

Australian

# Intellectual Property Law

Bulletin

2022 . Vol 35 No 8

---

## Contents

- page 134 **Exemptions to patent infringement: acts for experimental purposes**  
*Michael Christie, PhD SPRUSON & FERGUSON*
- page 137 **Insights from 40 years of practice: an interview with David Shavin KC**  
*Lucy Davis EMMERSON CHAMBERS*
- page 141 **Friend or foe? How artificial intelligence is challenging the law's approach to art**  
*Alana Kushnir and Mia Schaumann GUEST WORK AGENCY*
- page 147 **New foods — from lab plate to lunch (and skip the paddock)**  
*Odette Gourley, Alison Jones, Kate Donald and Grace Griffiths CORRS CHAMBERS WESTGARTH*
- page 150 **Appeal Court (mostly) upholds primary judge on authorisation of copyright infringement case**  
*Amelia Causley-Todd and Marina Olsen BANKI HADDOCK FIORA*

### Editorial Panel

#### General Editor

**Sharon Givoni***Principal, Sharon Givoni Consulting*

#### Editorial Board

**Rebekah Gay***Partner, Herbert Smith Freehills, Sydney***Marina Olsen***Partner, Banki Haddock Fiora, Sydney***Peter Carstairs***Senior Associate, Baker & McKenzie***Daniel Jepson***Senior Associate, Holman Webb Lawyers, Sydney***Angela McDonald***Barrister, 5 Wentworth Chambers***Lucy Davis***Barrister, Emmerson Chambers***Kimberley Evans***Principal Trademark Attorney, Allens Patent & Trade Mark Attorneys***Michael Christie***Principal, Spruson & Ferguson*

# Exemptions to patent infringement: acts for experimental purposes

*Michael Christie, PhD SPRUSON & FERGUSON*

In 2012, Australia's Patents Act 1990 (Cth) was amended to include an experimental use exemption to patent infringement. The exemption, which is set out in s 119C, is designed to remove uncertainty and disincentives for researchers and follow-on inventors. However, until the recent case of *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd*, the exemption had not been considered by an Australian court.

## Introduction

Some would say that drilling rock for ore deposits is a boring subject. And of course, it is. But in the context of s 119C of the Patents Act 1990 (Cth) — the so-called experimental use exemption — drilling bore holes and plugging them with spears is a very interesting topic indeed. In *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd*,<sup>1</sup> the Federal Court has now considered this 10-year-old provision and clarified acts that do, and do not, constitute an experimental use.

Ore is often extracted from underground mines by drilling bore holes upward into the ore and then inserting explosives into the bore holes to break up the ore and surrounding rock. The bores can be up to 60 metres long and it is not uncommon for the drill rod to break somewhere along its length, leaving the upper part of the drill rod lodged inside the bore. The broken drill rods can unexpectedly fall to where miners are working, potentially causing serious injury or damaging mine equipment.

Jusand Nominees Pty Ltd (Jusand) sought to address this hazard by providing a safety system which sits at the proximal end of a bore and absorbs the impact of a broken drill rod. The safety system is protected by three innovation patents, all owned by Jusand.

Jusand alleged that Murray Engineering Pty Ltd (Murray), Rattlejack Innovations Pty Ltd, Pan Australis Pty Ltd and Mr Leigh Sutton had each infringed its innovation patents by offering to sell, supply or otherwise dispose of a product known as the SafetySpear.

Ultimately, Rofe J found that the SafetySpear lacked certain integers of the patent claims and so Jusand's case for infringement was not established. But helpfully, her

Honour nonetheless proceeded to consider whether s 119C would have applied if the finding on infringement had been different.

## Key points

- This is the first time an Australian court has considered the experimental use exemption.
- The exemption applies to acts performed for the predominant purpose of gaining new knowledge, or testing a principle or supposition about a patented invention.
- The exemption is not supposed to apply only to activities undertaken solely for experimental purposes, and activities conducted primarily for the purpose of improving a patented invention should still be exempt, even if the person also had in mind commercialising the improvement in the future.
- Organisations hoping to avail of the exemption should thoroughly document their activities, including the purpose of the experiment, protocols, the variables to be measured and the results.

## The purpose of s 119C

Section 119C was introduced to the Patents Act by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth) and provides that:

### **119C Infringement exemptions: acts for experimental purposes**

- (1) A person may, without infringing a patent for an invention, do an act that would infringe the patent apart from this subsection, if the act is done for experimental purposes relating to the subject matter of the invention.
- (2) For the purposes of this section, *experimental purposes* relating to the subject matter of the invention include, but are not limited to, the following:
  - (a) determining the properties of the invention;
  - (b) determining the scope of a claim relating to the invention;
  - (c) improving or modifying the invention;
  - (d) determining the validity of the patent or of a claim relating to the invention;

- (e) determining whether the patent for the invention would be, or has been, infringed by the doing of an act.

The Explanatory Memorandum accompanying the Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth) (Explanatory Memorandum) recognised that the lack of a statutory exemption from infringement for research and experimental activities was causing uncertainty and disincentives in the research community, and for follow-on inventors. In the context of s 119C, the Explanatory Memorandum states that “experimental” is to be given its ordinary English meaning, and that the exemption should apply to tests, trials and procedures that a researcher or follow-on inventor undertakes as part of discovering new information, or testing a principle or supposition. It goes on to state that the exemption is not supposed to apply only to activities undertaken solely for experimental purposes, and that activities conducted primarily for the purpose of improving a patented invention would still be exempt, even if the person also had in mind commercialising the improvement in the future.

The Explanatory Memorandum provides a non-exhaustive list of commercial scenarios in which the provision should apply as long as the specific acts are undertaken for the predominant purpose of gaining new knowledge, or testing a principle or supposition about the invention:

- a researcher may be contracted and paid to undertake experiments;
- research may be conducted with a view to ultimately commercialising the end-products of the experimentation;
- research may be undertaken with, and partially funded by, a commercial partner.<sup>2</sup>

However, the Explanatory Memorandum also makes clear that the exemption is not intended to apply where the main purpose of the act is to commercialise the invention, or to manufacture it for the purpose of sale or use for commercial purposes.

### Narrower than s 9

Rofe J contrasted s 119C with s 9, which exempts prior use of an invention *for the purpose of reasonable trial or experiment only* from the realm of “secret use” that can otherwise invalidate a claim. Her Honour journeyed through various cases of secret use but found them to be of limited assistance, finding that the exemption provided by s 119C must be narrower than that provided by the s 9 exception, as the former makes no reference to trials, reasonable or otherwise.<sup>3</sup> Her Honour also observed that, whilst both the secret use exception and the experimental purposes exemption affect the rights of the patentee, the former is focused on the

conduct of the patentee and the latter on the conduct of a potential patent infringer, and so the rationale for the existence of each is different.<sup>4</sup>

The secret use provision seeks to address the tension between a patentee obtaining a de facto extension of term, with no accompanying disclosure to the public, and the patentee’s need to perfect and fine tune an invention prior to filing a patent application. Section 119C, on the other hand, provides a limited exemption from patent infringement and is confined to acts done for “experimental purposes” (rather than reasonable trial or experiment) which her Honour found demonstrates a legislative intent to include a narrower scope of acts compared to those exempted by s 9.

While acknowledging that s 119C is not intended to only apply to activities solely undertaken for experimental purposes, Rofe J found that the experiments should be undertaken for the predominant purposes of gaining new knowledge, or testing a principle or supposition about the invention.<sup>5</sup> Her Honour considered that the reference to “trial” in the Explanatory Memorandum must be to the kind of small-scale trial undertaken in an experimental context.<sup>6</sup>

Rofe J observed that the reference to “experimental purposes” in s 119C connotes at least some application of scientific method to the discovering of new information, or testing a principle or supposition, the testing of a hypothesis, the existence of a protocol or methodology documentation of some kind setting out the purpose of the experiment and the variables to be measured or observed, the recording of results or observations, and the reporting of the results or observations.<sup>7</sup>

### Application of s 119C

In 2020, Murray supplied prototypes of the SafetySpear to a mining contractor, Byrncut Australia Pty Ltd (Byrncut) who conducted tests on the prototypes at a gold mine in Western Australia. When the prototypes did not work, reports were written which speculated as to the cause of the failures and what changes were required. The prototypes were then redesigned before undergoing further testing.

In 2021, Murray sold 200 production model SafetySpears to Byrncut under a “Partnering Agreement”, and Byrncut undertook a 12-month trial of the SafetySpears across various mine sites. Murray submitted that it supplied the SafetySpears to Byrncut so that Murray could establish the properties of the SafetySpear in a real-world environment in various hard rock geological conditions at underground mining operations around Australia over an extended period of time. Murray submitted that the use of the SafetySpear was experimental and therefore exempt under s 119C.

Rofe J accepted that the 2020 tests, which involved a limited number of prototype SafetySpears, fell within the experimental purposes exemption.<sup>8</sup> Those tests were conducted for the purposes of determining whether the prototype SafetySpears worked, and when they failed, for testing the redesigned prototypes.

