

no accepted interoperability standards or regulations mandating “open” standards. If that manufacturer were to gain market share using its own proprietary standards while the smart grid industry is in its infancy, this could create significant problems later for competitors and consumers as the technology matures.

Access and Jurisdiction

To maintain healthy competition in the electricity supply market, it is likely that those entities operating smart grid infrastructure will be subject to significant market regulation in a similar manner to the current electricity supply telecommunications industries.

For example, the Australian telecommunications industry is heavily regulated so as to promote competition. Regulations impose obligations on network operators to provide access to their networks to other telecommunications carriers and service providers and to provide interconnection of calls between networks.

In the case of smart grids, it is likely that a whole “national” grid will in reality be a proliferation of interlinked smart grids operated by multiple, competing operators. These will cross jurisdictional boundaries. It is inevitable that such an industry landscape will necessitate significant competition regulation, regulated on a national rather than State basis, and impose mandatory obligations on smart grid operators to share resources with, and provide access to, their competitors.

Final Thoughts

The advent of smart grids will bring significant commercial opportunities for energy utilities and benefits for consumers, and may help solve some of society’s problems with carbon emissions. The IT and communications sectors, which are expected to provide the necessary intelligence and connectivity, also stand to gain. As energy utilities, governments and technologists grapple with the technical challenges of converting the smart grid vision into reality, lawyers will need to be alert to the emerging legal issues.

Federal Court loses its Sensis on Phone Directories

Telstra Corporation Limited v Phone Directories Company Pty Limited (2010) FCA 44

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On 8 February 2010, her Honour Justice Gordon of the Federal Court of Australia found that copyright does not subsist in the White Pages and Yellow Pages directories (“the Directories”) published by Telstra Corporation Limited and Sensis Pty Limited (“Telstra”), because Telstra had failed to establish to her Honour’s satisfaction who were the authors of the Directories. Her Honour suggested that, if collections of data in any form were to be protected, then perhaps the apparent deficiency in copyright law could be filled by *sui generis* legislation.

Whilst the judgment reminds copyright lawyers of the importance of authorship and originality in any copyright claim, it is, with respect, deeply flawed on many levels.

Background

Emboldened perhaps by the decision of the High Court in *IceTV Pty Limited v Nine Network Australia Pty Limited*,¹ the issue of subsistence of copyright in the Directories had been separated as a preliminary question to be determined by the Court.

Central to Telstra’s claim to copyright was the presumption as to both subsistence and ownership provided by s 128 of the *Copyright Act 1968* (Cth) (“the Act”)² which provides:

128 Presumptions in relation to publisher of work

Where, in an action brought by virtue of this Part in relation to a literary, dramatic, musical or artistic work, ... it is established:

- (a) that the work was first published in Australia and was so published during the period of 70 years that ended immediately before the commencement of the calendar year in which the action was brought; and
- (b) that a name purporting to be that of the publisher appeared on copies of the work as first published;

then, unless the contrary is established, copyright shall be presumed to subsist in the work and the person whose name so appeared shall be presumed to have been the owner of that copyright at the time of the publication.

In addition, Telstra filed 91 affidavits explaining the genesis and authorship of the Directories which, in essence, dealt with three areas all or any of which might have been relevant to the issue of authorship:³

- the creation of the computer systems which to some degree directed the entry, disposition, storage and presentation of data collected by Telstra;
- the “Rules” which were “a set of prescriptive guidelines that control, dictate, restrict and / or prohibit the content and presentation of listings in the WPD and YPD. They regulate the font used. They regulate the proper abbreviations of words. They regulate the colour schemes applied. They regulate the spacing between words and individual entries. They regulate the acceptability or otherwise of the use of particular words or phrases.”⁴
- the collection and entry of data by numerous Telstra personnel for the assembly of each of the Directories.

