked on’ open or ‘link’ to other webpages. Each webpage has its own unique electronic address which is called its ‘URL’ or universal resource locator. For example, ‘<http://www.ags.gov.au>’ is the URL of the AGS website.

In technical terms, when a hyperlink is ‘clicked on’ the user’s web browser (such as Internet Explorer or Netscape Navigator) is directed to the ‘linked’ website or webpage by reference to its URL which is contained in the underlying source code of the hyperlink text. A copy of the ‘linked’ page is reproduced, transmitted and stored temporarily in the Random Access Memory (RAM) of the user’s computer.

Pre-Digital Agenda Act

Prior to the commencement of the Digital Agenda Act on 4 March 2001, a website developer who created a hyperlink to another site was arguably liable for ‘authorising’ any technical copyright

infringement of the end user who ‘clicked on’ the hyperlink. This is because the website developer had, by creation of the link, arguably ‘sanctioned, approved or countenanced’ the user’s temporary reproduction of the ‘linked’ website in the RAM of the user’s computer and had the ability to prevent any potential infringement by removing the link.

In addition, following the decision in *Telstra v APRA* (1997) IPR 294 and before the commencement of the Digital Agenda Act, it was arguable that an internet service provider (ISP) would be directly liable for infringing the ‘diffusion’ right by transmission of the linked website to the user’s hard drive via its facilities. In those circumstances, the website developer, in creating the hyperlink, may also have been liable for authorising any infringement of the diffusion right by the ISP.

However, a website developer was not liable for authorising copyright infringement if it could be established that the owner of the linked website had consented to the hyperlink being made. In such circumstances, there would not be any primary act of infringement and so there could be no corresponding liability for authorisation.

Implied licence to link

There is a strong argument supporting the existence of an implied licence to link to other websites because of the nature of the Web. Website owners usually want their sites and any advertising material appearing on them viewed by as many people as possible. Indeed, it is questionable whether any purported retraction of the implied licence to link to a website appearing on that site would be effective because it would not have been communicated to the user of the hyperlink.

The arguments in favour of an implied licence to link are not necessarily supportable where, in contrast to ‘bare’ hyperlinking, users are viewing a website

‘out of context’ as in the case of ‘deep’ linking which bypasses the ‘front page’ of a website as:

- the front page often contains advertising material from which the website owner derives its revenue
- the front page may contain important copyright, privacy and disclaimer statements, and
- the origin and context of a web page retrieved by deep linking may be unclear to the user.

In short, bypassing the front page may seriously impact on the ability of the website owner to control the user’s ‘experience’ of its website.

Impact of the Digital Agenda Act

The recent Digital Agenda Act amendments have clarified that the temporary reproduction of a linked webpage as part of the technical process of making or receiving a communication will not infringe copyright under new sections 43A(1) and 111A(1). However, it is important to note that this exemption does not apply where the relevant communication is itself infringing (that is, where the linked website contains infringing material) under new sections 43A(2) and 111A(2).

In addition, ISPs will not now be directly liable for ‘communicating material to the public’ (the new right introduced by the Digital Agenda Act which replaces the broadcast and diffusion rights) if they are not responsible for determining the content of that material (new section 22(6)). It therefore follows that in most cases of hyperlinking, the website developer will not currently be liable for infringement by authorisation.

It should be noted that in the context of government departments and agencies, section 183(1) of the *Copyright Act 1968* also provides that copyright is not infringed by the Commonwealth or a State, or by a person authorised in writing by the Commonwealth or a State by the doing of any acts comprised in the

copyright if the acts are done ‘for the services of the Commonwealth or State.’

Guidelines for government departments and agencies

The Digital Agenda Act has confirmed the legality of common hyperlinking practices in many cases. It would seem that the scope of the implied licence to hyperlink, most notably in relation to ‘deep’ linking, is now largely irrelevant to the issue of infringement; hyperlinking will not normally infringe except where the linked website itself contains infringing material.