In contrast, Byrnecut's 12-month "testing" of the 200 production model SafetySpears at its mines were not found to fall within the experimental use exemption.<sup>9</sup> Relevant to her Honour's finding was the lack of scientific method involved in the trial, including no trial design documentation, no formal instructions to mine operators, and at best, only limited monitoring of results.<sup>10</sup> Her Honour also noted that Murray did not expect the SafetySpear to fail the trial, since improvements had already been made on the earlier prototypes following the 2020 trials. Moreover, the Partnering Agreement was entirely silent as to any experimental use or trial by Byrnecut. Indeed, the express object of the Agreement was to "identify and exploit sales".<sup>11</sup> Her Honour concluded that "Byrnecut's 12 month 'real word testing' of the SafetySpear was nothing more than use in the ordinary course of mine operations".<sup>12</sup>

## Conclusion

Rofe J's decision not only clarifies the type of activities that fall within s 119C; it also highlights steps that organisations can take to avail of the provision when using a patented invention. The use must be undertaken for the predominant purpose of gaining new knowledge, or testing a principle or supposition about the invention.

The use need not be solely undertaken for experimental purposes, and instead may be performed with a view

to commercialising an improvement. But the exemption will not apply where the main purpose of the act is to commercialise the invention.

Organisations hoping to rely on s 119C should thoroughly document their activities, including the purpose of the experiment, protocols, the variables to be measured and, of course, the results.



**Michael Christie, PhD**

Principal

Spruson & Ferguson

Michael.Christie@spruson.com

www.spruson.com

---

## Footnotes

1. *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* (2022) 167 IPR 1; [2022] FCA 540; BC202204277.
2. Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth), at 71.
3. Above, at [28].
4. Above n 1, at [284].
5. Above n 1, at [290].
6. Above n 1, at [338].
7. Above n 1, at [341].
8. Above n 1, at [342].
9. Above n 1, at [343].
10. Above n 1, at [344]–[348].
11. Above n 1, at [345].
12. Above n 1, at [350].

---

# Insights from 40 years of practice: an interview with David Shavin KC

*Lucy Davis EMMERSON CHAMBERS*

David Shavin QC sat down with me shortly after arguing the high-profile patent dispute between the Commissioner of Patents and Aristocrat before the High Court of Australia. He was hoping the dispute would further define the boundaries of patentable subject matter, but given the evenly split decision of the High Court, he's looking forward to the next opportunity hopefully from the next round in that litigation. David's career of over 40 years at the Bar provides abundant interesting stories and advice for intellectual property (IP) practitioners.

## **You were admitted to practice in 1977 and appointed a silk in 1993, why did you enter the law and why specifically IP?**

It was a process of default: as a lawyer, I could do the things I was good at and quite enjoyed. At school, I was competent at humanities and history which aligns with the law. I liked economics but it was not as attractive to me as the law. I was not strong enough at mathematics to be a serious economist and I couldn't do medicine because I fainted at the sight of blood.

My technical background is economics. When I came into the law in the late 70s, I considered that there were two areas of the law that were developing and going to explode — competition law and patent law. They were attractive to me because they were burgeoning. My interest in competition law was also influenced by some great mentors who were also leading competition law academics — Professor Brunt, Professor Baxt and in intellectual property, Professor Lahore and Janice Luck.

When I first came to the Bar, intellectual property was a very small practice area. At the time, there were very few patent infringement cases, maybe only one a year. John Lyons QC was the only specialist practicing silk in the area and there was only a small tight cohort of specialist practitioners. Many of the practitioners also worked in competition law, so IP was a great complement to my interest in competition law.

I don't have a technical science degree and senior colleagues in patent practice in London have been perplexed that I can function without that technical training. However, I have been able to learn a great deal

from experts over time and deep reading into the subject matter of each dispute. In some cases, I think it has been of benefit as I take everything back to basic principles. I learned not to make any assumptions and to ask lots of questions.

## **Was there a benefit in having a dual/multiple specialised practice? Are we losing this type of benefit in highly specialised single-focused practices?**

Early in my career, I had an even split between commercial/company law, competition law and IP. My commercial law practice fell away during the period I was tied up in a 10-month competition law dispute in Sydney. So over time, as competition law and IP demanded more of my attention, my practice was split roughly evenly between them, with commercial and securities work occupying a smaller proportion of my time. The patent work started to be more predominant in the late 90s over my trade mark work and then in the last 10–13 years, I have been focused on patent disputes with a smaller proportion of trade marks, passing off and Australian Competition Law work.

The fact that I did quite a lot of commercial work in my early years helps me understand the economic impact of disputes and define settlements. Now, I will sometimes get specialists involved if necessary, but economic thinking is something that permeates everything you do as a lawyer. I don't believe that you can easily be a rounded patent lawyer if you haven't done any equity and contract law. You need to understand the economics of where you might drive a settlement.

I would recommend that young practitioners wishing to develop a patent practice today undertake a science degree as it provides training in a different thought process. I also think that people who come to patents only knowing patents, suffer a disability. You can't advise on commercial outcomes if all you know is technical patent law. Most large firms require graduates to do rotations and limit time spent exclusively on large-scale discovery and the like. I agree with this approach and also in investing in young practitioners. For example, the firm that instructed me on the recent

High Court dispute, brought a few juniors to watch the High Court argument in Canberra in person — that provided a great opportunity for the junior practitioners.

For aspiring barristers, I would pass on the advice of my mentor, the late, great Alan Goldberg QC, to argue cases in the Magistrates Court as much as possible in your early days. He was right to criticise the very limited extent to which I did this work. It is a great learning ground for refining advocacy skills.

Having said all that, the junior practitioners are now much more worldly than I was at that stage of my career, and they are exceptionally bright. International travel at a relatively young age allows them to develop a broader understanding of the world and life. I didn't have the opportunity to go overseas and experience different cultures until well into my legal career. The young practitioners now have broad enough experience to have a basic understanding of where the clients sit culturally and commercially, and the whole legal team up to the silks will help them refine that understanding.

### **How do you approach a new technical area?**

I act like a 2-year-old and keep asking why. It can drive people mad, but it is beneficial. I was in a case led by Annabelle Bennet AC QC (former Federal Court judge), and I realised from the questions we were each asked that even though she had a PhD and has immense scientific knowledge, our knowledge of the technical subject matter of that dispute was not dissimilar because her deep scientific training was in a distinct area. That's the case with many lawyers holding PhDs — although they are extremely well versed in scientific method, reasoning and concepts, they are often skilled in such a narrowly specialised area that it is infrequent that the disputes in which they are briefed will cover the same technology.

As a junior barrister, I was in a conference with John Lyons QC, often regarded in the 80s and 90s as the grandfather of the Melbourne IP Bar and an expert concerning a particular patent. I was asking many "whys" and driving both John and our instructors mad. And eventually, the expert asked me whether my problem was that I couldn't see how we got from A to B. I said yes and he then told the team that he had realised that this was because it had been left out of the patent. This was critical to the dispute and ultimately resulted in a critical patent amendment. It was because I didn't know the answers, that I was asking basic questions, rather than simply assuming that the real problem was my limited knowledge and therefore keeping quiet so as not to display my ignorance (more than necessary).

Similarly, in another long-running international dispute, I noticed that a term was used multiple times in the specifications and also in the claims but in a way that

seemed to have different meanings. I was attending a conference with the inventors and lawyers in the US. The lawyers had been involved in the dispute for years and many held doctorates in both science and law. I said to the inventor; I don't understand this term because it seemed to be used in different ways in different places. He said no one had ever asked him before but said, you're right; the word is used with three conflicting meanings. The most senior lawyer then asked, "why haven't you told us before?". The inventor said no one had ever asked!

These anecdotes underline why I like to encourage junior members of the team to speak up and test issues where they think something is wrong. It's important to assume that you don't know very much. I ask experts to treat me and the judge like an undergraduate. It helps you both to learn and to see if the expert will be able to clearly explain matters to the court.

I think that the worst thing a lawyer can do is think they know it all; you need to come in and say, "teach me". I take the same approach with economic experts even though for over a decade I taught post-graduate courses. It's also important to approach issues from the perspective of the judge — the expert needs to be able to explain from first principles. A good example of this was in the *Lundbeck* trial in London before Kitchin J (as he then was). Professor Steve Davies of Oxford University was called as an expert. Professor Davies was under cross-examination and after a number of questions, turned to the judge and said the whole of the cross-examination was based on a fundamental flaw. Kitchin J deferred to Professor Davies and the Professor proceeded to give a succinct lecture starting from basic principles ending with science way above post-doctoral work, simply and clearly. Everyone understood what he was saying. That's the most influential type of expert evidence. As Kitchin J put it to counsel for the revoker: scientists 10: lawyers 0!

### **What are your preferred disputes to argue?**

Pushing the boundaries of the law is always exciting. Doing the run of the mill case isn't as challenging to me. That is why a lot of those cases don't run, particularly with senior practitioners. If you look at many of the cases involving senior silks, a lot are on the boundaries of the developed law. For example, trying to push the limits of manner of manufacture, novelty, inventive step, or the required level of disclosure for fair basis.

With these types of cases, you take the boundary and push it; then when a new boundary is established, going forward, you think what can I do with that new boundary? Trying to get a good result for your client in these

cases requires that you take the law to its edge and sometimes give it a bit of a nudge. That's where you find that there is the most exciting conflict in the court.