As to the first, the ownership of the copyright in the software used in the systems referred to was not in issue in the proceedings but Telstra, apparently for the sake of completeness, relied upon the contribution of employees in customising these systems in respect of the desired structure and organisation of their outputs. It would appear that some Telstra employees that contributed to this customisation process were identified, but her Honour concluded “it is not possible to determine who created and had the benefit of the whole or any part of the various computer systems (including the Genesis Computer System) at any particular time.”⁵

As to the third, there could be little doubt that the mechanical process of collection and data entry did not qualify any of the personnel involved as authors of the Directories.

It was, however, primarily upon the Rules that Telstra relied to constitute the selection and arrangement required for copyright in the Directories to subsist. Again, Telstra provided a list of named employees whom it argued were at least some, but not all, of the authors of the Rules. Her Honour was not satisfied that the list was complete or accurate, and concluded “The Rules represent the combined efforts of many individuals over a number of years – the cumulative effect of their efforts being what was referred to as the Rules. Although Ms Galizia asserted that her “team” had not changed since 2000, she acknowledged that the team had a number of different managers, the position described as “ad-point coordinator” had changed and that an additional member described as a “rules specialist for print products” no longer worked at Sensis. The position prior to 2000 was not established in evidence. The evidence does not demonstrate when the Rules were first drafted, how they have been amended or who was responsible for such amendments.”⁶

The Court concluded on this issue “the Applicants were unable to identify the authors of the [Directories] (and for present purposes, ignoring that much of the [Directories] are not the subject of human authorship).”⁷ Her Honour further observed that an unspecified number of contractors had also been involved in the creation of the Directories. Many assignments were produced (it is not stated whether any identified individuals as assignors) but this did not satisfy the Court’s concerns.

The decision of s 128 of the Copyright Act 1968

Perhaps the most surprising part of her Honour’s judgment is that which relates to s 128 of the Act. Notwithstanding that the publication of the Directories fell literally and precisely within the express words of the section, her Honour gave three reasons why the section was “irrelevant” in this instance and, indeed, in her Honour’s judgment, reinforced “the importance of identifying the author or authors of the work in suit”:

1. “the Applicants’ construction of ss 128 and 129 does not reflect the balance struck by the Copyright Act between monopoly (on the one hand) and promotion (and protection) of originality in new works (on the other hand).” Her Honour refers to another passage of the judgment (para 9), which in turn refers to *IceTV* paras [24] – [26] and [71], none of which illuminates in the least why the Applicants’ reliance upon s 128 was unjustified for this reason.⁸
2. “In the present case, the presumptions have little or no role to play where the question of subsistence of copyright in each of the Works is the issue between the parties and has been the subject of extensive evidence (91 affidavits from the Applicants and two affidavits from the Respondents).” Her Honour gives no authority for the proposition that the filing of evidence by

the Applicants disentitled them to rely upon the presumption in s 128.⁹

3. “Thirdly, the presumption provided for by s 128 of the Copyright Act does not advance the Applicants’ submissions. All but one of the Works was tendered in evidence (that one work being the 2004 / 2005 YPD for the Mackay and Whitsundays district). Each of the Works tendered in evidence bore a notation “© Telstra Corporation Limited” or “© Telstra” on almost every page containing listing information, a notation “this directory is produced by Sensis Pty Ltd [or, as appropriate, “Pacific Access Pty Ltd”] for Telstra Corporation Limited” in the terms and conditions of use found in each directory and the statement that “[t]his publication is copyright ...” (noting that across the co-bound volumes in evidence, there was some variation in the wording depending upon whether the terms and conditions were referring to the YPD and WPD together or separately). No name purporting to be that of an author appeared on the Works as published and the evidence disclosed that each of the Works was first published in Australia in the relevant period.” It is not clear what her Honour means here. She seems to be saying that the publication of the Directories fell squarely within the express words of s 128 but that the absence of identification of the authors on the Directories had some significance.¹⁰

Her Honour concludes that the presumption afforded by s 128 has no application at all where “the very fact of authorship is in dispute.” Yet there is simply no justification in s 128 for this conclusion. Even acknowledging that the language of the Act is not precise, this does not justify substituting for it some entirely different proposition. Section 128 has been in the Act more or less unaltered since the enactment of the Act in 1968. The legislators seem to be perfectly familiar with the alternative form of a presumption of subsistence and/or ownership, one that falls away if the presumption is challenged – that alternative form is illustrated by s 126, which provides:

