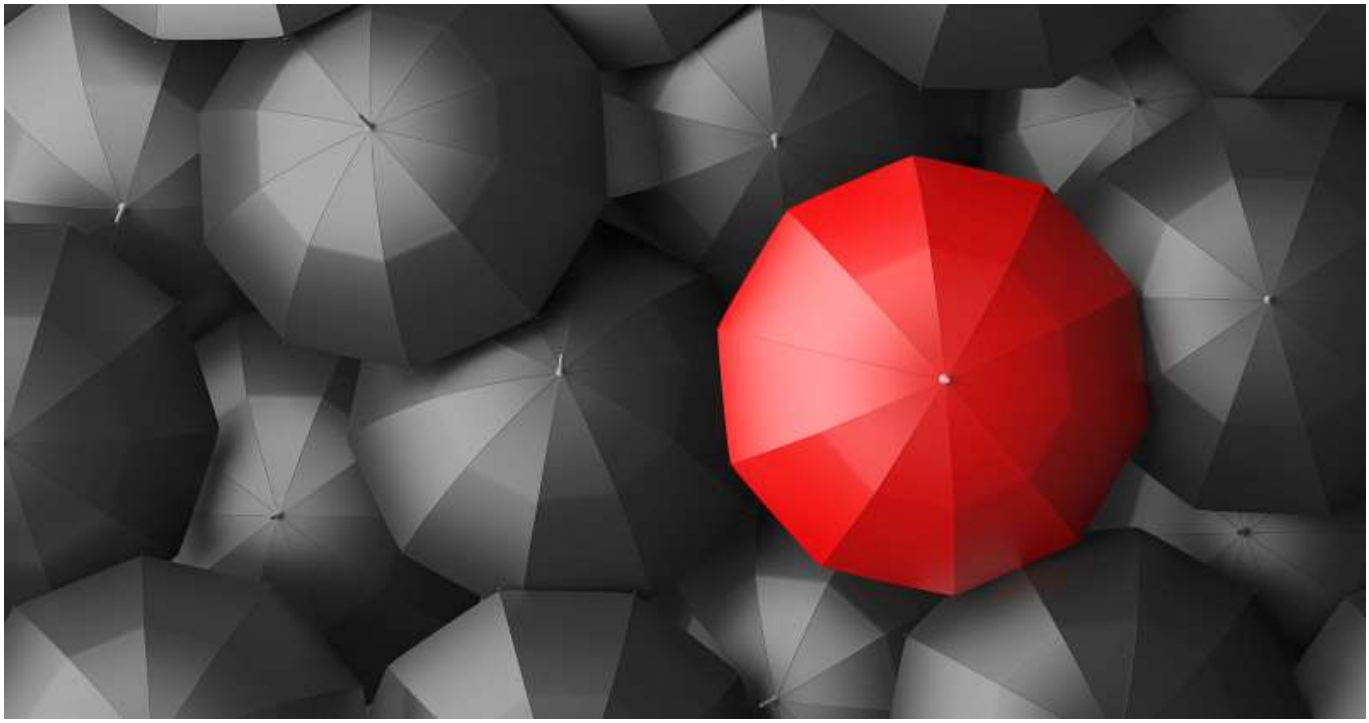
Intellectual Property Employer or Employee…who owns the rights?

Date : January 29, 2024



Do you have employees that do not understand their obligations regarding work they create during the course of their employment? Are you unsure of what rights as an employer you have to work product?

The primary position is that any work created by an employee is owned by the employer, including any intellectual property rights within the work. There may be ways in which an employer or employee has contracted out of this position or altered ownership of the various rights. There is also the question of moral rights…but that is for another time. It is a common misconception by employees that any work product they create is their own and they are entitled to all rights to such work product upon leaving their employment. Former employees, as a result, can then conduct themselves in a manner which may infringe on rights held by the employer in copyright which subsists in a work they may have created whilst employed.

This issue was considered in the case of *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd [2022]* FCAFC 112.

Campaigntrack Pty Ltd ("**CPL**") commenced action against Real Estate Tool Box Pty Ltd ("RETB") for a claim of copyright infringement of the source code of their marketing and service real estate software, DreamDesk.

The source code of DreamDesk was created by the Third Respondent, David Semmens. Mr

Semmens also created software called 'Real Estate Tool Box' ("**Tool Box**").

CPL alleged that Mr Semmens created Tool Box with portions of the same source code contained in DreamDesk, which was CPL's intellectual property. CPL claimed that the infringing source code was also used by the remaining 6 respondents, further infringing their copyright, and that the remaining respondents authorised Mr Semmens' conduct in infringing the copyright.

The primary judge on the matter, Thawley J, found that only Mr Semmens had infringed copyright of some of CPL's work and that he misused confidential information owned by CPL. However, his Honour held that the remaining respondents were not in breach of authorising said infringement.

The Appeal

CPL appealed to the Full Court of the Federal Court of Australia primarily on the ground that the primary judge erred in not taking into consideration certain evidence in deciding whether inferences can be made in that the other respondents had authorised the copyright infringement by Mr Semmens.

The Full Court considered evidence which the primary judge had not regarded, which indicated that, within the relevant period, there were countless occasions where inferences could be made that a reasonable person within the circumstances would have suspected Mr Semmens was infringing on the copyright of CPL, and taken reasonable steps to prevent or avoid any infringing acts.

Section 36(1A) of the *Copyright Act 1968* (Cth) sets out the matters that a court must consider when making a determination of whether a person has authorised any act comprised in copyright. These factors include:

1. the extent of the person's power to prevent the act from occurring;
2. the nature of the relationship between a person and the person that conducts the act; and
3. whether the person took any reasonable steps in the prevention or avoidance of any infringements occurring.

McElwaine J relevantly provided in his judgment that:

"in order to establish that a person has authorised the doing of an act comprised in the copyright in the work and has thus infringed the copyright by exercising an exclusive right of

the copyright owner in relation to that act, 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… taking into account the s 36(1A)(a) to (c) factors."

"…the represented respondents either knew or had reason to suspect that Mr Semmens had or would copy from the DreamDesk system. What the represented respondents believed based on what they were told by Mr Semmens is relevant but not dispositive if, in all of the circumstances, a reasonable person would have had reason to suspect that infringements had occurred."

The Full Court held that the circumstances relevant to each of the remaining respondents was adoptive that a reasonable person would have suspected Mr Semmens was infringing CPL's copyright. Accordingly, the remaining respondents would have had an opportunity to investigate whether any infringement was occurring, and had the power to avoid or prevent the infringing acts or further acts being committed.

Lessons

This case exemplifies the importance for employers to proactively ensure that any work produced by an employee or contractor does not infringe a copyright. As the body of intellectual property law grows, this obligation will become increasingly significant and steps should be taken immediately to avoid the risk of potentially authorising copyright infringement.

For more information on how to address copyright infringement in your workplace or to educate and protect your intellectual property rights with your employees, please contact the Matthews Folbigg Intellectual Property team to speak with one of our lawyers.

If you would like more information or advice in relation to intellectual property law, contact Senior Associate of the Matthews Folbigg Intellectual Property Group, Hayley Hitch at hayleyh@matthewsfolbigg.com.au or a Principal of the Matthews Folbigg Intellectual Property Group, Simone Brew at simoneb@matthewsfolbigg.com.au.