That's really where much of my appellate work has been, especially in the High Court. Recently, in *D'Arcy v Myriad Genetics Inc (Myriad)*<sup>1</sup> — the issue was the scope of subject matter for isolated nucleic acids. In *Calidad Pty Ltd v Seiko Epson Corp*<sup>2</sup> — the issue was the theoretical foundation of patent use. In *Aristocrat* — in the High Court and a number of related cases, the issue is the boundary of patentable subject matter for computer-implemented inventions.

That is where it is really interesting and challenging for me. You are forced to go back to the conceptual foundations of patents and ask what is it and where is the proper and natural limit.

For me, it's also about contributing to the jurisprudence and contributing to the way in which patent law interacts and develops. For example, David Catterns QC and I each ran the *Myriad* case from trial to the High Court appeal on largely a pro bono basis because we both regarded the issues as very important. There was no money in the case for either party and we thought it was a legal issue that the community needed to have fully explored.

### **What other work have you done to contribute to the law?**

I have done a number of things including formal and informal teaching and worked in liaison roles with the courts. One of the most significant was teaching a post-graduate multi-disciplinary competition law subject for over a decade together with the great economist, the late Professor Maureen Brunt. This course was truly unique in the world. Professor Brunt and Professor Baxt started offering the course in 1969. During my undergraduate studies in the early 70s, I was permitted as one of a few undergraduates to do the course. It was a unique combination of law, economics and administration taught on a purely Socratic method. Professor Brunt's reputation as a world-leading industrial organisation economist and the uniqueness of the course structure, attracted top academics from around the world, especially the US, UK and EU. This meant, I think, that I often learned more than the students and it forced me to remain up-to-date on legal and economic theory. It enabled me to lob questions for the economists and watch some of the best exponents of the Chicago and Harvard schools of thought argue it out.

When I'm asked to present at conferences and seminars, I try to take time to prepare the papers. I seek to engage and help stimulate practitioners thinking. I want to encourage people to think not just what can they be doing with the patent but what should they be doing.

### **How have technological changes in court practice peculiarly impacted IP practice?**

Through COVID-19 lockdowns, the Federal Court did brilliantly get remote hearings up and running so quickly. I believe that remote hearings have both positive and negative experiences. One-on-one contact with witnesses and the Bench is enhanced online because you fill their screen and they fill yours. But interchange is weakened. This means that two key areas of my practice are negatively impacted by remote hearings. First are appeals when there are multiple judges. The other area that is particularly common in IP and competition law practice is the use of hot tubs for experts. The interchange between the experts loses its fluidity online. It's important that the cameras are set up well so that the non-verbal cues are picked up. I think that there is a place for remote hearings going forward — particularly for short appeals and interlocutory disputes and case management hearings, where there can be a significant cost saving, but, where there are substantive appeals in my experience, both the court and practitioners find there is efficiency in a hearing in person.

I have strongly supported a move to electronic (paperless) trials in the Federal Court. These are likely to be in place next year or thereabouts with a change in the Federal Court practice notes likely.

### **What other changes have you seen in the practice of law during your time in practice?**

In the naughties, I was involved in the development of the docket case management system in the Federal Court at the invitation of Black CJ, which ultimately led to the Law Council report and the changes to the rules. As a litigator, I try to be very focused on efficiency: on s 37M of the Federal Court of Australia Act 1976 (Cth) type approach to litigation and strong case management controls. Case management controls have improved significantly in the last 20 years, but I still think we need tighter and more proactive judicial case management, particularly in patent cases.

I still try to persuade the Federal Court to look at the r 16 of the Federal Rules of Civil Procedure conference approach in the US Federal Courts and apply more closely the approach of the American judicial officers. I also seek to encourage the Federal Court to replicate the UK IP practice note to control and limit the scope of the dispute. The UK High Court is much better at controlling and limiting the scope of patent disputes and achieving fast decisions. The consequence of not having case management as tightly as other jurisdictions is that, we are generally well behind world best practice in the time from issuance to trial and especially in the time from trial to judgment. This can have a significant commercial impact on the parties.

## Where do you see the most interesting developments in IP disputes in the next 5–10 years?

It will be in the continuation of the exploration of what is eligible patent subject matter. When I started in the law, it was almost a non-existent issue. It is becoming a central issue of itself and also in its relationship with invention step and fair basis. The question of inventive step and eligibility often gets inextricably linked even though the court knows at a theoretical level that they are distinct issues.

In some respects, *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd*<sup>3</sup> is a very interesting decision as there is a blurring of the line of inventive step — the evolution of the test for inventive step still has quite a long way to go. I think conceptually the court is struggling to some extent with the *Cripps* test. Ultimately, we may look more to the decision of her honour Crennan J (as her honour then was) in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)*.<sup>4</sup> That's one of the big areas that need to be developed. Who knows if the government will resist the temptation to tamper yet again?

Hopefully, in the decision of the High Court in *Aristocrat*, we will see further clarification of the test of manner of manufacture. While the question arose in disputes related to computer-implemented inventions, it has larger implications for patents and helps us understand where patent law fits in a socio-economic context. What are the boundaries where protection will be given and what is the basis upon which you give protection for something within the boundary?

Determining the basis of protection also involves learning to apply the mismatch of the European Patent Convention tests that have been inserted into our legislation — the most puzzling of which is sufficiency, support and external “fair basis”. I would also like to see the best method test removed — this isn't required if there is a proper sufficiency test.

## What are the future blossoming practice areas?

I think environmental law, cyber law and international trade and arbitration will become much more significant. There is still a lot of work in patent law. It might be that the High Court is going to need to resolve the relationship between copyright and patents — what it wrote in *Data Access Corp v Powerflex Services Pty Ltd*<sup>5</sup> seems to have received an ambivalent application in recent times.



**David Shavin KC**

King's Counsel

Emmerson Chambers

david@shavin.com.au

<https://emmersonchambers.com>



**Lucy Davis**

Junior Counsel

Emmerson Chambers

lucydavis@vicbar.com.au

<https://emmersonchambers.com>

---

## Footnotes

1. *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334; 325 ALR 100; [2015] HCA 35; BC201509675.
2. *Calidad Pty Ltd v Seiko Epson Corp* (2020) 384 ALR 577; 155 IPR 381; [2020] HCA 41; BC202011064.
3. *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* (2020) 279 FCR 354; 153 IPR 199; [2020] FCAFC 116; BC202006167.
4. *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* (2007) 235 CLR 173; 235 ALR 202; [2007] HCA 21; BC200703779.
5. *Data Access Corp v Powerflex Services Pty Ltd* (1999) 202 CLR 1; 166 ALR 228; [1999] HCA 49; BC9906268.



---

# Friend or foe? How artificial intelligence is challenging the law's approach to art

*Alana Kushnir and Mia Schaumann* GUEST WORK AGENCY

## Introduction

The law has always played catch up with technological change.

With the evolution of artificial intelligence (AI), that sentiment is alive and well.

AI is “computer technology that aims to simulate intelligent human behavior”.<sup>1</sup> AI's relationship to the law is particularly provocative in the field of art. When it comes to the authentication of artworks, connoisseurship, provenance documentation and scientific analysis are the three main attribution tools used by historians and conservators. However, some experts are adopting machine learning technology as an alternative method of authentication. However, as Part 1 of this article explores, we are yet to see these findings admitted in legal proceedings. Machine learning technology is also being adopted by artists as a new tool in the creation of artworks. Part 2 of this article will explore how in seeking to protect “creations of the mind”, intellectual property law is challenged by these advances in artistic practices. So, are AI and the law friends? Or are they foes?

For lawyers advising artists and art-related businesses, they should consider that today, AI and the law are mainly foes. However, it is only a matter of time — and legislative intervention perhaps — before the law embraces the benefits of AI.

## Takeaway tips

- AI is proving to be a useful tool for authenticating artworks
- AI findings have not (yet) been admitted as expert evidence in legal cases involving the authenticity of artworks
- Questions around reliability and the amount of weight to be given to AI findings are yet to be addressed by a court or statute
- If AI findings were admitted as expert evidence, they would likely be considered in addition to, rather than instead of, more traditional methods of authentication

## Setting the scene: what is artificial intelligence?

Artificial intelligence is a broad term used to describe the performance of tasks by computer programs that traditionally require human intelligence. As Daniel Kiat Boon Seng (Director, Centre for Technology, Robotics, AI and the Law, Faculty of Law, National University of Singapore) and Stephen Mason (Digital Evidence Journal) explain, AI does:

... what is appropriate for the circumstances and the purposes assigned to it, including behaving flexibly in changing environments and objectives, learning from experience and making appropriate choices given perceptual limitations and finite computation.<sup>2</sup>

The capabilities of such computer programs vary from “weak” or “narrow” application to “strong” and even “AGI” application. At the extreme end of the AI spectrum is Artificial General Intelligence (AGI), which does not exist yet. AGI “greatly exceeds the cognitive performance of humans in virtually all domains of interest”.<sup>3</sup> Similarly, “strong” AI does not exist yet, but is focused on matching human-level intelligence.

“Narrow” AI, which does currently exist, is “developed as an aid to human thought, typically through the use of a system that solves tightly constrained problems”.<sup>4</sup> It is in this subgroup of AI applications that the concepts of “machine learning” and “neural network” sit. More specifically, “machine learning” is the use of:

... algorithms (rules) embodied in software to learn from data and adapt with experience. [Whereas, a] “neural network” is a computer that classifies information — putting things into “buckets” based on their characteristics.<sup>5</sup>

The applications of narrow AI are widespread, from automated chat bots and AI assistants like Siri and Alexa, to facial recognition software and drone robots.