126 Presumptions as to subsistence and ownership of copyright

In an action brought by virtue of this Part:

- (a) *copyright shall be presumed to subsist in the work or other subject matter to which the action relates if the defendant does not put in issue the question whether copyright subsists in the work or other subject matter; and*
- (b) *where the subsistence of the copyright is established—the plaintiff shall be presumed to be the owner of the copyright if he or she claims to be the owner of the copyright and the defendant does not put in issue the question of his or her ownership.*

The language of s 128 is quite different – and many presumptions have been added to this list since that time, particularly in response to the *Australia–United States of America Free Trade Agreement*.¹¹ The interpretation of s 128 by her Honour does not accord at all with the policy of the legislators with respect to these presumptions. Section 128 expressly provides that the burden of disproving subsistence and ownership fell upon the shoulders of the respondents and should never have been removed. Of course, the respondents could fulfil that burden by relying upon the evidence of Telstra, but this is not how her Honour expressed herself.

Another possibility, not articulated by the Court, was that the Directories were not literary works at all, and hence could not benefit from the presumption. This would explain the Court’s preoccupation with authorship, perhaps. The difficulty with this approach is the definition of “literary work” which is as follows:

“literary work includes:

- (a) *a table, or compilation, expressed in words, figures or symbols; and*
- (b) *a computer program or compilation of computer programs”*

There seems little scope here to say that the Directories were not literary works.

Subsistence of copyright in the Directories

How, then, could the Court conclude that, notwithstanding the express words of the Act, copyright did not subsist at all in the Directories? After general observations regarding the relationship between originality and authorship in the Act, her Honour said “The central question is whether the alleged contribution [by Telstra employees and contractors] involved independent intellectual effort of a literary nature and whether the skill and labour required for the creation of the work was directed to the originality of the particular form of expression.”¹²

The evidence of Telstra showed that, in producing the Directories, customer information was obtained from various sources, such as the customer’s previous Directories listing, certain information received from other telecommunications carriers such as Optus, Vodafone and AAPT and direct contact from the customer. The listing information was then entered (usually automatically) into a database on a computer system known as the Genesis computer system. The Genesis computer system then conducted automatic checks to ensure that the information was complete and in a form which complied with the Rules. The Rules regulated and controlled the content and presentation of listings in the White Pages directories and Yellow Pages directories.

The Court held that it was the Rules that prescribed the particular form of expression of the Directories. Even where human discretion was exercised, it was done so in

accordance with those Rules. Any skill and judgment exercised was not directed to the creation of the work but rather to the application of the Rules.

Accordingly, her Honour found that “much of the contribution” to each of the Directories was not “independent intellectual effort” but was “anterior to” the Directories first taking a material form and “was not the result of human authorship but was computer generated.” Therefore, the Court held that none of the works were original and copyright did not subsist.¹³ Before moving to the next step in the judgment, it is important to note that her Honour used the expression “much of the contribution.” There was no doubt that this was correct, if one includes all the people who maintained Telstra’s systems and collected and entered data, but it follows that there remained, in her Honour’s opinion, some “independent intellectual effort” in what remained, most likely in the creation of the Rules which governed the selection and arrangement of the data in the Directories.

Essential to this finding was that “the Applicants have not and cannot identify [sic] who provided the necessary authorial contribution” to each of the Directories.¹⁴ The approach taken by Telstra to the subsistence of copyright was criticised by her Honour. It would appear from the judgment that Telstra’s approach was to identify the creative processes used in the creation of the Directories (and here most importantly of the Rules) and to identify at least some of the relevant human authors. Indeed, in respect of the Rules, her Honour found “Who created the Rules themselves is by no means clear. At the highest, the Rules are the product of successive work by unidentified individuals within Sensis.”¹⁵ So, it would appear, there was no doubt that the Rules were created by human beings, but Telstra did not identify all of them – it is not clear whether Telstra identified at least *some* of them. Telstra submitted that there was no need to identify *all* the authors.¹⁶ Her Honour appeared to be dissatisfied with the evidence because Telstra did not identify who originally created the Rules.¹⁷

