Chapter 2

Copyright in Corporate Information

COPYRIGHT PROTECTION OF CORPORATE INFORMATION

2.1 Many forms of corporate information can attract copyright protection. However, it must be stressed that its application to some forms of corporate information (especially databases) is particularly problematic. While copyright protection can apply to any work concurrently protected by the law of confidentiality, copyright protection will ordinarily be more important to a corporation where the relevant work is going to be supplied to third parties or made available to the public by the corporation. Where information is supplied to the market at large, that result will necessarily follow.[1] In cases where corporate information is being traded as an information asset or is otherwise made generally available, copyright protection assumes special significance.[2]

THEORETICAL UNDERPINNINGS OF COPYRIGHT LAW

2.2 In relation to copyright's theoretical underpinnings, in *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14 (*IceTV*) French CJ, Crennan and Kiefel JJ noted that:

> ... [c]opyright legislation strikes a balance of competing interests and competing policy considerations. ... The 'social contract' envisaged by the Statute of Anne, and still underlying the present [Copyright] Act, was

1. A situation where information lost its confidentiality was referred to in *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14 (*IceTV*) at [36] per French CJ, Crennan and Kiefel JJ, and at [163] per Gummow, Hayne and Heydon JJ.
2. See, for example, *Commonwealth of Australia v John Fairfax and Sons Ltd* [1980] HCA 44, a case where confidentiality in information was lost, but an injunction based on copyright law was granted.

> that an author could obtain a monopoly, limited in time, in return for making work available to the reading public.[3]

This balancing theme is also referred to by Gummow, Hayne and Heydon JJ in their joint judgment in *IceTV*, where their Honours said that:

> ... the purpose of a copyright law respecting original works is to balance the public interest in promoting the encouragement of "literary", "dramatic", "musical" and "artistic works", as defined, by providing a just reward for the creator, with the public interest in maintaining a robust public domain in which further works are produced.[4]

2.3 A critical outcome of this balancing of competing policy considerations is that copyright does not protect information or facts per se.[5] However, what copyright does protect is the 'particular form of expression which an author convey[s] ideas or information to the world'[6] and the selection and arrangement of that information.[7] This principle reflects what is known as the idea/expression distinction.

2.4 The idea/expression distinction is a key principle underpinning the Copyright Act 1968 (Cth) (the Act).[8] Copyright law protects the form of expression that an author reduces to a material form in an unpublished or published literary work; not the actual idea or information conveyed in the work. Accordingly, under copyright law, corporate information is not capable of being 'owned' as such. It is merely the form of the expression that is created which is protected. The Act protects a wide range of works, including literary, artistic and dramatic works, and other subject matter such as broadcasts and sound recordings. However, the focus of this chapter will be solely on the protection extended to corporate information comprising a literary work because, if corporate information is to be protected under copyright at all, it will invariably present itself in the form of literary works as opposed to other types of works.

3. See fn 1, *IceTV* at [24].
4. See fn 1, *IceTV* at [71].
5. See, for example, *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* [1937] HCA 45; (1937) 58 CLR 479 at 497 per Latham CJ and at 511 per Dixon J; *Computer Edge Pty Ltd v Apple Computer Inc* [1986] HCA 19; (1986) 161 CLR 171 at 181 per Gibbs CJ. In international law, the concept that ideas and information should not be protected as such is reflected in articles 9.2 and 10.2 of the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
6. *Hollinrake v Truswell* [1894] 3 Ch 420 at 424 per Lord Hershell LC.
7. See fn 5, *Computer Edge Pty Ltd v Apple Computer Inc* at 181 per Gibbs CJ. See also the definitions of 'literary work' and 'writing' in s 10(1) of the Act.
8. In international law, the idea/expression dichotomy is contained in art 9.2 of TRIPS.

2.5 In determining whether a particular selection, arrangement or expression of information is protected by copyright, the courts will apply the applicable requirements set out in the Act. The following sections will discuss these requirements.

CRITERIA FOR COPYRIGHT PROTECTION

2.6 Copyright protection is available under the Act if four key requirements are satisfied. Corporate information will attract copyright protection if it:

(1) is a **literary work**;

(2) is expressed in **material form**;

(3) is **original**; and

(4) has a relevant **connection** with Australia.

These requirements are easily expressed, but they can be difficult to apply in practice. This is especially so in relation to some forms of corporate information. Each requirement and how it applies to corporate information is discussed below.

Literary works

2.7 Among other things, the Act affords protection to literary works. The term 'literary work' is defined in s 10 of the Act in a non-exhaustive manner as including:

> (a) a table, or compilation, expressed in words, figures or symbols; and
>
> (b) a computer program or compilation of computer programs.

2.8 In order to obtain effective guidance as to what can constitute a 'literary work', it is necessary to refer to the case law.[9] A leading case in this context is *Hollinrake v Truswell* [1894] 3 Ch 420. In an often-cited statement of what the term 'literary work' covers, Lord Davey expressed the view that a 'literary work' is one that is 'intended to afford either information and instruction, or pleasure, in the form of literary enjoyment'.[10] The decision of Peterson J in *University of London Press v University Tutorial Press Ltd* [1916] 2 Ch 601 further clarified the meaning of the terms when his Honour said:

> In my view the words 'literary work' cover work which is expressed in print or writing, irrespective of the question whether the quality or style

9. A Stewart, P Griffith and J Bannister, *Intellectual Property in Australia*, 4th ed, LexisNexis Butterworths, Australia, 2010, 6.14.
10. See fn 6, *Hollinrake v Truswell* at 428.

> is high. The word 'literary' seems to be used in a sense somewhat similar to the use of the word 'literature' in political and electioneering literature and refers to written or printed matter.[11]

This statement was further elaborated on in *Robinson v Sands & McDougall Proprietary Ltd* [1916] HCA 51 where the High Court said that a 'literary work need not have literary merit'.[12]

2.9 The statement in *Hollinrake* was approved by the court in *Exxon Corporation v Exxon Insurance Ltd* [1982] Ch 119 and also applied by the High Court in *Computer Edge Pty Ltd*.[13] In the latter case Mason and Wilson JJ were of the view that the cases applying the definition were not 'intended to establish a comprehensive or exhaustive definition of a literary work for copyright purposes'.[14] In the same case Brennan J also observed that:

> If the print or writing in which the work is expressed conveys information or instruction, albeit to a limited group with special knowledge, it is immaterial that the information or instruction is not expressed in the form of words, phrases or sentences. Thus a telegraphic code has been held to be a literary work though the words of the code were meaningless in themselves: *D P Anderson & Co Ltd v Lieber Code Co* (1917) 2 KB 469.[15]

In *Data Access Corporation v Powerflex Services Pty Ltd* [1999] HCA 49 (*Powerflex*) the High Court stressed that it is acceptable for a literary work to 'serve utilitarian rather than aesthetic ends' and, in this regard, stated that a 'map and a recipe book are obvious examples'.[16]

2.10 Accordingly, if a work satisfies the fairly low thresholds described above it will be a literary work. It would seem in many cases that corporate information would satisfy the *Hollinrake* requirement in that the very purpose of corporate information is invariably to convey information and instruction even if, for example, that is to a limited group with specialist knowledge or the information and instruction only serve utilitarian purposes. Much corporate information will only serve useful or practical purposes.

11. *University of London Press v University Tutorial Press Ltd* [1916] 2 Ch 601 at 608.
12. *Robinson v Sands & McDougall Proprietary Ltd* [1916] HCA 51; (1916) 22 CLR 124 at 133.
13. See fn 5, *Computer Edge Pty Ltd v Apple Computer Inc* at [10] per Brennan J. See also [10] per Gibbs CJ.
14. See fn 5, *Computer Edge Pty Ltd v Apple Computer Inc* at [10] per Mason and Wilson JJ.
15. See fn 5, *Computer Edge Pty Ltd v Apple Computer Inc* at [10] per Brennan J.
16. *Data Access Corporation v Powerflex Services Pty Ltd* [1999] HCA 49 (*Powerflex*) at [23] per Gleeson CJ, McHugh, Gummow and Hayne JJ.