Notwithstanding its wide application, machine learning has its limits. As the process by which the machine is “trained” involves the machine's exposure to large amounts of data or “datasets”, the application can produce incorrect or misleading outcomes based on hidden biases in the data.

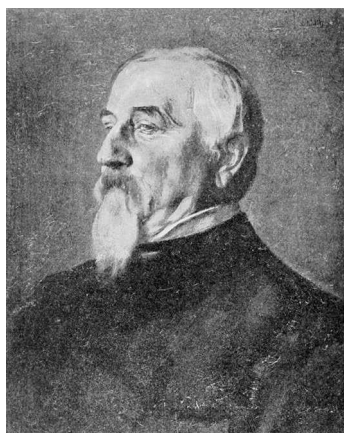
An example of such a bias is where the data for a facial recognition system skew in favour of particular demographics (known as racial bias) or where the

training includes prejudices or stereotypes, the machine learning model will learn those prejudices or stereotypes and perpetuate them (known as association or prejudice bias).

### AI as friend: how artificial intelligence technology can assist the law

There are three main attribution tools that have traditionally been used to authenticate artworks: connoisseurship, provenance documentation and scientific analysis.<sup>6</sup>

Known as the “Morellian method” (after the 19<sup>th</sup> century physician and art collector Giovanni Morelli who formulated the method), the practice of connoisseurship relies on the human eye and the knowledge of an artist’s oeuvre, the way an artist might draw a specific part of the human body, like an ear, or a hand, and the style in which an artist might apply paint to mimic leaves on a tree.



Connoisseurship is often used in combination with provenance documentation, being the method tracking the “chain of title” or ownership history of an artwork to determine if there are any unusual gaps or dubious transactions involved. A range of different types of scientific analysis can also be used as part of the authentication process. For paintings, techniques include

using infrared reflectography to see the underdrawings, and microscopic analysis of the pigments used and the signs of ageing in the paint layer.

Importantly, as Anne-Laure Bandle explains, “none of these tools is sufficient in and of itself. Instead, they complement each other. Hence, a connoisseur’s opinion-based result should be supported by archival evidence or scientific reports”.<sup>7</sup> Although still uncommon (due to the costs involved and the developer expertise required), in recent years machine learning tools have been used as a fourth “prong” in the authentication process.<sup>8</sup>

### *The application of machine learning to attribution and forgery detection*

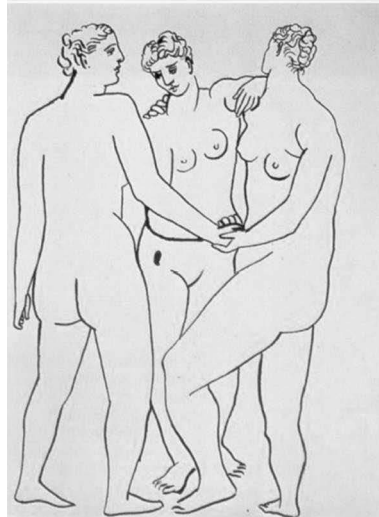
In its simplest form, the way in which machine learning can be applied to attribution and forgery detection is as follows.

A dataset of high-resolution images is built using legitimate works by the artist. To improve the algorithm’s discrimination capabilities, they include in the training set paintings by artists of similar style and chronology. The algorithm “learns” the artist’s stylistic traits from the dataset and uses this knowledge to detect the probability of forgery.

An example of the use of this method was the research project spearheaded by Ahmed Elgammal at Rutgers University in the U.S. and the Aterlier for Restoration & Research of Paintings in the Netherlands, “Picasso, Matisse or a Fake? Automated Analysis of Drawings at the Stroke Level for Attribution and Authentication”.<sup>9</sup> The team used a dataset of 297 digitised line drawings by Pablo Picasso, Henry Matisse, Egon Schiele, Amadeo Modigliani and a small number of works by other artists, and proposed a novel algorithm for segmenting individually-drawn strokes.<sup>10</sup>

The characteristics of each stroke is captured using global and local shape features as well as a deep neural network that captures the local shape and tone variations of each stroke . . .<sup>11</sup>

They found that the method could capture artist’s individual characteristics at the stroke-level.



### Commercial AI artwork services

A number of private companies have since been set up to provide AI artwork services. For example, the

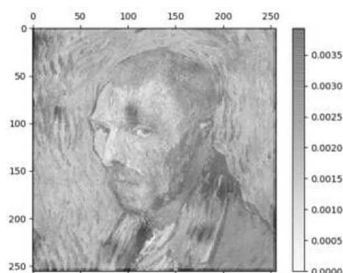
Switzerland based Art Recognition has developed an algorithm for detecting fakes using a single photograph of the artwork. Co-founder Dr Carina Popovici has explained their method as follows:



The algorithm is based on a deep convolutional neuronal network which we train to “learn” the characteristics of an artist from a set of original artworks by that artist

...

When a new, previously unseen artwork is being analyzed, the same type of features are collected and compared to the already stored one. If they match, the new image is labeled as original; otherwise, it is a fake.<sup>12</sup>



Notwithstanding such recent efforts, the admission of machine learning findings in court cases concerning art authentication is largely untested.<sup>13</sup> In art forgery cases, expert witnesses demonstrate a formation of their opinion using a combination of connoisseurship, provenance documentation and scientific analysis.

### Case study — *Grant v R*

In the Victorian art fraud case of *Grant v R*,<sup>14</sup> the prosecution relied on an analysis of the allegedly fraudulent works by Brett Whiteley prepared by Associate Professor Robyn Sloggett of the University of Melbourne’s Grimwade Conservation Services.<sup>15</sup> In examination-in-chief, Ms Sloggett confirmed the position that she took in her report on *Blue Lavender Bay*:

... on the evidence available, in particular on the basis of the lack of points of identification with materials and techniques known to be used by Whiteley and in the

absence of any verifiable provenance that links the work to Whiteley, ... [t]he evidence suggests rather that this work has not been produced by Whiteley.<sup>16</sup>



In her examination Sloggett also pointed out several discrepancies between the work in question and securely provenanced works by Whiteley.

For example, she explained that the birds had none of the “velocity or fineness” associated with Whiteley’s usual depiction of birds, as though they had been painted with a “dead hand”.<sup>17</sup>

As well as relying on the eye, Sloggett and her colleague took infrared reflectography images which were used by the prosecution to show similarities in the underdrawings. Interestingly however, Croucher J had said that there were “considerable limits on that evidence, as there was no attempt by the prosecution to use photogrammetry to measure and line up, in a precise and accurate way, the underdrawings”.<sup>18</sup>

It could be said then that Croucher J was willing to consider more scientific-based evidence, even though this had not been put forward by the prosecution.

In the US, scientific-based evidence has also been the focus of art forgery cases. For example, in the Knoedler forgery trial,<sup>19</sup> which took place in the same year as *Gant v R*, forensic testing was used to show that the paints used to create the forged Rothko works were not commercially available at the time the works were allegedly made.<sup>20</sup>

### The application of artificial intelligence technology beyond legal scholarship

It is unclear whether a court would establish the admissibility of evidence produced by a machine learning tool, and if they were, what weight would be given to it. To date, the proposition of using machine learning findings as evidence has primarily the domain of legal scholars.

In September 2021, Lord Sales, Justice of the UK Supreme Court, gave a public address in Singapore on “Artificial Intelligence and Evidence”.<sup>21</sup> In his address Lord Sales noted that (in the UK) legislation and case law had not specifically addressed the treatment of AI generated evidence.

He pointed in particular to the research of (Professor Seng and Mason), which has focused on the validity and reliability of AI applications as evidence in criminal and civil cases.<sup>22</sup> Mason and Seng have explained that AI:

... challenges presumptions in evidence about the reliability of automated systems, questions the characterisation of records from AI systems as real evidence or as hearsay, deepens the analysis of such evidence on grounds of authenticity and even goes to the issue of whether such evidence can be the proper subject of legal disclosure or discovery ...<sup>23</sup>

In other words, Mason and Seng suggest that AI could be a game-changer when it comes to the treatment of evidence in legal proceedings. Lord Sales reasserts this point, specifically noting that AI could assist judges in coming to the right outcome in cases.

## Conclusion

In a time where machine learning tools carrying out operational processes in the legal system are alive and well, it's surprising that aside from Lord Sales and Mason and Seng's aforementioned observations, there is so little commentary or legal cases on the admission of AI as evidence.

Perhaps it's only a matter of time then for the admission of machine learning findings to be tested in a court. How this will affect proceedings involving the authentication of art is yet to be determined.