The Court rejected Telstra’s approach on the basis that it appeared to “relegate the role of an author or authors in determining subsistence of copyright to some minor variable” and that such was “contrary to the express words of the Copyright Act and the copyright regime described by all judges of the High Court in *IceTV*”.¹⁸

It is respectfully submitted that her Honour erred in this approach. Whilst it is perfectly true that the role of the author is fundamental to copyright, it was wrong for her Honour to say that Telstra’s approach was “contrary to the express words of the Copyright Act.”¹⁹ With respect, there is not a single word in the Act requiring the *identity* of an author, let alone *every* author, be proven for the purpose of subsistence. The Act certainly requires human authors to exist, and it would appear that her Honour accepted that the Rules by which the Directories were organised did have human authors who contributed some creative spark. The difficulty with the judgment is that her Honour glosses over this issue in her enthusiasm

for a sort of copyright purity endorsed by the High Court in *IceTV*.

Telstra also sought to rely on the decision of the full Federal Court in *Desktop Marketing Systems Pty Limited v Telstra Corporation Limited*,²⁰ submitting that the resolution of the present case remained governed by the outcome in *Desktop Marketing* and that the High Court’s comments in *IceTV* in relation to that case should be regarded as *obiter dicta*.

Her Honour’s rejection of those submissions was itself surprising. Her Honour stated that “*IceTV* is binding authority on the proper interpretation of the Copyright Act” and relied upon it frequently as authoritative on the question of subsistence. However, *IceTV*, the most recent of a string of difficult High Court pronouncements on copyright law, is not authority at all on the issue of subsistence. Unlike *Desktop Marketing*, which her Honour dismissed for this reason, subsistence was admitted in *IceTV*, so that the Court’s analysis of subsistence of copyright was directed solely to the question of the identification of that scintilla of creative spark contributed to the creation of a work the taking of which would amount to reproduction of a substantial part.

In the case of *Desktop Marketing*, furthermore, her Honour’s dismissal was simplistic. The appeal in that case had to determine the following issues in relation to the subsistence of copyright:

- (1) whether the Act’s requirements of originality and authorship can be satisfied, in the case of a compilation of factual information, by nothing more than labour and expense, or whether those requirements necessitate what has been variously called “intellectual effort” or a “creative spark” in respect of one or more of: the form of the individual entries, the selection of the elements to be included in the compilation, or the arrangement of the compilation as a whole (the first issue); and
- (2) if the first issue is answered favourably to Telstra, whether Telstra’s labour and expense qualify its white pages directories, yellow pages directories and headings books as original literary works (the second issue).²¹

Based on a very extensive examination of authority, their Honours held that ‘original’ in Australian copyright law does not require any ‘creative spark’. Instead, according to their Honours, a low standard of originality is required, namely that the material was ‘not copied’ or ‘originating from the putative author’. This was on the grounds that a database can have originality due to the labour and expense involved in researching and calling the information contained in the database. As a consequence, the effect of Gordon J’s judgment in *Telstra v Phone Directories* is that a single judge of the

Federal Court appears to have overruled a decision of the Full Federal Court directly in point.

Conclusion

This decision has been appealed. It remains to be seen whether the Full Court will require her Honour to reconsider Telstra's evidence based upon the proper attribution of the burden of proof, that is whether the *Respondents* have established, on the balance of probability, relying upon the evidence of Telstra, that *no* relevant author employed by Telstra or assigning his or her copyright to Telstra existed.

In truth, the *obiter dicta* of the High Court in *IceTV*, followed with such enthusiasm in the decision of Gordon J, if adopted by Australian courts, takes us along a very dangerous path. Of course, it remains important to establish the existence of author(s) of a work that have contributed the necessary original material for copyright to subsist. However, the decision of Gordon J, if adopted, would mean:

1. not only that those authors must be identified, but that the creativity of each must be weighed in order to determine whether that person was an author in fact, something that the Courts for generations have shunned as outside the proper ambit of their inquiry;²²
2. that the subsistence of copyright in almost anything written cannot be assumed until its proper pedigree can be shown.