A 'table' as a literary work

2.11 The general principle in *Hollinrake* regarding what constitutes a 'literary work' is supplemented by the definition in s 10 of the Act. That is, the term 'literary work' is defined in s 10 to include[17] a 'table', 'compilation' and a 'computer program'. The term 'table' which appears in s 10 is not defined in the Act. The *Macquarie Dictionary* defines the word 'table' to include relevantly: 'an arrangement of words, numbers, or signs, or combinations of them, ... to exhibit a set of facts or relations in a definite, compact, and comprehensive form; a synopsis or scheme'. Further, the Explanatory Memorandum to the Copyright Amendment Bill 1984 (which amended the definition of 'table' in the Act) stated that:

> ... [b]y removing the requirement that tables or compilations be in a visible form it is made clear that a computerised data bank [ie, a database], for example, may be treated as a compilation being a literary work. It is also important because data is often stored in a computer as a table.[18]

2.12 If it is not clear from the definition of 'table' itself, a table would still need to satisfy the statement set out in *Hollinrake* in order to be capable of being a literary work for copyright purposes. That is, any table containing corporate information would, at the very least, need to convey information or instruction. In light of the fact that the usual aim in developing a table incorporating corporate information is for the purpose of conveying information or instruction, it will inevitably follow that such a table would constitute a literary work for the purposes of s 10 of the Act. Examples of tables that have been held to be literary works are a table containing product compatibility information,[19] a table containing authorisation codes[20] and a table containing (digital) bit patterns used for compressing data used within a computer.[21]

A 'compilation' as a literary work

2.13 In relation to the 'compilation' element contained in the definition of 'literary work', the High Court in *IceTV* observed that the statutory texts in both the United Kingdom and Australia with respect to the

17. The term 'include' is not a word of limitation. The use of the word 'includes' is considered to expand the ordinary meaning of the word or words in relation to which it is used: see *Sherritt Gordon Mines Ltd v FCT* (1976) 10 ALR 441 at 455; *Douglas v Tickner* (1994) 49 FCR 509 at 519; *Gardner v R* [2003] NSWCCA 199. See also D C Pearce and R S Geddes, *Statutory Interpretation in Australia*, 6th ed, LexisNexis Butterworths, 2006, [6.56]–[6.60].
18. Explanatory Memorandum, Copyright Amendment Bill 1984 (EM) at [26].
19. *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd* [2011] FCA 362.
20. *Autodesk Inc v Dyason* [1992] HCA 2 at [29] per Dawson J.
21. See fn 16, *Powerflex*.

protection of a 'compilation' are sparse.[22] But the justices did refer to what Diplock LJ said in relation to compilations in *William Hill (Football) Ltd v Ladbroke (Football) Ltd* [1980] RPC 539. In that case, Diplock LJ commented that:

> The derivation of 'compile' is from the Latin 'compilatio' or plunder, and, following the Shorter Oxford Dictionary, I should regard its natural meaning as being to gather together material from various sources, and a 'compilation' as a product of such an activity.[23]

Further, the Macquarie Dictionary defines 'compilation' as the 'act of compiling' with the word 'compile' defined as meaning, relevantly: 'to put together (literary materials) in one book or work' and 'to make (a book, etc.) of materials from various sources'.

2.14 The above definitions are consistent with the relevant provision of the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS agreement). The TRIPS agreement, which Australia is a signatory to, is one of a number of instruments that establish a minimum international standard for the protection of intellectual property. Article 10(2) of the TRIPS agreement provides guidance as to what constitutes a compilation:

> Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.

This passage expressly indicates that gathering, selecting and/or arranging existing materials from various sources are the quintessential elements in the act of compiling.

2.15 The combined effect of the above references leads to the conclusion that any corporate information that comprises a selection or arrangement of data or other information is capable of being a compilation (and therefore a 'literary work') for the purposes of the Act. The relevant data or other information elements would not need to be copyrightable on a stand-alone basis although that could theoretically be the case.

A 'computer program' as a literary work

2.16 The term 'computer program' is currently defined in s 10 of the Act to mean: '... a set of statements or instructions to be used directly

22. See fn 1, *IceTV* at [72] per Gummow, Hayne and Heydon JJ.
23. *William Hill (Football) Ltd v Ladbroke (Football) Ltd* [1980] RPC 539 at 550.

or indirectly in a computer in order to bring about a certain result'. The interesting aspect of this definition is that there is no mention of the data that may ordinarily reside in or interact with a computer program.

2.17 Up until the current definition of the term 'computer program' was introduced by the Copyright Amendment (Digital Agenda) Act 2000 (Cth), the term 'computer program' had the definition which was introduced by the 1984 version of the Act. Under the 1984 version of the Act the term was defined to mean 'a set of instructions (whether with or without any related information)'. The meaning of the original version of the expression 'computer program' was considered in the *Powerflex* decision. After considering the 1984 version of definition of 'computer program', Gleeson CJ, McHugh, Gummow and Hayne JJ noted that:

> ... the definition is concerned with instructions which 'cause a device having digital information processing capabilities to perform a particular function' and in many cases it will be necessary for instructions to be accompanied by related information if those devices are to perform quite ordinary computer functions.[24]

2.18 However, the Explanatory Memorandum to the 1984 amending legislation went further than the observation in the *Powerflex* decision and stated that:

> The phrase 'whether with or without related information' is intended to make clear that the protected program may include material other than instructions for the computer (such as information for programmers or users of the program, or data to be used in connection with the execution of the program).[25]

2.19 The name programmers generally use to refer to 'information for programmers' are comments. The term used to refer to 'data to be used in connection with the execution of the program' is variables and information or instructions displayed on screen are synonymous with 'information for users of the program'. Clearly the Explanatory Memorandum indicated that copyright protection extended to comments, variables and instructions to users. The source code[26] illustrates these concepts:

24. See fn 16, *Powerflex* at [32].
25. See fn 18, EM at [18].
26. Source code is the code which is written by a programmer using an editor. It is human readable. Machine code is code which has been compiled (or interpreted) so that it can be understood by a computer. It is binary code which is not human readable.

Code, Variables & Comments in Java – *DisplayDateTime.java*

```
import java.util.Calendar;
//Italic text denotes a 'comment' written by the programmer
//Comments make the code easier to understand
import java.util.Formatter;

public class MainClass{
//The 'main' class is the first instruction called when a Java app starts
public static void main(String args[]){
//The code below obtains the date/time information from the Calendar object and
//displays that information using the Formatter object

    String display_txt; // 'display_text' is a string variable
    display_txt = "The time and date is: ";
    Formatter frm = new Formatter();
    Calendar clr = Calendar.getInstance();
    frm = new Formatter();
    frm.format("%tc", cal);
    System.out.println(display_txt + frm); //This code displays the output on screen
  }
}
```

If this code were to be compiled and executed, the information which would be displayed to a user's device interface or screen would appear as follows:

```
The time and date is: Wed Sep 16 20:37:30 GMT+10:00 2015
```

2.20 It is highly arguable that all of the elements described above (the source code, variables, comments and information displayed on screen) could have fallen within the scope of the 1984 definition. By extension, the 1984 definition of the expression 'computer program' also provided express grounds for arguing a corporate database was a computer program. One could have plausibly argued under that definition that data in a database was designed to be used in connection with the execution of related set of Structured Query Language (SQL) statements.[27] The following example illustrates the point.

27. See R Evenden, *Copyright Protection of Computer Programs in Australia*, NSW Society for Computers and the Law, March 2001, <https://www.nswscl.org.au>. See also *Autodesk v Dyason (No 2)* [1993] HCA 6 at [21] and [24] per Gaudron J; *Coogi Australia Pty Ltd v Hysport International Pty Ltd* (1998) 41 IPR 593 at 618 per Drummond J.

SQL Code, Comments and Related Information

```
SELECT custID, custName, custAddress, custAnnualSpend
//Select the customer details specified above
FROM customerTable
//from the table containing all customer details
WHERE custAnnualSpend > $1,000,000;
//but only display the customer details where the annual spend >$1m
```

If this SQL statement were executed it would return a result like this:

Results | Messages

	custID	custName	custAddress	custAnnualSpend
1	1271	TS Enterprises Ltd	21 Long Street, Lincoln Bay, NSW	2304566.32
2	45889	Northwind Incorporated Pty Ltd	Lot 12, 23 Western Highway, Westside, Vic	2122000.12
3	65752	Valley Produce Ltd	99 Hardwood Drive, Sunnybank, Qld	3000030.00

2.21 The SQL statement above clearly constitutes instructions to a computer. The data that is returned upon executing the example SQL statement could, in the words of the 1984 Explanatory Memorandum, constitute '... information for users of the program, or data to be used in connection with the execution of the program'.

2.22 However, the current definition of computer program seemingly took away the ability to mount an argument of the type described. The phrase '... a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result' seems to focus more narrowly on pure code and statements than related information. Accordingly, there is less scope to run an argument of the type outlined in previous paragraphs under the current definition. It is likely that the courts would distinguish between a set of statements (eg, SQL statements) on the one hand (ie, what Gleeson CJ, McHugh, Gummow and Hayne JJ referred to in the *Powerflex* case as 'the structure, choice of commands and combination and sequencing of commands')[28] and the data that is read or written to the table in a database on the other hand.