**Alana Kushnir — Author**  
 Director and Founder  
 Guest Work Agency  
 alana@guestworkagency.art  
 www.guestworkagency.art



**Mia Schaumann — Researcher**  
 Paralegal  
 Guest Work Agency  
 mia@guestworkagency.art  
 www.guestworkagency.art

## Footnotes

1. J Greene and A M Longobucco "Is Artificial Intelligence the Newest Trend in Fashion?", *New York Law Journal* 24 August 2018 [www.law.com/newyorklawjournal/2018/08/24/artificial-intelligence-the-newest-trend-in-fashion/](http://www.law.com/newyorklawjournal/2018/08/24/artificial-intelligence-the-newest-trend-in-fashion/). See also N Heath "What is AI? Here's Everything You Need To Know About Artificial Intelligence" *ZDNet* 23 July 2021 [www.zdnet.com/article/what-is-ai-heres-everything-you-need-to-know-about-artificial-intelligence/](http://www.zdnet.com/article/what-is-ai-heres-everything-you-need-to-know-about-artificial-intelligence/).
2. S Mason and D Seng "Artificial Intelligence and Evidence" (2021) 33 *Singapore Academy of Law Journal* 241, 242.
3. Above.
4. Above n 2.
5. L Donahue "A Primer on Using Artificial Intelligence in the Legal Profession" *Harvard Journal of Law and Technology* 3 January 2018 <https://jolt.law.harvard.edu/digest/a-primer-on-using-artificial-intelligence-in-the-legal-profession>.
6. A L Bandle "Fake or Fortune? Art Authentication Rules in the Art Market and at Court" (2015) 22 *International Journal of Cultural Property* 379 at 380.
7. Above, at 381.
8. A key precursor to this method of art authentication was the Wiki Art research project, spearheaded by computer scientists from the University of Palermo, Italy. See also R Pirrone and others "WikiArt: An Ontology-Based Information Retrieval System for Arts" (Conference Paper, No 10.1109/ISDA.2009.219, Ninth International Conference on Intelligent Systems Design and Applications, 30 November 2009) 913.
9. A Elgammal, Y Kang, M D Leeuw "Picasso, Matisse, or a Fake? Automated Analysis of Drawings at the Stroke Level for Attribution and Authentication" (2018) 32(1) *Proceedings of the AAAI Conference on Artificial Intelligence*.
10. Above, at 4-5.
11. Above n 9, at 19.
12. J Bailey "Can AI Art Authentication Put An End To Art Forgery?" *Artnome* 12 September 2019 [www.artnome.com/news/2019/9/12/can-ai-art-authentication-put-an-end-to-art-forgery](http://www.artnome.com/news/2019/9/12/can-ai-art-authentication-put-an-end-to-art-forgery).
13. In our research we were unable to identify any court cases that had admitted machine learning findings as evidence to support art authentication disputes.
14. *R v Gant & Siddique* [2016] VSC 662; BC201609685 (*Gant 2016 SC*); *Gant v R* [2016] VSCA 340; BC201611084; *Gant v R* [2017] VSCA 104; BC201703260 (*Gant 2017*).
15. The Crown had alleged that Mohammed Siddique, an art conservator and restorer, produced three paintings in the style of the Australian artist Brett Whiteley — *Blue Lavender Bay*, *Through the Window*, *Lavender Bay* and *Orange Lavender Bay* — and that art dealer Peter Gant had marketed and sold the paintings as genuine works by Whiteley. Gant and Siddique were acquitted on appeal, with Weinberg, Priest and McLeish J of the Supreme Court of Victoria stating that "these convictions could not stand" on the basis that there was a "significant possibility that innocent men have been convicted ...". See Supreme Court of Victoria "Statement of The Court — Gant and Siddique v The Queen" (27 April 2017).
16. *Gant 2017*, above n 14, at [39].
17. *Gant 2017*, above n 14, at [42].
18. *Gant 2016 SC*, above n 14, at [23].
19. *De Sole v Knoedler Gallery, LLC* 137 F Supp 3d 387 (2015).

20. Plaintiffs Eleanore and Domenico De Sole filed a suit against Knoedler Galleries, alleging that the gallery knowingly sold works by well-known abstract expressionist artists, which had been fraudulently authenticated.
21. See Lord Sales *Artificial Intelligence and Evidence* Seminar Paper, Singapore SLATE III, 15 September 2021.
22. Above.
23. Above n 2, at 247.

---

# New foods — from lab plate to lunch (and skip the paddock)

*Odette Gourley, Alison Jones, Kate Donald and Grace Griffiths* **CORRS CHAMBERS WESTGARTH**

The commercialisation of new food products, such as “meat” and “dairy” from new cell-based production techniques, may give rise to a range of intellectual property, regulatory and other legal issues. This article provides an overview of the relevant legal issues which may arise for businesses entering the space and the lawyers advising them. Specifically, we consider the opportunities for patent, confidential information, and trade mark protection, as well as risks associated with food labelling, product liability and consumer law issues.

## Takeaway tips

- be diligent with respect to review of patent validity and brand clearance and
- ensure all product claims are substantiated

## Cell-based meat and dairy

Both meat and dairy products are now able to be produced with minimal or no animal involvement and, accordingly, may be referred to as lab-grown, artificial or cultured meat or dairy.

In the case of cell-based or “cultured” meat, a biopsy may be taken from a live animal, such as a cow, from which stem cells can be derived. Those stem cells may then be engineered and cultured. Once the cells have differentiated into the muscle, fat and connective tissue that make up the meat, they can be harvested, immortalised (ie, manipulated to be capable of continual reproduction) and then used to produce a potentially infinite range of meat products. To obtain a product that resembles the look, taste and texture of meat, the differentiated cells (ie, mature (specialised) cells, such as muscle and fat cells)<sup>1</sup> may be grown on scaffolding materials that support the desired structure of the meat product of interest.<sup>2</sup>

These complex technologies have the potential to increase the productivity of food manufacturing as they do not involve animal slaughter and, unlike traditional meat products, can be produced in a large-scale industrial laboratory.<sup>3</sup>

While some businesses have been able to cultivate cow mammary cells to produce milk,<sup>4</sup> cell-based dairy products are also able to be made without the need for

animal cells. Processes using plant microorganisms such as fungi, into which DNA instructions to produce the key milk proteins of whey and casein are inserted for example, have been developed.<sup>5</sup>

Businesses in this space have now refined the technology to be able to produce at scale, signalling that cell-based meat and dairy have the potential to become a dietary staple.<sup>6</sup>

## Intellectual property rights in technology

Businesses in the cellular food production space continue to invest heavily in research and development and have sought to protect inventions arising from all aspects of production. For example, patents relating to cell lines (a cell culture developed from a single cell, an essential tool for creating laboratory-grown meat), co-culturing multiple cell types (ie, muscle cells, fat cells, blood vessels, etc), scaffolding (to allow different cells to adhere and grow alongside each other in a highly controlled and ordered way) and food products (eg, formed from cultured muscle cells) have been filed in Australia and overseas.

Data on patent filings indicate that development in this area is largely being driven by China, with Australia being the fifth largest filing destination for patents relating to imitation meat.<sup>7</sup>

Much like any new field, we expect to see patent challenges in particular relating to the foundational technologies, such as the establishment of cell lines (a cell culture developed for a single cell). We expect lack of novelty and inventive step attacks, drawing on prior art from related fields in which significant patent protection and scientific literature is available, such as biological/biosimilar medicine production.

In circumstances where patent protection cannot be achieved, methods for producing cell-based meat and dairy may be able to be protected as trade secrets. Records and know-how should therefore be treated as confidential and only disclosed on a need-to-know basis to ensure that the information remains confidential. Copyright may also be available to provide some protection for product formulations or “recipes” (however, protection as a copyright work may be limited where variations between written recipes are only minor formulation differences).

Businesses investing in research should ensure they have capacity to demonstrate ownership of technology they have developed or paid to develop.

### **Food standards**

Products produced by way of cellular processes will be considered “food” given that Food Standards laws broadly define food to include any “substance or thing” capable of being used, or represented to be, for human consumption (excluding therapeutic goods).<sup>8</sup>

In Australia, new and alternative sources of food products (including any new food ingredients or food additives) are treated as novel foods (ie, non-traditional foods that do not have a history of human consumption in Australia). Such foods require assessment and approval by the regulator, Food Standards Australia and New Zealand (FSANZ), to ensure that they are safe for human consumption.

This is consistent with the limited guidance released to date by FSANZ, which appears not yet to have been approached by any business seeking regulatory approval of a cellular food.<sup>9</sup>

### **Consumer and food labelling law**

Product presentation and advertising claims may raise issues under the Australian Consumer Law and/or the Food Standards Code (enforced by state and territory food authorities under applicable food laws) if they convey messages which are inaccurate or not substantiated in relation to the foods in question.

For example, are cell-based meat and dairy products properly described as “meat” and “milk”? Given the definitions of these products contained in the Food Standards Code<sup>10</sup> and the requirements of the Australian Consumer Law, additional words or disclaimers might be necessary to minimise risk of non-compliance with such regulatory requirements.

Or will marketers prefer to make a claim of animal-free, meat-free or dairy-free? There may not be much “animal”, “meat” or “dairy” in the final product but does the derivation of the product from initial animal cell sources make these descriptions and claims misleading?<sup>11</sup>

### **Branding**

As usual, early trade mark protection is desirable, and with an eye to international expansion opportunities. In addition to usual trade mark clearance checks, care also needs to be taken to select a brand which does not convey any unintended health claims or other messages which may be misleading or inappropriate. This is particularly so given that food is the subject of variations and shorthand names that can be highly localised.

### **Product liability**

To the extent that production occurs in sterile industrial production conditions, cell-based food products may carry less risk of contamination than those conventional foods produced on farms and involving abattoirs. However, criticism previously levelled at plant-based meat alternatives suggests that products which are more scientifically complex than conventional food sources may be more likely to attract consumer suspicion.<sup>12</sup>

Also, as the products are novel products but intended for wide human consumption, it may be difficult to exclude altogether the risk of negative health effects that only become apparent long after product launch.