This would turn the modern law of copyright on its head.

As in *IceTV*, this judgment also considers the international response to copyright protection of databases and the directive adopted by the European Union in March 1996, which is intended to harmonise the treatment of databases under copyright law and creates a *sui generis* right for the creators of databases which do not qualify for copyright. Presently, there is no counterpart in Australian law, which her Honour suggests should be addressed by Parliament without delay.²³

Such a siren call should not be heeded. The creation of *sui generis* legislation, from the *Designs Act 1906* (and its current progeny) to the *Circuit Layouts Act 1989*, has tended to have but two results: to deepen the confusion and to disadvantage copyright owners.

The impact of the judgment on valuable works which are data compilations, especially those where the works are largely computer generated, such as sporting fixtures and timetables, could be far reaching. It will be interesting to observe whether a Full Court will support her Honour's finding.

¹ *IceTV Pty Limited v Nine Network Pty Limited* (2009) 254 ALR 386; (2009) 83 ALJR 585; (2009) 80 IPR 451; (2009) HCA 14

² The Applicants also relied upon s 129 of the Act, which relates to anonymous and pseudonymous works, it would appear mainly to illustrate the point that the identity of an author need not be established for the purposes of subsistence, but her Honour considered this to be irrelevant to her determination; (2010) FCA 44 at para. 42.

³ It is unfortunate to note that, in our present, profligate, form of litigation, in a matter such as this, it is necessary for a party to file an enormous amount of evidence in an effort to divine where the Court might come from. It would appear that Telstra guessed wrong.

⁴ (2010) FCA 44 at para. 90

⁵ (2010) FCA 44 at para. 87

⁶ (2010) FCA 44 at para. 122

⁷ (2010) FCA 44 at para. 168

⁸ (2010) FCA 44 at para. 38. One might further question her Honour's frequent use of the expression "monopoly" to describe copyright, an expression used occasionally by the High Court in *IceTV* also, which perhaps somewhat exaggerates the nature of the limited rights granted by the Act.

⁹ (2010) FCA 44 at para. 39 and 41. Her Honour suggests that the Applicants made a tactical error by filing evidence on this question, and that if they had not done so "the alternative was for the Respondents to have sought to rebut the presumption which necessarily would have entailed complex case management orders requiring the Applicants to disclose the materials to enable the Respondents to seek to rebut the presumption" but this would suggest that the Applicants merely provided the evidence required in the most expeditious and constructive manner possible, and the Court and the Respondents had an equal responsibility for the filing of this evidence by the Applicants, so that the Applicants should not be punished by a reversal of the burden of proof for having done so.

¹⁰ (2010) FCA 44 at para. 40

¹¹ [2005] ATS 1

¹² (2010) FCA 44 at para. 26. Her Honour referred to *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 at 289-290 per Lord Devlin; *Milwell Pty Ltd v Olympic Amusements Pty Ltd* (1999) 85 FCR 436 at [21]-[24]; see also *Data Access Corporation v Powerflex Service Pty Ltd* (1999) 202 CLR 1 at [123] per Gleeson CJ, McHugh, Gummow and Hayne JJ.

¹³ (2010) FCA 44 at para. 5

¹⁴ *Ibid*

¹⁵ (2010) FCA 44 at para. 119

¹⁶ (2010) FCA 44 at para. 33

¹⁷ (2010) FCA 44 at para. 122

¹⁸ (2010) FCA 44 at para. 35

¹⁹ *Ibid*

²⁰ (2002) 119 FCR 491; (2002) 192 ALR 433; (2002) 55 IPR 1; (2002) AIPC 91-804; [2002] FCAFC 112

²¹ per Lindgren J [2002] FCAFC 112 at para 18

²² see *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 per Peterson J at 608-609

²³ (2010) FCA 44 at para. 30