For completeness, it is also important to note that s 47AB of the Act contains a more expansive definition of the term 'computer program' (which encompasses both programing statements and any literary work that is incorporated in a computer program). However, that definition only applies for the purposes of Div 4A of the Act (acts not constituting infringements of copyright in computer programs). In any event, while the definition in s 47AB does encompass literary works (eg, tables) incorporated into a computer program, it does not specifically refer to 'information' in the same way as the 1984 definition did.

28. See fn 16, *Powerflex* at [86].

2.23 In summary, it would seem that in most cases a database comprised of corporate information would not constitute a computer program for the purposes of the Act. If protection were available, the database would need to constitute either a standalone table or a compilation for the purposes of the Act. A computer program (such as a Database Management System like Microsoft's SQLServer, IBM's DB2 or Oracle's RDBMS) may in fact be used in the development of a database, and a set of statement or instructions (such as SQL statements) may be used to gather, select or arrange relevant information in a database. But that will not mean that the information is part of the computer program and it is likely that courts would draw a sharp distinction between the two under current law.

Material form

2.24 The Act does not provide any protection for works (including literary works) until such time as the applicable work is first expressed in a material form. Section 22(1) of the Act provides that:

> A reference in this Act to the time when, or the period during which, a literary, dramatic, musical or artistic work was made shall be read as a reference to the time when, or the period during which, as the case may be, the work was first reduced to *writing* or to some other *material form*. [Emphasis added.]

2.25 This requirement reflects the core principle underlying copyright law that it is the expression of information and not the information itself that is afforded protection under the law. The key elements of the requirement are 'writing' and 'material form'. These terms are defined in the Act as follows:

> **material form**, in relation to a work or an adaptation of a work, includes any form (whether visible or not) of storage of the work or adaptation, or a substantial part of the work or adaptation, (whether or not the work or adaptation, or a substantial part of the work or adaptation, can be reproduced).
>
> **writing** means a mode of representing or reproducing words, figures or symbols in a visible form, and **written** has a corresponding meaning.

2.26 Corporate information expressed on paper self-evidently satisfies the requirement of 'writing' contained in s 22(1) of the Act. However, the concept of 'material form' clarifies that the types of media that copyrightable expressions can be embodied in extend well beyond paper. For example, corporate information expressed in Word, Excel or PowerPoint documents attached to an email or stored in a file directory would satisfy the material form requirement. Other forms of digital storage would also satisfy the relevant requirements, including

information stored in secondary memory such as hard disks, CDs, DVDs, memory sticks or memory chips. Even corporate information stored in primary computer memory such as Random Access Memory (RAM) or Read Write Memory (RWM) could constitute information stored in a 'material form'. Ultimately, whether or not corporate information embodied in RAM/RWM will satisfy the 'material form' requirement, will depend on the facts of the relevant case.

2.27 The case of *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58 (*Stevens*) found that information stored in RAM is not information in a material form.[29] That proposition is correct in respect to the law that applied at the relevant time. In *Stevens*, Gleeson CJ, Gummow, Hayne and Heydon JJ relied on Emmett J's judgment in *Australian Video Retailers Association v Warner Home Video Pty Ltd* [2001] FCA 1719 (*Warner*). In that case, among other things, Warner Home Video had to show that the reproduction of part of a video stored in RAM within a DVD player or in a personal computer was in a material form. The definition applicable at the time required that any allegedly infringing reproduction had itself to be capable of further reproduction. That is, one had to be able to access and copy any infringing material in RAM for the infringing matter to be in a 'material form' for the purposes of the Act.[30]

This 'further reproduction' requirement has since been omitted from the definition of material form. If *Warner* was decided under current law, the result would have been different. Nevertheless, Emmett J's statement in *Warner* that the definition of material form includes forms of storage that are not visible, such as ROM and RAM, remains good law.[31] Emmett J also noted that:

> It is clear enough that the definition [of material form] was intended to be far reaching and to cover not only ROM and RAM but also other types of storage to be developed in the future — see *Microsoft Corporation v Business Boost Pty Ltd* [2000] FCA 1651 at para [14].[32]

2.28 Of course, the actual circumstances may weigh against such a finding in a given case (eg, if the storage in RAM is fleeting or ephemeral),

29. See *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58 (*Stevens*) at [75] per Gleeson CJ, Gummow, Hayne and Heydon JJ.
30. *Australian Video Retailers Association v Warner Home Video Pty Ltd* [2001] FCA 1719 (*Warner*) at [100].
31. See fn 30, *Warner* at [103]. The High Court thought it unnecessary to decide this point in *Stevens* (see fn 29), but was seemingly inclined to the same view: at [75] per Gleeson CJ, Gummow, Hayne and Heydon JJ.
32. See fn 30, *Warner* at [101].

but the general principle stated by Emmett J is a sound one. In most cases, corporate information should satisfy this requirement.

Original works

2.29 In addition to showing that a work satisfies the test in *Hollinrake* and is stored in a material form, a literary work must be original.[33] The concept of originality and authorship are correlative.[34] The Act does not 'impose double conditions'.[35] That is, a human must author a work and in that sense the work originates from the author: the concepts are two sides of the same coin. In other words, the 'originality which is required relates to the expression of the thought. But the Act does not require that the expression must be in an original or novel form, but that the work must not be copied from another work — that it should originate from the author'.[36]

In *IceTV*, French CJ, Crennan and Kiefel JJ expressed the view that the originality requirement should be applied in two contexts: first, when determining originality in the context of the subsistence of copyright and, second, when determining originality in the context of alleged infringement.

The two-step approach espoused by French CJ, Crennan and Kiefel JJ is entirely consistent with that of earlier cases. In *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (*Ladbroke*), the court held that the correct approach was to 'first determine whether the plaintiff's work as a whole is 'original' and protected by copyright [the first step], and then to inquire whether the part taken by the defendant was substantial [the second step]'.[37] The key distinction between the two steps is the focus on the 'whole of the work' in the first step and the focus on the 'reproduced part' in the context of the whole work in the second step.[38] The application of these steps follows.

33. See ss 32(1) and 32(2) of the Act.
34. *Sands & McDougall Pty Ltd v Robinson* [1917] HCA 14; (1917) 23 CLR 49 at 55 per Isaacs J.
35. See fn 1, *IceTV* at [34].
36. *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601 at 608–9. See also fn 1, *IceTV* at [33]; fn 16, *Powerflex* at [22]; fn 34, *Sands & McDougall Proprietary Ltd v Robinson;* and fn 5, *Victoria Park Racing and Recreation Ground Co Ltd v Taylor* at 511. Originality is a matter of degree, depending on the amount of skill, judgment or labour that has been involved in making the work: see *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (*Ladbroke*) at 469, 473 and 475.
37. See fn 36, *Ladbroke* at 469.
38. See fn 1, *IceTV* at [38]–[41].

Originality in the context of subsistence

2.30 In the context of subsistence, what must be shown to establish originality is that a human author created the applicable work and that it was not copied. It must also be shown that in creating the work an author must exercise 'independent intellectual effort'[39] or 'sufficient effort of a literary nature'.[40] Whether an author has exercised sufficient 'independent intellectual effort' or 'sufficient effort of a literary nature' in creating a form of expression is a matter of fact and degree.[41] As noted in 2.29, the test is applied to the relevant work 'as a whole'.

Originality in the context of infringement[42]

2.31 ***Inherent originality*** In the context of infringement, it must be determined whether the part of a work that is reproduced is an original. If the work as a whole originated from a human author, it will be original. In addition to the part reproduced originating from an author; it must also have a level of 'inherent originality'.[43] In other words, the part reproduced must be original when assessed in isolation; its collocation within a broader original work will not in itself imbue the reproduced part with originality. In *Ladbroke*, Lord Pearce said:

> The reproduction of a part which by itself has no originality will not normally be a substantial part of the copyright and therefore will not be protected. For that which would not attract copyright except by reason of its collocation will, when robbed of that collocation, not be a substantial part of the copyright and therefore the courts will not hold its reproduction to be an infringement.[44]

2.32 This statement illustrates that a literary work as a whole may attract copyright when assessed for the purposes of originality in the context of subsistence, but when a part of that work is scrutinised closely

39. See fn 1, *IceTV* at [33] and [48].
40. See fn 1, *IceTV* at [99].
41. See fn 1, *IceTV* at [99]. See also *Telstra Corporation Ltd v Phone Directories Company Pty Ltd* [2010] FCA 44 at [25] and [26] per Gordon J.
42. Other requirements such as the need to demonstrate objective similarity between a work and a copy of the work and a causal link between the plaintiff's work and the defendant's reproduction will not be discussed in this book. For further details of other elements that must be proven in order establish infringement, see fn 9, Stewart et al, Ch 8.
43. See fn 16, *Powerflex* at [87].
44. See fn 36, *Ladbroke* at 481. The High Court noted at [46] of the *IceTV* case (see fn 1), that the statements of Lord Pearce were approved in earlier cases that came before the High Court, namely: *Autodesk v Dyason (No 2)* (see fn 27) at 305 per Mason CJ (in dissent); *Powerflex* (see fn 16) at [83]–[84] per Gleeson CJ, McHugh, Gummow and Hayne JJ.