Deployment of state-of-the-art expertise, including through well-designed trial processes and well-documented data, may provide a defence to future product liability claims should there be delayed unexpected negative health effects.<sup>13</sup>

### **Key takeaways**

It is predicted that by 2040, 60% of meat will be cell-based,<sup>14</sup> so businesses and their lawyers should prepare. As well in commercial issues, there is a range of legal and regulatory issues for businesses to manage in relation to cell-culture foods.

The major regulatory risk issue appears to be obtaining approval of cellular foods as acceptable under Food Standards laws.

When products come to market, ensuring accurate and substantiated product claims and associated advertising and marketing will be an ongoing compliance issue for management, having regard to consumer protection laws.

Entry into a relatively novel space naturally presents an opportunity to gain exclusivity through intellectual property protection. The ability to gain exclusivity, however, will require diligence with respect to patent validity and brand clearance.



**Odette Gourley**

*Partner*

*Corrs Chambers Westgarth*

*Odette.gourley@corrs.com.au*

*www.corrs.com.au/*



**Alison Jones**

*Special Counsel*

*Corrs Chambers Westgarth*

*Alison.jones@corrs.com.au*

*www.corrs.com.au/*





**Kate Donald**  
Senior Associate  
Corrs Chambers Westgarth  
kate.donald@corrs.com.au  
www.corrs.com.au/



**Grace Griffiths**  
Lawyer  
Corrs Chambers Westgarth  
grace.griffiths@corrs.com.au  
www.corrs.com.au/

## Footnotes

1. Compared with stem cells, which are immature undifferentiated cells that have not yet acquired a specialised structure and function.
2. “The science of cultivated meat” *Good Food Institute* <https://gfi.org/science/the-science-of-cultivated-meat/>.
3. D Carrington “No-kill, lab-grown meat to go on sale for first time” *The Guardian* 2 December 2020 [www.theguardian.com/environment/2020/dec/02/no-kill-lab-grown-meat-to-go-on-sale-for-first-time](http://www.theguardian.com/environment/2020/dec/02/no-kill-lab-grown-meat-to-go-on-sale-for-first-time).
4. A Peters “This startup is milking cow cells in a lab for animal-free dairy” *Fast Company* 23 April 2022 [www.fastcompany.com/90743975/this-startup-is-milking-cow-cells-in-lab-for-animal-free-dairy](http://www.fastcompany.com/90743975/this-startup-is-milking-cow-cells-in-lab-for-animal-free-dairy).
5. “Vegan milk that everyone can drink is the real deal” *In Habitat* 10 March 2022 <https://inhabitat.com/vegan-milk-that-everyone-can-drink-is-the-real-deal/>.
6. In December 2020, US company Eat Just had their cultured meat product “chicken bites” approved by the Singapore Food Agency, the first such cultured meat product approved by a food regulator anywhere in the world. In June 2021, Future Meat Technologies commenced production of cell-based meat at scale in a new production facility in Rehovot, Israel. Although Australia is yet to see any cell-based foods approved for consumption, a number of firms are readying for production, such as lab-based dairy manufacturer, Eden Brew, who expect their products to be ready for sale in 2023 — see S Evans “Eden Brew eyes \$20m as milk without cows rises” *Australian Financial Review* 31 May 2022.
7. IP Australia Patent Analytics Hub “Meat Expectations: Innovation trends for substitute meat” (2020).
8. Food Standards Australia New Zealand Act 1991 (Cth), s 5; Food Standards Code, Standard 1.1.2.
9. Food Standards Australia New Zealand, Cell based meat, [www.foodstandards.gov.au/consumer/generalissues/Pages/Cell-based-meat](http://www.foodstandards.gov.au/consumer/generalissues/Pages/Cell-based-meat).
10. Under current Food Standards, meat refers to the whole or part of the carcass of certain animals if slaughtered and excludes a foetus or part of foetuses: Standard 2.2.1; milk refers to the mammary secretion of milking animals: Standard 2.5.1.
11. While not specifically directed to cell-based meat and dairy, the Australian Competition and Consumer Commission has stated that the use of animal product-related descriptors or animal pictures on the labelling of plant-based meat substitute products is not, without more, likely to mislead consumers, see Australian Competition and Consumer Commission, Submission No 19 to Senate Standing Committee on Rural and Regional Affairs and Transport, *Definitions of Meat and Other Animal Products* (23 July 2021).
12. B P Sylvester, N Beaver, K Schoonover and J Tietz “From Petri Dish to Main Dish: The Legal Pathway for Cell-Based Meat” (2020) 12(2) *KJEANRL* 243 at 278.
13. The “state of the art” defence provides a defence where the state of scientific or technical knowledge at the time was not such as to enable a relevant defect to be discovered. See consideration of this defence in *Graham Barclay Oysters Pty Ltd v Ryan* (2000) 102 FCR 307; 177 ALR 18; [2000] FCA 1099; BC2000044991 where the state of scientific knowledge at the time was not sufficient to enable detection of the presence of Hepatitis A in oysters sold, creating a defence to liability for the oyster growers.
14. D Carrington “Most ‘meat’ in 2040 will not come from dead animals, says report” *The Guardian* 13 June 2019 [www.theguardian.com/environment/2019/jun/12/most-meat-in-2040-will-not-come-from-slaughtered-animals-report](http://www.theguardian.com/environment/2019/jun/12/most-meat-in-2040-will-not-come-from-slaughtered-animals-report).

# Appeal Court (mostly) upholds primary judge on authorisation of copyright infringement case

*Amelia Causley-Todd and Marina Olsen BANKI HADDOCK FIORA*

In the November 2021 edition of this Bulletin, we summarised the decision of Thawley J in *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd*<sup>1</sup> relating to allegations of copyright infringement, misuse of confidential information and breach of contract in the context of real estate software (“Copyright infringement claim for cloud-based software comes crashing back down to Earth: vindication but at what cost?”). In this article, we examine the Full Federal Court’s decision on appeal in *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd*.<sup>2</sup>

## Takeaway points

- To establish authorisation of copyright infringement, it is necessary to prove that the alleged authoriser had actual knowledge or constructive knowledge of the relevant act, or that they were wilfully blind to the act being done. Whether authorisation has occurred is a highly fact-specific inquiry and relies on a close examination of the relevant factual matrix.
- Being put on notice of the potential infringement of another’s intellectual property rights may result in a finding of authorisation if the primary infringement is made out and the notification is not properly engaged with.
- If an individual or business receives notice that goods or services that they use or have an association with may infringe the intellectual property rights of a third party, they should properly engage with the notice and make real enquiries. Otherwise, they risk a finding of authorisation.

## Background

At first instance, the primary judge found that Campaigntrack had made out its infringement case against Mr Semmens in relation to his development of a real estate marketing software system called “Real Estate Toolbox” (Toolbox System). Campaigntrack established that Mr Semmens, in creating the Toolbox System, had infringed the copyright subsisting in another real estate marketing software system called “DreamDesk” (DreamDesk System) (which had also been developed by Mr Semmens).

Campaigntrack had also sued the following individuals and entities (known as the represented respondents):

- Real Estate Tool Box Pty Ltd (RETB), a company incorporated 1 month before the Toolbox System went live
- Biggin & Scott Corporate Pty Ltd (Biggin & Scott), the franchisor of real estate agencies that used the DreamDesk System, which had engaged Mr Semmens to develop the Toolbox System
- Dream Desk Pty Ltd (Dream Desk), which owned the intellectual property rights in the DreamDesk System prior to its sale to Campaigntrack
- Mr Meissner, the sole director and shareholder of Dream Desk
- Mr Stoner, a director of Biggin & Scott and the sole director of and primary shareholder in RETB and
- Ms Bartels, a director of Biggin & Scott and the company secretary of and the other shareholder in RETB

The appellant’s case against the represented respondents was unsuccessful at first instance. The primary judge did not find that any of Biggin & Scott, RETB, Mr Stoner, Dream Desk or Mr Meissner authorised Mr Semmens’ infringing conduct.

The primary judge found that Mr Semmens had misused Campaigntrack’s confidential information but rejected the appellant’s contention that the represented respondents knew of or were vicariously liable for his conduct. Campaigntrack also brought breach of contract claims against some of the represented respondents which were found not to be established at first instance.

## Appeal grounds

The Full Court, comprised of McElwaine, Greenwood and Cheeseman JJ, was tasked with determining the appeal of Campaigntrack Pty Ltd (Campaigntrack). Campaigntrack advanced 13 grounds of appeal. McElwaine J categorised the grounds according to the relevant issues raised for determination by the Full

Court:

- grounds 1 to 7: whether the primary judge erred in rejecting the copyright claims against the represented respondents
- grounds 8 and 9: whether the primary judge erred in rejecting the confidential information claims against the represented respondents and
- grounds 10 to 13: whether the primary judge erred in rejecting the breach of contract claims against Dream Desk and Mr Meissner

Grounds 8 to 9 were abandoned during the course of oral argument. The copyright claim grounds occupied the majority of each of the judges' reasons.

## The primary judgment: McElwaine J

### *Claims of copyright infringement against the represented respondents*

The appellant contended that RETB, Biggin & Scott, Mr Stoner, Ms Bartels, Dream Desk and Mr Meissner authorised the infringing conduct of Mr Semmens and the other developers of the Toolbox System. The primary judge wholly rejected this contention, finding that the represented respondents lacked either actual or constructive knowledge of the infringing conduct.