Nevertheless, the following ‘best practice’ guidelines in relation to hyperlinking are recommended for government departments and agencies:

- where possible an acknowledgement of the origin of the linked website should be provided
- it would generally be acceptable to provide a hyperlink to the home page of another website
- where a website owner has invited users to hyperlink to subsidiary pages of its website, it would generally be acceptable to do so
- in other cases, the most advisable course would be to seek permission.

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Moral Rights

The *Copyright Amendment (Moral Rights) Act 2000* came into effect on 21 December 2000. The Act inserted new Part IX into the *Copyright Act 1968* (the Act).

New Part IX introduces significant new rights for individual creators of literary, dramatic, musical and artistic ‘works’ (such as software, websites, photographs, maps, buildings, and literary material including letters, papers, reports etc) and films. Importantly, Part IX applies to works which are created before *and* after 21 December 2000, and applies to films created after that date.

The Act has significant implications for all Commonwealth agencies where agencies deal with copyright material (whether that material is created by their employees or contractors, or by individuals who have no contractual or employment relationship with the Commonwealth). Clients should also be careful of contracts which seek warranties, indemnities or guarantees from the Commonwealth relating to moral rights.

What are moral rights?

New Part IX introduced three moral rights for individual creators:

- the right to be identified as the creator of a work or film
- the right to object to anything that results in a ‘distortion’, ‘mutilation’ or ‘material alteration’ of the creator’s work or film that is prejudicial to their honour or reputation
- the right not to have the work or film falsely attributed.

Moral rights are distinct from copyright rights (that is, the right to reproduce, publish or communicate copyright material), although they relate to the same

material. Moral rights only vest in individuals and are not transferable.

By contrast, copyright rights are personal property, and can be licensed or assigned in whole or part. Under the Act, the Commonwealth is deemed to be the owner of copyright material created by it, or under its direction or control (for example, by its employees), subject to an agreement to the contrary.

This means that, although the Commonwealth may be the copyright owner in, say, a report, photograph, computer program or website, moral rights will be retained by the individuals who created that material.

Infringement of moral rights

Remedies for infringement

Remedies for infringement of moral rights include an injunction, damages, declaration, an order for a public apology, and an order that the derogatory treatment or false attribution be removed or reversed. Part IX includes a number of factors that may be taken into account by a court to determine the nature of the remedy granted. These include whether the defendant was aware, or ought reasonably to have been aware, of the creator’s moral rights; and the number, and categories, of people who have seen or heard the work or film.

Exceptions to infringement

Part IX provides two exceptions to infringement of moral rights. Accordingly, in any action for infringement against the Commonwealth, two questions (corresponding to those exceptions) would be relevant:

1. Was the act or omission ‘reasonable’?

It is a defence to an action for infringement if the defendant shows that the act in question was ‘reasonable in all the circumstances’, taking into account a number of factors listed in the Act and any other relevant factors. Notably, this defence does not apply to the right against false attribution.

2. Did the author consent to the act or omission?

It is not an infringement of a creator's moral rights if the relevant act or omission falls within the scope of a written consent, given by the creator of the work or film. Part IX provides differently framed provisions for consents in relation to films, and consents in relation to works.

In the case of films, Part IX provides that a consent may be given in relation to 'all or any acts or omissions occurring before or after the consent is given'.

In the case of works, Part IX provides that a consent does not have any effect unless it is 'genuinely' given in relation to *specified* acts or works. In other words, a general consent from an author to perform any acts in relation to all works of the author may not be effective, as a rule. However a general consent given by an employee to their employer will be effective.

Impact on clients

Standard consent clauses – Commonwealth contracts

Careful consideration should be given to the terms of a consent (if it is necessary) so that it can have full effect under Part IX. Standard consent clauses can be incorporated into particular standard-form contracts. Such clauses would need to be carefully tailored to the nature of the standard-form contract, and to conform to the requirements of the Act and the nature of the relevant copyright material.

Contracts presented to the Commonwealth

Clients should be particularly careful where those contracting with the Commonwealth require (for example, through the mechanism of a warranty, indemnity or guarantee) the Commonwealth to obtain consents from creators of Commonwealth copyright material. Such a requirement may, in practice, be impossible or onerous for the

Commonwealth to meet. It may require an agency to seek consents from *every* individual who has created, is creating, or may in the future create material on, say, a website. In some cases, the Commonwealth may be incapable of obtaining such consents. Even if such consents are obtained, the relevant terms of the contract may be of dubious effect. All of these issues may arise, for example, in the case of a web-hosting agreement.