in the context of infringement, it may be found to lack the required level of originality. Put another way, when robbed of its collocation with the rest of the work, the reproduced part of the work may lack any or sufficient originality (ie, either because it did not originate from a human author or a human author did not exercise independent intellectual effort or sufficient effort of a literary nature in expressing the work) and therefore not be able to constitute a reproduction of a substantial part of the original work. Stewart et al echo this view in stating that '... infringement will not occur if an unoriginal part of the work is taken, even if substantial in terms of quantity'.[45] This point was stressed by Peter Gibson LJ in *Newspaper Licensing Agency Ltd v Marks and Spencer plc* [2001] Ch 257 when he said: 'I do not understand how in logic what is an insubstantial part of a work can when aggregated to another insubstantial part of another work become a substantial part of the combined work'.[46] This statement was cited with approval by French CJ, Crennan and Kiefel JJ in *IceTV* in the following passage:

> Assuming copyright subsists in the Weekly Schedule (as admitted by IceTV and IceTV Holdings) and in the Nine Database, each Weekly Schedule (and each week's version of the Nine Database) is accepted by Nine in this Court to be a separate copyright work. If there were no reproduction of a substantial part from any of the individual works, the conclusion must be that there was no infringement of copyright in any of the works. The fact that there was "systematic copying" of time and title information over a period of time, from many of the individual works, does not alter that conclusion. To the extent that there are nineteenth century cases to the contrary, they should not be followed. It is sufficient for the purposes of discussing infringement in this appeal to focus on a single Weekly Schedule (or a single week's version of the Nine Database), as what is said will apply to all of them.[47]

2.33 ***Substantiality — a focus on quality*** Copyright in a work will only be infringed if a substantial part of that work is copied.[48] It has been said that this is a key requirement of copyright law and one of the most difficult to apply.[49] If the reproduced part is original, then a court will assess whether the part taken was substantial in both quantitative

45. S Ricketson and C Creswell, *The Law of Intellectual Property: Copyright, Designs & Confidential Information* (looseleaf service), 2nd ed (rev), Lawbook Co, Sydney, 2002 at [9.30] quoted in Stewart et al (see fn 9), [8.4].
46. *Newspaper Licensing Agency Ltd v Marks and Spencer plc* [2001] Ch 257 at 269.
47. See fn 1, *IceTV* at [21].
48. See the combined effect of ss 14(1), 31(1)(a) and 36(1) of the Act.
49. *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* [2005] FCAFC 53 at [9] per Finkelstein J.

and qualitative perspectives, with the latter being the critical factor.[50] In *IceTV*, French CJ, Crennan and Kiefel JJ stated that:

> ... in order to assess whether material copied is a substantial part of an original literary work, it is necessary to consider not only the extent of what is copied: the quality of what is copied is critical.
>
> This principle has a long provenance and it is particularly apposite when considering a compilation. Some compilations are no more than a selection or arrangement of facts or information already in the public domain. When the particular form of expression contains facts and information, it is not helpful to refer to "the rough practical test that what is worth copying is prima facie worth protecting". To take an example, facts are obviously worth copying for purposes such as a narrative work of history which depends on secondary sources. It is equally unhelpful to refer to the "commercial value" of the information, because that directs attention to the information itself rather than to the particular form of expression. [Citations omitted.][51]

2.34 In this respect, one can see the paramount influence that quality has in this regard. The higher the quality of the part reproduced, the less important the amount taken becomes. Conversely, it would seem to follow that the less original corporate information is in this context, the more information that will need to be taken in order to constitute a substantial reproduction. That is, one needs to determine whether enough of the applicable material has been reproduced to constitute a substantial reproduction of the original work.[52] It is also possible for a substantial part of a work to be reproduced where there is systematic or repeated copying from the one work.[53] This principle could have a very important application in the context of corporate databases, however, care needs to be used in this context as copyright will not protect the underlying ideas or information in a compilation; it will only protect the form of the expression. As Gummow, Hayne and Heydon JJ observed in *IceTV*:

> ... baldly stated matters of fact ... are inseparable from and co-extensive with their expression ... If the facts be divorced from the other elements constituting the compilation in suit ... then it is difficult to treat [them] as

50. See fn 1, *IceTV* at [30].
51. See fn 1, *IceTV* at [30]–[31].
52. See fn 1, *IceTV* at [157].
53. The copying of weekly fixtures from a complete list of a season's fixtures: *Football League Ltd v Littlewoods Pools Ltd* [1959] Ch 637. This principle is also reflected in the Database Directive in relation to the taking of small parts of the same work: see **Chapter 3, 3.16**. Cf the position discussed at **2.32** where systematic copying of unoriginal parts of a work was discussed.

Chapter 5
Disclosure and Investor Protection

INTRODUCTION

5.1 The focus of **Chapter 5** is on the laws that impact on a corporation's sovereignty over its own information by mandating that the corporation make certain disclosures of this information. These laws are:[1]

- periodic disclosure laws;
- laws requiring disclosures when making offers of securities;
- laws requiring disclosures in takeovers;
- disclosure required under product disclosure statements; and
- continuous disclosure laws.

These laws are to be contrasted with those discussed in **Chapter 6** ('Disclosures and Consumer Protection') that are engaged when a corporation releases information to others voluntarily.

5.2 The overarching aim of all the laws listed above is to address information asymmetry (ie, where one party possesses more or superior information compared to another), although the approach in each area of law differs. The aim of these disclosure laws is to 'promote market confidence and to ensure the development of a transparent and well-informed

1. While these laws apply broadly to companies, schemes and disclosing entities, the focus of this chapter will be on the mandatory disclosure obligations imposed on listed corporations in keeping with the overall theme of this book. The laws relating to the disclosures that must be made under a scheme of arrangement are not discussed here, but see, for example, T Damian and A Rich, *Schemes, Takeovers and Himalayan Peaks*, 3rd ed, the Ross Parsons Centre of Commercial, Corporate and Taxation Law Monograph Series, Sydney, 2013, [5.6.2] (general disclosure in an explanatory statement) and [5.6.3] (specific disclosures in an explanatory statement) for a discussion of the relevant requirements.

securities market where every participant has equal access to information and participates on a level playing field'.[2]

Self-evidently, these laws are designed to protect investors. Investor protection laws generally have a strong focus on process rather than outcomes. That is, if the processes used to prepare and verify the relevant information are reasonable, the person that prepared the information will, broadly speaking, not be liable for losses that arise due to reliance on that information (even where the information is erroneous).[3]

However, the continuous disclosure laws differ in one respect. Those laws impose strict liability on a corporation for a failure to comply with disclosure requirements,[4] but include a 'reasonable steps' defence in respect of persons involved in a contravention. The imposition of strict liability for breaches of continuous disclosure laws aligns with a consumer protection philosophy whereas the inclusion of a 'reasonable steps' defence reflects an investor protection philosophy.

5.3 The essential focus of the discussion below is on the substantive information that a corporation must disclose under the applicable laws, rather than on the administrative or other steps that must be taken in this context.[5] The focus is also on the tests applied to determine what information needs to be disclosed. Fundamentally, all of the laws discussed in this chapter have one central aim. That is, to ensure the disclosure of information that, at its most basic, will inform a decision of, or have an influence on a decision by, an investor. These laws achieve this outcome by the imposition of various forms of civil and criminal liability on relevant parties. The laws attempt to balance potential liability by reference to the concept of reasonableness. That is, the concept of reasonableness is generally manifest in either an element of a contravention or an element of a defence.

The philosophy upon which the various approaches are based is implicitly that no person should be punished if they are acting reasonably. But this begs the question: how does one demonstrate that they have acted reasonably? A key requirement in this context will be the ability to lead evidence concerning the use of appropriate due diligence processes supported by, among other things, effective systems, policies and training.

2. R Baxt, A Black and P Hanrahan, *Securities and Financial Services Law*, 7th ed, LexisNexis Butterworths, Australia, 2008, [1.3].
3. See R P Austin and I M Ramsay, *Ford's Principles of Corporations Law,* 16th ed, LexisNexis Butterworths, Australia, 2015, [22.020].
4. Although the concept of 'reasonableness' is an element of the disclosure obligation itself: see s 674(2)(c)(ii) of the Corporations Act 2001 (Cth).
5. There are many good texts which discuss the administrative and other steps that must be taken in this context: see, for example, fn 2, Baxt et al; and fn 3, Austin and Ramsay.