On appeal, Campaigntrack argued that the primary judge had erred in four respects:

- he had applied the wrong test for authorisation by requiring that it be established that the defendant authorised the infringement of the relevant intellectual property right
- he had wrongly held that authorisation requires knowledge about the legal quality of the infringing act
- the primary judge should have found that authorisation was established and
- if a mental element is required, it was met and he should have found that authorisation was established

McElwaine J (Greenwood J agreeing) observed that the first and second errors alleged could not be substantiated having regard to the entirety of the primary judge's reasons. According to his Honour, the appellant's contention selectively focused upon individual phrases used by the primary judge, rather than reading the primary judge's reasons as a whole. Those reasons demonstrated no error in interpreting the statutory requirements.

### Authorisation — the mental element

On the question of knowledge (also part of the second alleged error), McElwaine J reviewed the cases on

authorisation of copyright infringement and stated that:

knowledge of acts comprised in the copyright is a relevant matter although inactivity, indifference, or wilful blindness may be of such character and degree as to infer knowledge and conclude authorisation.<sup>3</sup>

He continued:

... it is necessary to prove on the balance of probabilities that the person either had *actual* knowledge of the doing of the act or *constructive* knowledge of the act because the person had reasonable grounds to suspect the doing of the act or, the person exhibited *wilful blindness* to the doing of the act. I describe in these reasons these three possible states of knowledge as the "mental element". It is equally clear that it is not necessary to prove as an element of any one of the three states of knowledge constituting the mental element of the person, actual knowledge that the act constituted an "infringing act" or that the person had constructive knowledge of, or was wilfully blind to, the act being an "infringing act". The *relevant fact* comprehended by the mental element (as described) is the "doing of an act comprised in the copyright" taking into account the s 36(1A)(a) to (c) factors, not the legal character of the act.<sup>4</sup>

He went on:

... It is equally clear that it is not necessary to prove as an element of any one of the three states of knowledge constituting the mental element of the person, actual knowledge that the act constituted an "infringing act" or that the person had constructive knowledge of, or was wilfully blind to, the act being an "infringing act". The *relevant fact* comprehended by the mental element (as described) is the "doing of an act comprised in the copyright" taking into account the s 36(1A)(a) to (c) factors, not the legal character of the act.<sup>5</sup>

The appellant's case was that, despite the instructions to Mr Semmens to build a system that did not infringe the intellectual property of other companies, the represented respondents authorised the infringements for several reasons, including the following:

- Mr Stoner and Biggin & Scott issued the instruction letter in respect of the Toolbox System to Mr Semmens and knew (and through them, Biggin & Scott and RETB knew) that there was a real risk that Mr Semmens might infringe the intellectual property rights of Dream Desk or Campaigntrack
- Mr Stoner and Ms Bartel (and through them, Biggin & Scott and RETB) repeatedly said that they left it to Mr Semmens to develop and run the Toolbox System
- Biggin & Scott and RETB were in a contractual relationship with Mr Semmens as the commissioning party and
- neither Mr Stoner nor Ms Bartels (nor Biggin & Scott and RETB) conducted any independent audit or verification that the system developed for them did not infringe another company's intellectual property rights

In the alternative, the appellant's case against Biggin & Scott, RETB, Mr Stoner and Ms Bartels was that they:

either deliberately procured, authorised or caused Mr Semmens to copy the DreamDesk system in developing the Toolbox system. Alternatively . . . they knew or had reason to suspect Mr Semmens would copy the DreamDesk system in doing so, and they took no or insufficient steps to prevent that from happening. . .<sup>6</sup>

The appellants asserted the same case against Mr Meissner and Dream Desk for several reasons including the following:

- Dream Desk and Mr Meissner provided staff and resources for the development of the Toolbox System and
- Mr Meissner and Dream Desk took no steps to prevent or avoid the infringement of the copyrights subsisting in the works comprising the Dream Desk System

In light of how the appellant framed its case and of s 36(1A) of the Copyright Act 1968 (Cth), McElwaine J concluded that the primary judge did not err in the way the test for authorisation was framed (that is, by referring to some level of knowledge being required for infringement to be established), disposing of the appellant's second contention. In other words, simply engaging a person to build a system and not conducting due diligence specifically aimed at ensuring that no infringement has occurred or will occur, without more, does not meet the authorisation test.

#### Establishing authorisation: revisiting the primary judge's reasons

The core plank of the appellant's third and fourth argument was that the primary judge failed to draw the correct inference from all of the primary facts found.<sup>7</sup> The primary judge's findings that each represented respondent trusted Mr Semmens not to infringe intellectual property rights, expressly relied upon Mr Semmens not to misuse others' intellectual property, did not know or reasonably ought to have known that copyright works had been used in the Toolbox system, and that Mr Meissner was "shocked" to discover that Mr Semmens had used Process 55 in the development of DreamDesk, were central to his finding that the appellant's authorisation case was not made out against the represented respondents.<sup>8</sup>

These findings were not challenged by the appellant on appeal. However, the appellant submitted that the primary judge wrongly ignored contextual evidence that should have led him to the inference that the represented respondents "had reason to suspect that Mr Semmens might copy DreamDesk or knew there was a real risk he might do so".<sup>9</sup> His Honour found this submission to be

difficult in two respects: it failed to identify error by the primary judge, and it was not how the appellant had pleaded its case.<sup>10</sup> In circumstances where allegations were not put to key witnesses and the relevant evidence of witnesses was not challenged, McElwaine J determined that it was not open to the Court to draw a general inference of "serious and concealed misconduct" from unchallenged findings of primary fact.<sup>11</sup>

His Honour was satisfied, however, that the appellant's authorisation case was made out after a certain point in time, and that the primary judge did not analyse all of the evidence that was relevant to this case.

On 29 September 2016, the appellant's solicitors wrote to Mr Meissner stating that Campaigntrack was concerned that there had been "improper access and duplication of code which is intellectual property now owned by our clients" and that relevant undertakings were required from the represented respondents and Mr Semmens before the DreamDesk transitional licence was extended. According to McElwaine J, each of the represented respondents was on notice from this point onwards that the appellant was concerned about infringement of its intellectual property rights.<sup>12</sup>

On 19 January 2017, an independent expert, Mr Geri, provided the parties with a report that stated that there was a "high probability" that Campaigntrack's intellectual property had been used in the development of the Toolbox System. Despite the appellant's solicitors requesting that use of the Toolbox System cease immediately on the basis of this report, Biggin & Scott continued to use, and RETB continued to provide access to it. In response, the represented respondents' solicitors denied that Campaigntrack owned the intellectual property rights it asserted.

On 3 February 2017, Campaigntrack's solicitors again requested that the use of the Toolbox System cease. On 9 February 2017, the represented respondents' solicitors denied the appellant's claims.

McElwaine J stated that the primary judge's failure to address the correspondence of 29 September 2016, Mr Geri's report, or the subsequent correspondence between the parties' solicitors was an error,<sup>13</sup> and that as evidence "important or critical to the proper determination of the matter" it should have been referred to by the primary judge.<sup>14</sup>

Therefore, while his Honour agreed with the primary judge's findings on the authorisation case prior to 29 September 2016, he diverged in respect of the period from that point up to June 2018, concluding that "the primary judge erred in not concluding that the appellant's authorisation case was made out against each of

the represented respondents”<sup>15</sup> in that period and allowing the appeal in part. Key to this finding was that:<sup>16</sup>

- as a result of the correspondence between 29 September and 10 October 2016, the represented respondents had knowledge that the appellant had grounds to assert that its intellectual property rights had been infringed and
- the represented respondents had actual knowledge of the “high probability” that the appellant’s intellectual property had been used in the development of the Toolbox System

Greenwood J agreed generally with McElwaine J and, after making some further observations regarding factual matters, stated that if the primary judge took the view that Mr Stoner, Ms Bartels, Biggin & Scott and RETB had no reason to suspect that Toolbox copied substantial parts of DreamDesk or that there was no basis to say they should reasonably have known that those “conclusions simply cannot stand in the face of the whole of the evidence”.<sup>17</sup>

His Honour observed:

... If respondents to such a claim [of infringement of intellectual property], such as Mr Stoner, Ms Bartels, [Biggin & Scott] and RETB, are not the authors (developers) of the impugned system (in this case, the Toolbox system), and are not in a position to *know* from their own direct knowledge whether the contentions are true or false or likely to be true or false, denying use, denying breach and denying an effective mechanism for testing the veracity of the contentions (and putting the claimant to litigation where the claim of title and use is shown to be correct) is unreasonable and indifferent in the *contextual circumstances* where they knew Mr Semmens had breached the rights of others in *Process 55*; they knew they had given an undertaking concerning the protection of the DreamDesk works and they knew that Mr Geri had expressed an important preliminary view of real concern.<sup>18</sup>

### *Grounds relating to breach of contract*

McElwaine J (Greenwood J agreeing) dismissed all appeal grounds relating to breach of contract.