Developing a policy on moral rights

Where a consent is not obtained, agencies will need to be particularly conscious of creators' moral rights, and the issue of what is 'reasonable' in relation to moral rights. Agencies should consider developing a policy on moral rights – to set out what the agency considers to be 'reasonable'. Such a policy would provide more certainty to all users and creators of copyright material. The policy could also be taken into account by a court in any action for infringement of moral rights.

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Certification Trade Marks and the Commonwealth

Commonwealth departments and agencies may assume that the law of trade marks is not relevant to them because they are not generally engaged in trade. However, a special category of trade marks known as ‘certification marks’ may be particularly relevant to their operations where departments and agencies are responsible for overseeing, promoting or establishing schemes for certifying the standard, origin or some other characteristic of goods or services.

An example of a certification trade mark overseen by the Commonwealth is the Australian Made logo which was launched in the 1980s to ‘promote Australian made goods in local and export markets.’ The Australian Made logo consists of a kangaroo in a green triangle and is probably the most recognised country of origin logo in Australia. In order to qualify for use of the Australian Made logo, it is necessary for traders to demonstrate that a ‘substantial transformation’ of the product, resulting in a new product occurred in Australia and that at least 50 per cent of the cost of manufacturing the product was attributable to manufacturing processes occurring in Australia.

What is a certification mark?

Under the *Trade Marks Act 1995* (TMA), a certification trade mark is a sign used or intended to distinguish goods and services dealt with in the course of trade and certified in relation to quality, accuracy or some other characteristic including (in the case of goods) origin, material or mode of manufacture from goods and services dealt with in the course of trade and not so certified. By contrast, standard trade marks are used to distinguish goods or services dealt with or provided in the course of trade or services so dealt with or provided by another

person. In other words, certification marks ‘certify’ characteristics of the goods and services provided whereas standard trade marks denote the commercial origin of goods and services.

Consistent with the differing purpose and function of certification marks as compared with standard trade marks, certain provisions of the TMA which apply to standard trade marks do not apply to certification marks. Notably, an applicant for registration of a certification mark need not themselves use or intend to use the mark in the course of trade in relation to the goods and/or services claimed, although they are entitled to do so. By contrast with standard trade marks, certification marks are generally used in the course of trade by *approved users* who have satisfied the criteria laid down for use of the marks.

Requirements for registration

An applicant for registration of a certification mark is required to file a copy of the rules which will govern use of the certification mark. The rules must include provisions specifying:

- the persons who may be approved for the purposes of certifying goods and/or services (*approved certifiers*)
- the cases in which goods and services are to be certified
- the conditions under which an approved user is to be allowed to use the certification trade mark in relation to goods or services
- the use of the certification trade mark by the owner (if he or she intends to use it) and the approved user, and
- the settlement of any dispute arising from a refusal to certify goods or services or to allow the use of the certification mark.

If the Trade Marks Office is satisfied that there are no grounds for rejecting the application to register the certification mark under the TMA, it must send the Australian Competition and Consumer

Commission (ACCC) a copy of the rules governing use of the certification mark for its approval. The ACCC must ensure that the certifier is competent to certify the goods and/or services in respect of which the mark is to be registered, that the rules are not detrimental to the public and that they accord with the principles relating to restrictive trade practices, unconscionable conduct, unfair practices, product safety and product information under Parts IV, IVA and V of the *Trade Practices Act 1974*.

Other certification marks

Other certification marks include:

- the *Woolmark* which is used to denote garments, carpets and other products incorporating wool and meeting certain precise standards
- the *Standards Australia logo* which indicates that goods or services comply with the relevant Australian Standards, and
- the *Label of Authenticity* certification mark, established recently, which is used in relation to art or cultural products to show that such products are made, produced or created by an Aboriginal or Torres Strait Islander artist.

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