The due diligence approach to compliance in this area is essential, as ascertaining what is required to be disclosed in any context will be 'a matter for judgment and assessment in light of all the evidence, facts and circumstances in each particular ... context and this will necessarily differ from case to case'.[6] An appropriately adapted due diligence process will allow all of the relevant evidence, facts and circumstances to be considered so that appropriate judgments and assessments can be made and tested.

PERIODIC DISCLOSURE

5.4 The periodic disclosure regime is the cornerstone of corporate disclosure laws. The obligations set out in the periodic disclosure laws are conditioned in many cases by reference to a test of 'reasonableness' or 'reasonable steps'. Recent case law has provided guidance on just what such tests require. A failure to comply with the periodic disclosure laws can result in significant liability for companies and their directors and officers.

The core obligations in this area of the law relate to the production of three primary documents which must be prepared each financial year[7] in respect of certain regulated entities. These are:

- the financial report for a financial year;
- the directors' report for a financial year; and
- the auditor's report.

Each of these reports and their requirements will be discussed below.

The financial report

5.5 Under s 292 of the Corporations Act public companies (among other entities) must provide a financial report and a directors' report annually. A 'financial report' for a full financial year must contain the following:

- the financial statements for the year (ie, the profit and loss statement for the year; balance sheet as at the end of the year; statement of cash flows for the year; and, where required by accounting standards, a consolidated set of financial statements;[8]

6. *Pancontinental Mining Industries Ltd v Goldfields Ltd* (1995) 16 ACSR 463 at 475 per Tamberlin J.
7. There is also a requirement for certain entities to prepare half-yearly reports: see s 302 of the Corporations Act. See also fn 3, Austin and Ramsay, 11.140.
8. If a consolidated set of statements is provided, an entity is not required to prepare parent company statements: s 295(2)(b).

- the notes to the financial statements;[9] and
- the directors' declaration about the financial statements and notes.

The financial report must comply with applicable accounting standards.[10] Further, the financial statements and the notes to those statements must give a 'true and fair' view of the financial position and performance of the applicable reporting entity.[11]

The requirements concerning the directors' declarations are interesting because they provide one illustration of how the concept of 'reasonableness' tempers the otherwise strict application of liability in the context of the periodic disclosure laws. The directors' declaration includes the 'solvency declaration'. That is, a declaration by the directors that, in their opinion:

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due (s 295(4)(c)); and
- declarations that in the directors' opinion the financial report complies with accounting standards and provides a 'true and fair view' (s 295(4)(d)).

The concept of 'reasonableness' is imported into these provisions by virtue of the requirements set out in ss 180(1) and 344. It is also implicit in the nature of an opinion. The Full Federal Court in *Australian Securities and Investments Commission v Fortescue Metals Group Ltd* [2011] FCAFC 19 explained the law relating to opinion as follows:

> ... [a] statement which is ordinarily and reasonably understood as a statement of opinion is not apt to mislead if the opinion is genuinely and reasonably held by the maker of the statement. That is because the audience would understand that the statement was made on the basis that it expresses a view on which a different opinion might also be entertained, not a matter of fact about which no doubt can be entertained.[12]

Accordingly, if the 'reasonableness' touchstones are satisfied in this context, liability will not be imposed even if the opinion is ultimately found to be incorrect.

The directors' report

5.6 The annual directors' report must contain both general and specific information. In relation to general information, among other things, s 299(1) provides that the directors' report must:

9. The notes to the financial statements are: (a) disclosures required by the regulations; (b) notes required by the accounting standards; and (c) any other information necessary to give a true and fair view (see s 297): s 295(3).
10. s 296 of the Corporations Act.
11. s 295(2).
12. *Australian Securities and Investments Commission v Fortescue Metals Group Ltd* [2011] FCAFC 19 (*Fortescue*) at [113].

(a) contain a review of operations during the year of the entity reported on and the results of those operations; and

(b) give details of any significant changes in the entity's state of affairs during the year; and

(c) state the entity's principal activities during the year and any significant changes in the nature of those activities during the year; and

(d) give details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect:

  (i) the entity's operations in future financial years; or

  (ii) the results of those operations in future financial years; or

  (iii) the entity's state of affairs in future financial years; and

(e) refer to likely developments in the entity's operations in future financial years and the expected results of those operations; and

(f) if the entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory — give details of the entity's performance in relation to environmental regulation.

Under s 299A, additional general information must also be included where an entity is listed. This refers to information that members of the listed entity would reasonably require to make an informed assessment of: (a) the entity's operations; (b) the entity's financial position; and (c) the entity's business strategies and prospects for future financial years.[13] The requirements set out under ss 299(1)(d) and 299A were the subject of litigation in *Australian Securities and Investments Commission v Healey* [2011] FCA 717 (*Healey No 1*). That issue will be discussed in some detail below.

In relation to both the general information that is required to be reported and the additional information that listed entities must provide, material may be omitted from the directors' report if such material is likely to result in unreasonable prejudice to the reporting entity or group. If material is omitted on this basis, the report must say so.[14]

5.7 In terms of the specific information that is required to be set out in the directors' report, an entity must include information on: dividends and distributions; details about directors; potential conflicts between officers of the entity who also play a role in the audit firm of the entity; and options issued by the company and to whom they are issued.[15] Additional specific information requirements for public

13. See s 299A(1).
14. See ss 299(3) and 299A(3).
15. See s 300(1).

companies include: additional information about the directors' experience, qualifications and special responsibilities; and details about attendance by directors at board meetings and their interests in the entity.[16] Further, public companies must also include a remuneration report which outlines a range of details that must be included in relation to director and senior executive remuneration.[17]

The auditor's report

5.8 In addition to the requirements set out above, the annual financial report must be audited.[18] The audit must be conducted in accordance with applicable auditing standards.[19] A key requirement in this context is that the auditor must report to members on whether:

- the auditor is of the opinion that the financial report is in accordance with the Corporations Act, including whether the report complies with accounting standards; and
- it provides a 'true and fair view' of the financial position and performance of the applicable reporting entity.[20]

Liability

5.9 ***Civil liability*** Directors and officers[21] may incur civil liability in connection with a failure by a company to comply with the periodic reporting obligations discussed above. Where a company fails to lodge required reports in accordance with statutory requirements, directors and officers may be liable for a breach of their duties under s 180(1) (statutory duty of care) and directors may further be liable for a breach of s 344 (statutory duty to take all reasonable steps to ensure that periodic

16. See ss 300(10) and 300(11).
17. See s 300A.
18. s 301.
19. See s 307A.
20. See ss 308(a) and 308(b).
21. Under s 9 of the Corporations Act the term 'officer' of a corporation means: (a) a director or secretary of the corporation; (b) a person: (i) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation; or (ii) who has the capacity to affect significantly the corporation's financial standing; or (iii) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (excluding advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors or the corporation); or (c) a receiver, or receiver and manager, of the property of the corporation; or (d) an administrator of the corporation; or (e) an administrator of a deed of company arrangement executed by the corporation; or (f) a liquidator of the corporation; or (g) a trustee or other person administering a compromise or arrangement made between the corporation and someone else.

reports comply with the law). Such contraventions are both civil penalty provisions under s 1317E, attracting a maximum penalty of $200,000 for individuals.[22] It may also lead to compensation orders under s 1317H or injunctions and other orders under s 1324.

Disqualification orders could also be imposed under s 206C. In addition, the company and any other person involved in a contravention of the law (including directors, officers and auditors) may be liable in a civil action (including in a class action) for providing misleading or deceptive information in a report to investors and the market.[23]

5.10 In many cases, civil liability will be the main legal consequence flowing from a failure to lodge compliant reports primarily because of the lower standard of proof required in such cases. It is very difficult to establish criminal culpability for an information offence beyond all reasonable doubt in light of the inherent subjectivity involved in such cases. On the other hand, proving civil liability on the balance of probabilities is a comparatively easier task.

Civil liability issues in this context were considered in detail in *Healey No 2*, which will be discussed later in this chapter. It is clear from that case that the touchstone for liability will be whether defendants take 'reasonable steps' to ensure that reports contain certain information. That is, the process adopted must be reasonable.