### **Cheeseman J’s dissenting judgment**

In dissent, her Honour noted that the primary judge’s “trust findings” (findings that each represented respondent trusted Mr Semmens not to infringe the intellectual property in the DreamDesk System in his development of the Toolbox System) were not limited to a specific time period and were made against the background of his review of the entirety of the evidence.<sup>19</sup> Cheeseman J inferred from the absence of any express finding by the primary judge in relation to the 29 September 2016 letter that his Honour considered it immaterial, not that he *failed* to consider it.<sup>20</sup>

In respect of Mr Geri’s report, her Honour pointed out that the fact that the represented respondents granted Mr Geri access to the Toolbox system tended against the authorisation case against them. She also noted that Mr Geri’s conclusions included speculative assumptions and he could not come to a concluded view without further forensic examinations being conducted. In addition, the represented respondents’ witnesses were not cross-examined on the preliminary Geri report.

Cheeseman J concluded:

... The absence of error and the comprehensive nature of the trust findings made across the whole of the relevant period preclude this Court from embarking on its own fact finding in relation to the later period authorisation case. ...<sup>21</sup>

### **Appeal practice and procedure points**

It is interesting to note the two different conclusions reached by the Full Court in respect of when and how an error by the primary judge must be demonstrated for an appeal to be successful. McElwaine and Greenwood JJ found that the primary judge had fallen into error *after* reviewing his judgment and the totality of the evidence. In contrast, Cheeseman J stated that, in the absence of error, it was not necessary to review the primary judge’s judgment and the evidence. His Honour Greenwood J observed that this approach appeared to:

... invert the essential task of the Full Court which is, within the limits of the grounds of appeal, and to the extent necessary to address them, the appellate court *must* conduct a real review of the primary judge’s judgment, the reasons explanatory of the findings, and the evidence said not to have been addressed in the reasoning ...<sup>22</sup>

McElwaine J also disagreed with Cheeseman J’s position as his Honour considered that the evidence in question was “important or critical to the proper determination of the matter” and therefore should have been referred to by the primary judge.

The appellant also faced some difficulty as a result of its failure to properly put some aspects of the case at trial it sought to make out on appeal.

### **Conclusion**

The majority of the Full Court allowed the appeal in part and made declarations that the represented respondents had infringed the copyright in the various works comprising the DreamDesk System between 29 September 2016 and June 2018. In a later judgment, the Full Court ordered that the represented respondents pay the appellant’s costs of the appeal and the first instance proceedings on an ordinary basis.<sup>23</sup>

The key takeaway from the appeal decision seems to be that, if a party receives a notification that it is infringing intellectual property, or may be associated

with such conduct, without properly engaging with that notification (such as by taking steps to verify the claim with independent parties), it risks a finding of authorisation of such conduct on and from that date.



**Amelia Causley-Todd**

Lawyer

Banki Haddock Fiora

Fioratodd@bhf.com.au

www.bhf.com.au



**Marina Olsen**

Partner

Banki Haddock Fiora

olsen@bhf.com.au

www.bhf.com.au

---

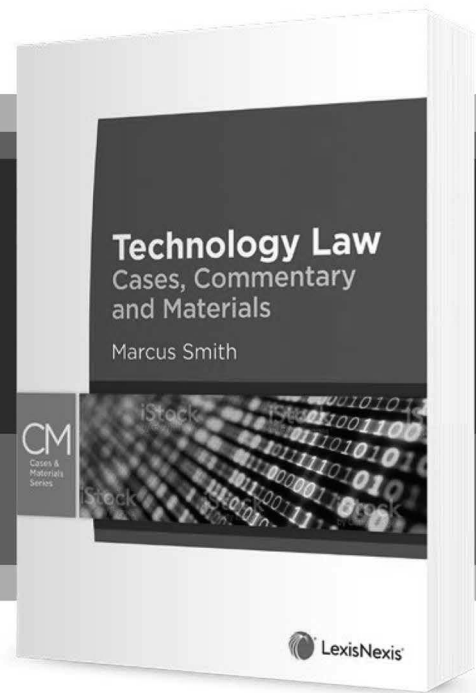
## Footnotes

1. *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2021] FCA 809; BC202106731.
2. *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* (2022) 402 ALR 576; 167 IPR 411; [2022] FCAFC 112; BC202206348.
3. Above, at [250] per McElwaine J, citing *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285; 275 ALR 1; [2011] FCAFC 23; BC201100641.
4. Above n 2, at [257] per McElwaine J.
5. Above.
6. Above n 2, at [266].
7. Above n 2, at [271] per McElwaine J.
8. Above n 2, at [276] per McElwaine J.
9. Above n 2, at [281].
10. Above n 2, at [282]–[287] per McElwaine J.
11. Above n 2, at [288] per McElwaine J.
12. Above n 2, at [290] per McElwaine J.
13. Above n 2, at [321] per McElwaine J.
14. Above n 2, at [322] per McElwaine J, citing *Beale v Government Insurance Office (NSW)* (1997) 48 NSWLR 430 at 443.
15. Above n 2, at [341].
16. Above n 2, at [333]–[336] per McElwaine J.
17. Above n 2, at [128] per Greenwood J.
18. Above n 2, at [134].
19. Above n 2, at [150] per Cheeseman J.
20. Above n 2, at [154] per Cheeseman J.
21. Above n 2, at [160] per Cheeseman J.
22. Above n 2, at [11] per Greenwood J.
23. *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd (No 2)* [2022] FCAFC 121; BC202206821.

## Technology Law Cases, Commentary and Materials

Marcus Smith

An essential resource on technology  
regulation in Australia



### Features

- Provides a wide range of primary materials and commentary
- Focuses on Australia law together with relevant materials from other jurisdictions
- Integrates materials and commentary across wide topic range
- Highlights topical and interesting examples

### Related LexisNexis Titles

- Guihot & Bennett Moses, *Artificial Intelligence, Robots and the Law*, 2020
- Smith, *DNA Evidence in the Australian Legal System*, 2015
- Urbas, *Cybercrime: Legislation, Cases and Commentary*, 2nd ed, 2021



\*Prices include GST and are subject to change without notice. Image displayed is only a representation of the product, actual product may vary. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. ©2021 Reed International Books Australia Pty Ltd trading as LexisNexis. All rights reserved.

**ISBN:** 9780409353280 (Softcover)

**ISBN:** 9780409353297 (eBook)

**Publication Date:** January 2022

### Order now!

☎ 1800 772 772

✉ [customersupport@lexisnexis.com.au](mailto:customersupport@lexisnexis.com.au)

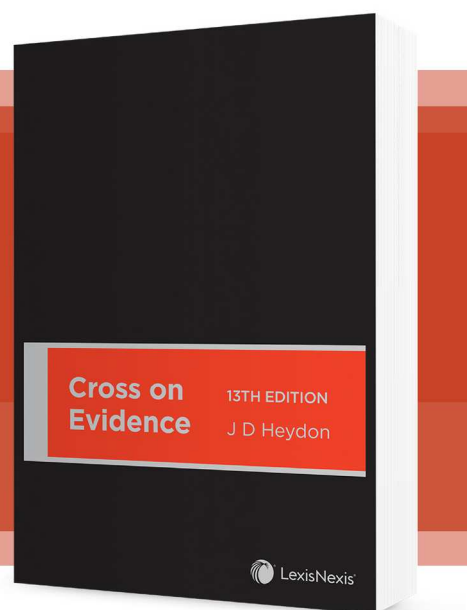
🌐 [lexisnexis.com.au/textnews](https://lexisnexis.com.au/textnews)

## Cross on Evidence

13th Edition

J D Heydon

A detailed and authoritative analysis of the rules of the law of evidence in Australia.



**ISBN:** 9780409355727 (softcover)

**ISBN:** 9780409355710 (hardcover)

**ISBN:** 9780409355734 (eBook)

**Publication Date:** December 2021

**Order now!**

 1800 772 772

 [customersupport@lexisnexis.com.au](mailto:customersupport@lexisnexis.com.au)

 [lexisnexis.com.au/textnews](http://lexisnexis.com.au/textnews)



\*Prices include GST and are subject to change without notice. Image displayed is only a representation of the product, actual product may vary. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. ©2021 Reed International Books Australia Pty Ltd trading as LexisNexis. All rights reserved.

KC112021KM

**For editorial enquiries and unsolicited article proposals please contact Genevieve Corish at [Genevieve.corish@lexisnexis.com.au](mailto:Genevieve.corish@lexisnexis.com.au).**

**Cite this issue as (2022) 35(8) *IPLB***

**SUBSCRIPTION INCLUDES: 10 issues per volume plus binder [www.lexisnexis.com.au](http://www.lexisnexis.com.au)**

**SYDNEY OFFICE: Locked Bag 2222, Chatswood Delivery Centre NSW 2067**

**CUSTOMER RELATIONS: 1800 772 772**

**GENERAL ENQUIRIES: (02) 9422 2222**

**ISSN 1035-1353 Print Post Approved PP 255003/00767**

This newsletter is intended to keep readers abreast of current developments in the field of intellectual property law. It is not, however, to be used or relied upon as a substitute for professional advice. Before acting on any matter in the area, readers should discuss matters with their own professional advisers. This publication is copyright. Except as permitted under the Copyright Act 1968 (Cth), no part of this publication may be reproduced by any process, electronic or otherwise, without the specific written permission of the copyright owner. Neither may information be stored electronically in any form whatsoever without such permission.

Printed in Australia © 2022 Reed International Books Australia Pty Limited trading as LexisNexis