5.11 ***Criminal liability*** Section 319 of the Corporations Act imposes an obligation on a company[24] to lodge any report it must prepare or obtain within prescribed periods.[25] An offence based on s 319 is subject to strict liability.[26] A contravention of s 319 is punishable by a fine of up to 25 penalty units and/or six months imprisonment.[27] Section 344(2) of

22. Although the contravention would need to be, among other things, serious: s 1317G.
23. For example, under s 1041H of the Corporations Act. Directors and officers could have liability under this provision as principals: see *Arktos Pty Ltd v Idyllic Nominees Pty Ltd* (2004) ATPR 42-005 at 48,795. See also *Houghton v Arms* [2006] HCA 59 at [45]–[47]and *Australian Securities and Investments Commission v Citrofresh International Ltd* [2007] FCA 1873 (*Citrofresh*).
24. The requirement also extends to schemes and other disclosing entities.
25. See s 319(3).
26. Section 6.1 of the Criminal Code 1995 (Cth) states that '[i]f a law that creates an offence provides that the offence is an offence of strict liability: (a) there are no fault elements for any of the physical elements of the offence; and (b) the defence of mistake of fact under section 9.2 is available'.
27. See s 1311 and Sch 3 of the Corporations Act. Section 1311(1) sets out certain circumstances in which a person will be guilty of an offence. Section 1311(1A) provides that s 1311(1) does not apply (ie, no offence occurs) unless a penalty for any provision listed in that subsection is specified in Sch 3. The penalty for any offence determined by the application of ss 1311(1) and 1311(1A) is the penalty

the Act provides that a person commits an offence if they fail to take all reasonable steps to ensure compliance with Pt 2M.2 (financial records) and Pt 2M.3 (financial reporting) and the contravention is dishonest. The penalty for a breach of that provision is a maximum fine of 2,000 penalty units and/or imprisonment for up to five years.[28]

Liability of directors and officers

5.12 In *Healey No 1* (see 5.6) a key issue was whether the directors and officers of entities within the Centro group of companies were liable for a failure to disclose information required to be disclosed in reports by virtue of ss 299 and 299A of the Corporations Act. It was alleged that the relevant group of companies failed to disclose approximately $2 billion of short-term liabilities by classifying them as non-current liabilities, and failed to disclose guarantees of short-term liabilities of an associated company of about US$1.75 billion that had been given after the balance date.[29]

The failure to correctly classify the relevant debts was found to amount to a failure to provide relevant information in accordance with the applicable accounting standards in breach of s 296 and a failure to give a true and fair view of the financial position and performance of the relevant entities contrary to s 297. The failure to disclose the guarantees given after the balance date was held to be a failure to comply with the requirement to include a material matter in the directors' report in accordance with s 299(1)(d) and a failure to include in the directors' report a matter that members of the entity would have reasonably required to be included under s 299A.[30]

In turn, both of these failures amounted to a breach under s 298. The combined effect of these failures was that the directors (and one officer) failed to take reasonable steps to ensure compliance with the periodic

specified in Sch 3 (s 1311(3)) unless a particular provision of the Act actually specifies a penalty (s 1311(4)) or, if no penalty is specified in Sch 3 or in a specific provision, five penalty units: s 1311(5). The maximum financial penalty for a contravention can be increased by a multiple of five if the offender is a body corporate: s 1312. Section 4AA of the Crimes Act 1914 (Cth) currently provides that one penalty unit means an amount of $180. Commencing 1 July 2018, penalty units will be subject to the triennial indexation regime set out in s 4AA(3) of the Act.

28. The maximum financial penalty for a contravention can be increased by a multiple of five if the offender is a body corporate: s 1312. Section 4AA of the Crimes Act 1914 (Cth) currently provides that one penalty unit means an amount of $180. Commencing 1 July 2018, penalty units will be subject to the triennial indexation regime set out in s 4AA(3) of the Act.
29. See *Australian Securities and Investments Commission v Healey* [2011] FCA 717 (*Healey No 1*) at [9].
30. See fn 29, *Healey No 1* at [497].

disclosure regime and therefore the directors breached their obligations under ss 180 and 344 and the relevant officer (the chief financial officer) breached his obligations under s 180.

5.13 In coming to its conclusions, while there was no finding of dishonesty on the part of any of the directors, the court in *Healey No 1* found:

> ... in the specific circumstances the subject of this proceeding, that the directors failed to take all reasonable steps required of them [under s 344], and acted in the performance of their duties as directors without exercising the degree of care and diligence the law requires of them [under s 180(1)].[31]

In the penalty hearing associated with *Healey No 1*, the directors applied to be exonerated from liability under ss 1317S and 1318 of the Act, but that application failed: *Australian Securities and Investments Commission v Healey (No 2)* [2011] FCA 1003 (*Healey No 2*). However, except in the case of the managing director, Mr Scott, no penalties were imposed on the non-executive directors.[32] In *Healey No 2* the court imposed a $30,000 fine on Mr Scott.[33]

5.14 In relation to Mr Nenna (the chief financial officer of the Centro group and an 'officer' for the purposes of the Corporations Act), the court held in *Healey No 1*, largely based on admissions Mr Nenna made in the proceedings, that he had contravened s 180(1).[34] In *Healey No 2* the court declared that Mr Nenna has breached the law by recommending to the directors a resolution to approve the relevant annual financial report and the directors' report where he knew, or ought to have known, that the reports did not comply with the law and by failing to take all reasonable steps to rectify such non-compliance.[35] Mr Nenna applied to be exonerated from liability under ss 1317S and 1318 of the Act, but that application also failed. A two-year management disqualification order was imposed on Mr Nenna.[36]

31. See fn 29, *Healey No 1* at [8]. Note that similar obligations to those set out in s 180(1) of the Act are imposed on officers of responsible entities: see s 601FD. The *Healey No 1* litigation also involved allegations and findings relating to the obligations contained in s 601FD. However for the sake of simplicity, discussion on those issues has not been included in this section.
32. See *Australian Securities and Investments Commission v Healey (No 2)* [2011] FCA 1003 *(Healey No 2)* at [3]. Note though that adverse costs orders were made against directors.
33. See fn 32, *Healey No 2* at [4].
34. See fn 29, *Healey No 1* at [6].
35. See fn 32, *Healey No 2* and declarations that were made at the beginning of the judgment in respect of Mr Nenna as the eighth defendant.
36. See fn 32, *Healey No 2*.

5.15 The liability findings in *Healey No 1* beg a critical question: what reasonable steps should directors and officers take in preparing and approving the information that is required to be set out in periodic reports?

Middleton J was of the view that:

> ... directors of substantial publicly listed entities are required to apply their own minds to, and carry out a careful review of, the proposed financial statements and the proposed directors' report, to determine that the information they contain is consistent with the director's knowledge of the company's affairs, and that they do not omit material matters known to them or material matters that should be known to them.[37]

5.16 ***Reasonable steps under s 344*** More specifically, in respect of the duty of directors to take 'all reasonable steps' under s 344, in *Healey No 1* Middleton J observed that:

- ... the standard of 'all reasonable steps' is determined objectively by reference to the particular circumstances of the case[38]... any assessment of 'reasonable steps' must be made in the circumstances as they were at the time, rather than with the benefit of hindsight;[39]
- directors [are required to] take a diligent and intelligent interest in the information either available to them or which they might appropriately demand from the executives or other employees and agents of the company;[40]
- a director is obliged to inform himself or herself as to the financial affairs of the company to the extent necessary to form each year the opinion required for the directors' statements. Although that is only an annual obligation, it presupposes sufficient knowledge and understanding of the company's affairs and its financial records to permit the opinion of solvency to be formed.[41]

5.17 In terms of reliance by directors on others in this context, in *Healey No 1* Middleton J expressed the view that:

> ... it cannot be denied that directors have been and are entitled to rely upon specialist advice. However, everything will depend upon the circumstances of the case, and whether a director has taken all reasonable steps will depend upon an analysis of the facts before the Court. Undoubtedly, what is encompassed by taking all "reasonable steps" will differ depending upon the entity, the complexity of the entity's business and the internal reporting procedures within the entity. However, it will also depend on the nature of the task the director is obliged to undertake.[42]

37. See fn 29, *Healey No 1* at [13].
38. See fn 29, *Healey No 1* at [143].
39. See fn 29, *Healey No 1* at [149].
40. See fn 29, *Healey No 1* at [143].
41. See fn 29, *Healey No 1* at [147] citing with approval statements made in *Morley v Statewide Tobacco Services No 1* [1993] VicRp 32; (1993) 1 VR 423.

5.18 ***Duty of care and diligence of a reasonable person under s 180*** The conclusions that Middleton J reached in *Healey No 1* in relation to the obligation of 'all reasonable steps' under s 344 did not differ markedly from the conclusions his Honour reached in relation to the substance of directors duties under s 180(1). In explaining the scope of the directors' obligations under s 180 of the Act, Middleton J made the following observations:

- Directors are required to take reasonable steps to place themselves in a position to guide and monitor the management of the company. A director must become familiar with the fundamentals of the business in which the corporation is engaged; a director is under a continuing obligation to keep informed about the activities of the corporation; directorial management requires a general monitoring of corporate affairs and policies, and a director should maintain familiarity with the financial position of the corporation ...[43]
- While directors are required to take reasonable steps to place themselves in a position to guide and monitor the management of the company, they are entitled to rely upon others, at least except where they know, or by the exercise of ordinary care should know, facts that would deny reliance. There was no suggestion in this proceeding that the reliance on others was not warranted, nor was there any prior alerting to cause trust in those whom the directors had relied upon was misplaced ...[44]
- The salient feature here is that each director armed with the information available to him was expected to focus on matters brought before him and to seriously consider such matters and take appropriate action. This task demands critical and detailed attention, and not just 'going through the motions' or sole reliance on others, no matter how competent or trustworthy they may appear to be. Directors cannot substitute reliance upon the advice of management for their own attention and examination of an important matter that falls specifically within the Board's responsibilities as with the reporting obligations. The Act places upon the Board and each director the specific task of approving the financial statements. Consequently, each member of the board was charged with the responsibility of attending to and focusing on these accounts and, under these circumstances, could not delegate or 'abdicate' that responsibility to others.[45]

42. See fn 29, *Healey No 1* at [162]. Note that s 189 (reliance on information or advice provided by others) was not considered by the court, nor was reliance on others by an officer an issue that was canvassed due to admissions made by Mr Nenna in this case.
43. See fn 29, *Healey No 1* at [166].
44. See fn 29, *Healey No 1* at [167].
45. See fn 29, *Healey No 1* at [174]–[175].

5.19 In addition to the matters canvassed by Middleton J above, in *Healey No 1* his Honour was of the view that in order to discharge their obligations under the Corporations Act directors must 'have the ability to read and understand the financial statements'[46] and have 'a sufficient knowledge of conventional accounting practice concerning the basic accounting concepts in accounts, and to apply that knowledge based upon the information each director has or should have if he or she adequately carried out their responsibilities'.[47] Further, Middleton J observed that a director will not be excused from liability merely because they have to deal with voluminous materials. In this connection, Middleton J noted that:

> A board can control the information it receives. If there was an information overload, it could have been prevented. If there was a huge amount of information, then more time may need to be taken to read and understand it. The complexity and volume of information cannot be an excuse for failing to properly read and understand the financial statements. It may be for less significant documents, but not for financial statements.[48]

5.20 It is clear from *Healey No 1* that where the law explicitly imposes an obligation on a director (eg, under s 344) the scope for reliance on others will be narrower than might otherwise be the case. The directors must not merely rely on management and external advisers. They should act, at least in the context of periodic disclosures, 'as the final filter, taking care to read and understand the financial accounts'.[49] It is also clear that the engagement of external assistance and the implementation of a due diligence process alone will not satisfy the directors' legal obligation, especially where a material, apparent mistake is made in statutory reports.

As Middleton J noted in the case:

> ... [t]he omissions in the financial statements the subject of this proceeding were matters that could have been seen as apparent without difficulty upon a focussing by each director, and upon a careful and diligent consideration of the financial statements. As I have said, the directors were intelligent and experienced men in the corporate world. Despite the efforts of the legal representatives for the directors in contending otherwise, the basic concepts and financial literacy required by the directors to be in a position to properly question the apparent errors in the financial statements were not complicated.[50]

46. See fn 29, *Healey No 1* at [124].
47. See fn 29, *Healey No 1* at [211].
48. See fn 29, *Healey No 1* at [229]. This rule applies irrespective of the number of boards that a director may sit on: see [222].
49. See fn 29, *Healey No 1* at [582].
50. See fn 29, *Healey No 1* at [23].

There is much force in the statement his Honour makes in the last sentence above. The misclassification of the short-term liabilities was significant and in the environment in which it occurred, one would have expected a reasonably diligent person to notice the error.

Class action liability

5.21 In addition to the internal management liability issues discussed above, a failure to comply with periodic disclosure laws creates potential liability for a company, its directors and its officers through a class action.[51] While it is true that a class action is merely an aggregation of claims that could theoretically be brought severally, it is more likely than not that failures by listed companies to comply with periodic disclosure laws will be the subject of one or more class actions rather than numerous individual claims. Indeed, the failures by the Centro group in relation to periodic disclosure generated a number of class actions against the company.

5.22 ***Claims against the company*** In 2012 a hearing (involving numerous class actions) commenced in the Federal Court concerning allegations that the Centro group caused loss to investors due to its failure to comply with disclosure laws. Proceedings that were representative of the numerous class actions in this context were those commenced in the name of *Richard Kirby v Centro Properties Ltd* VID326/2008, Federal Court of Australia (Melbourne) (*Centro*). The headline claims in the *Centro* class action were for $600 million.[52] The first principal claim made against the defendants in the Centro class action related to the 'classification issue'.[53] Put simply, the investors claimed that the misclassification of short-term liabilities in the relevant periodic reports understated current debt and overstated non-current debt. These statements were claimed to be in breach of the prohibitions against misleading conduct in the Corporations Act, the Australian Securities and Investments Commission Act (2001) (Cth) (ASIC Act) and the Fair Trading Act 1999 (Vic).[54]

The second primary allegation made against defendants in the *Centro* class action related to the 'refinancing risk issue'. The essence of this claim

51. For a guide to class action legislation in Australia, see M Legg and R McInnes, *Annotated Class Actions Legislation*, LexisNexis Australia, 2014.
52. S Danckert, 'Lawyers Flock to Centro Class Actions Worth $600m', 5 March 2012, <http://www.theaustralian.com.au>.
53. See, for example, *Richard Kirby v Centro Properties Ltd* VID326/2008, Federal Court of Australia (Melbourne) (*Centro*).
54. C Rome-Sievers, 'Developments in Insolvency and Corporations Law', 19 June 2012 <http://carrieromesievers.wordpress.com/tag/centro-class-action/>.

was that the defendants failed to disclose to the market, in circumstances where they had an obligation to do so, that they had short-term debt which was about to mature and that they could not refinance that debt or could only refinance it at an increased cost. It was alleged that this was a contravention of the continuous disclosure obligations in s 674 of the Corporations Act.[55]

The classification issue and the refinancing risk issue were the subject of extensive evidence in *Healey No 1* and there is no doubt that the consideration of those issues helped the *Centro* class action plaintiffs develop their pleadings. In this sense, it can be seen that action by regulators can subsidise to some extent downstream civil proceedings.

In addition to the class action claims discussed above, the defendants claimed against their auditor, PricewaterhouseCoopers (PwC). The principal claim involved allegations that PwC engaged in misleading or deceptive conduct by making representations to their clients (ie, Centro entities) concerning the relevant financial statements the subject of the audit. Among other things, the applicable Centro entities claimed that 'PwC represented that the financial statements were appropriate for approval by the Board of Directors in that they complied with the Corporations Act and relevant accounting standards, including AASB101, when in fact they did not'.[56]

The Centro entities denied liability in relation to the claims against them in the class actions and PwC denied liability to the applicable Centro entities in respect of the claims made against it on a number of grounds. Ultimately, the class action cases and the claims against PwC were not the subject of a final judgment as they were settled for a global sum of $200 million.[57] In this sense, the case demonstrates the magnitude of the liability that can flow from failure to comply with periodic disclosure laws, even where the failure is a consequence of inadvertence.

5.23 ***Claims against directors and officers*** The potential liability for directors and officers in this context does not stop at the boundaries mapped out in *Healey No 1* and *Healey No 2*. For example, it is entirely possible for investors to bring actions directly against directors and officers for misleading or deceptive conduct under s 1041H of the Corporations Act (or comparable legislation) or for a breach of s 674 (continuous disclosure) in circumstances similar to those in which liability for the defendants was

55. See fn 54, Rome-Sievers.
56. See fn 54, Rome-Sievers.
57. Maurice Blackburn Lawyers, Press Release, 'Record $200m Centro Class Action Settlement Approved', 19 June 2012, <http://www.mauriceblackburn.com.au/news/press-releases–announcements/2012/record-$200m-centro-class-action-settlement-approved.aspx>.

alleged to arise in the *Centro* class actions. The liability of directors and officers in relation to claims for misleading or deceptive conduct would be as principals. In the Full Court of the Federal Court in *Arktos Pty Ltd v Idyllic Nominees Pty Ltd* (2004) ATPR 42-005, the court held that:

> ... [t]he authorities show that a director of a corporation who acts on its behalf in the course of trade or commerce also acts himself or herself in trade or commerce and, if the corporation is liable [for misleading conduct] ..., they also attract primary liability under the same statute.[58]

A director or officer would also potentially be liable to pay damages for a breach of s 674 under either s 1317H or s 1324.

5.24 ***Liability for auditors*** The discussion regarding the *Centro* related proceedings above also amply illustrates the legal exposure that auditors face when periodic reports they audit are found to contain incorrect or misleading information. In addition to the exposure mentioned above, auditors also face breaching audit-specific provisions of the Corporations Act. For example, it is an offence punishable by a fine of up to 50 penalty units not to conduct an audit in accordance with auditing standards as required by s 307A. In the *Centro* case, the lead auditor ultimately offered an enforceable undertaking to ASIC (which ASIC accepted) in connection with alleged audit failings, under which he undertook not to act as an auditor for two and a half years.[59]

Conclusions — periodic disclosure laws

5.25 The proceedings relating to *Centro* provide guidance as to what the 'reasonable steps' test requires in the context of periodic disclosures. They also vividly demonstrate the significant duties of officers and, particularly, directors with respect to periodic disclosure. Importantly, those matters also demonstrate the expansive nature of liability in this context. Therefore, in order to manage the legal risk it would be good practice to implement due diligence-like procedures in respect of some, or key, aspects of the preparation of periodic reports. The next section discusses the disclosure obligations under fundraising provisions.

FUNDRAISING AND DISCLOSURES

5.26 This section will examine the nature of the information required to be disclosed in connection with the offer of securities or

58. See fn 23, *Arktos Pty Ltd v Idyllic Nominees Pty Ltd*, 48,795. See also *Houghton v Arms* [2006] HCA 59 at [45]–[47]; and fn 23, *Citrofresh*.
59. Australian Securites and Investments Commission (ASIC), 'Enforceable Undertakings Register', <http://www.asic.gov.au>.

other fundraisings.[60] This section will not review in any detail other requirements (procedural or otherwise) associated with fundraisings as the core focus of this book is on information governance and, more specifically in this section, mandatory information disclosures. The key disclosure document in the context of capital raisings is the prospectus.[61] As such, the discussion in this section will concentrate on the principal disclosure obligations under prospectuses. There are two categories of information that need to be disclosed in this context: specific information and general information. Any information contained in a prospectus must also be expressed in a clear, concise and effective manner: s 715A of the Corporations Act.[62]

5.27 Before proceeding to discuss the prospectus requirements, it is important to note that a full prospectus is not always required. Other disclosure documents include a profile statement (s 714 of the Corporations Act) and an offer information statement (s 715 of the Corporations Act). Also, there are special, less onerous, content rules for prospectuses in relation to certain offers, for example, offers of continuously quoted securities: s 713. ASIC has also issued guidance and class order relief[63] to simplify the level of prospectus disclosure required in connection with issuing 'vanilla' bonds[64] to retail clients. This latter development is a welcome one. The requirements are clear and the information required to be disclosed is generally certain, compliance with which is relatively straightforward. This position contrasts

60. As to when a prospectus is required, see fn 3, Austin and Ramsay, [22.070]. Note also the short form prospectus requirements in s 713 of the Corporations Act in relation to continuously quoted securities, although these do not reduce the scope of the 'reasonable investor' test. However, the cleansing notice process for certain offers under ss 708AA and 708A do not require the 'reasonable investor' test to be met in limited circumstances.
61. See fn 3, Austin and Ramsay, [22.260].
62. ASIC's Regulatory Guide 228 (Prospectuses: Effective Disclosure for Retail Investors) states that: 'We consider that your prospectus will generally be "clear, concise and effective" if it: a. highlights key information ...; b. uses plain language ...; c. is as short as possible; d. explains complex information, including any technical terms; and e. is logically organised and easy to navigate': [228.24].
63. See ASIC, Regulatory Guide 213, 'Facilitating Debt Raising', May 2012, <www.asic.gov.au>
64. ASIC's Regulatory Guide 213 defines 'vanilla bonds' as corporate bonds that: are denominated in Australian dollars; subject to limited early redemption events (see RG 213.32–RG 213.35); have a fixed term of no more than 10 years with the principal plus any accrued interest payable at the expiry of the term; have a fixed rate of return or a floating rate of return that comprises a variable reference rate (eg, the three month bank bill rate) plus a fixed margin; provide for interest to be paid periodically on the dates specified in the prospectus; rank at least equally with amounts owing to unsecured creditors of the issuer (ie, the bonds are not subordinated); are not convertible into any other securities; and are issued to all investors at the same price.

with the burden imposed by the reasonable investor standard where full prospectus disclosure is required.

Specific information

5.28 The specific information that is required to be included in a prospectus basically relates to details about the terms of the offer being made, information about interest and fees and other administrative matters.[65]

General information — reasonable investor standard

5.29 The general information required to be included in a full prospectus is wide ranging. The general information that must be set out in the prospectus is 'all the information that investors and their professional advisers would reasonably require to make an informed assessment' of the matters set out in the table set out below:[66]

	Disclosures	
	Type of offer	**Matter that must be addressed**
1	Offer to issue (or transfer) shares, debentures or interests in a managed investment scheme.	• The rights and liabilities attaching to the securities offered. • The assets and liabilities, financial position and performance, profits and losses and prospects of the body that is to issue (or issued) the shares, debentures or interests.
2	Offer to grant (or transfer) a legal or equitable interest in securities or grant (or transfer) an option over securities.	• The rights and liabilities attaching to: – the interest or option; – the underlying securities. • For an option – the capacity of the person making the offer to issue or deliver the underlying securities. • If the person making the offer is: – the body that issued or is to issue the underlying securities; or – a person who controls that body; • the assets and liabilities, financial position and performance, profits and losses and prospects of that body. • If s 707(3) or (5) applies to the offer – the assets and liabilities, financial position and performance, profits and losses and prospects of the body whose securities are offered.

65. See s 711 of the Corporations Act.
66. s 710.

Penalties

8.73 The maximum civil penalties for a breach of the price signalling laws are very high. The maximum civil penalty that can be imposed on a corporation for a breach of the laws is the greater of:

- $10 million;
- three times the value of the benefits of the contravention (if ascertainable); and
- if the value of the benefits that flow from a contravention cannot be ascertained, 10 per cent of annual turnover[137] in the 12 months before the contravention.[138]

8.74 For individuals the maximum civil penalty is a fine of up to $500,000.[139] Individuals may also be disqualified from managing corporations.[140] Further, any person involved in a contravention can be subject to penalty.[141] In addition, persons who suffer loss as a result of the conduct may be able to obtain an order for compensation or recover damages.[142] Criminal penalties do not apply in respect of the price signalling laws.

CONCLUSION

8.75 This chapter focused on the laws that prohibit the use and disclosure of certain information or otherwise place constraints on the use of corporate information. The range of laws that play a role in this context are many and varied. Attempting to interpret and apply these information laws can often be problematic, although on deeper analysis, the challenge is not nearly an insurmountable as it might seem at first blush.

137. The term 'annual turnover' is defined in s 76(5).
138. See s 76(1A).
139. See s 76(1B).
140. See s 86E.
141. See s 76(1)(a).
142. See ss 79B, 82 and 87.

Chapter 9
Collection, Use and Disclosure of Personal Information

INTRODUCTION

9.1 The collection, use and disclosure of personal information are integral to the operation of corporations that supply goods or services to consumers. Such information is extremely valuable and is an 'asset class' of its own.[1] It is widely recognised that 'privacy is good business'.[2]

The collection, use and disclosure of such information are regulated by privacy law; an information privacy law. This chapter will focus on both the laws that regulate personal information generally and the laws that regulate a specific type of personal information; credit information.

9.2 The first part of this chapter will examine the obligations that are imposed on corporations generally under the Privacy Act 1988 (Cth).[3] The primary focus of that part will be on the laws concerning the collection, use and disclosure of personal information. The second part of this chapter will examine how the new laws will impact corporations that are credit providers under the Privacy Act.

1. World Economic Forum, *Personal Data: The Emergence of a New Asset Class*, January 2011, <http://www.weforum.org/>.
2. Australian Law Reform Commission (ALRC), *For Your Information: Australian Privacy Law and Practice*, Report 108 (2008) [1.74] <http://www.alrc.gov.au/publications/report-108>.
3. See also *Privacy, Confidentiality and Data Security*, LexisNexis online.

Substantial amendments to the Privacy Act came into force on 12 March 2014. The amendments were described as the most significant changes to the Privacy Act in over 20 years.[4] These amendments:

- increased disclosure obligations;
- enhanced information governance obligations;
- provided consumers with greater scope to 'opt out' of direct marketing;
- provided new rights for individuals to access and correct credit reports;
- introduced a comprehensive credit reporting regime;
- provided a higher standard of protection to an individual's 'sensitive information';
- conferred new powers on the Commonwealth Privacy Commissioner with respect to complaints, investigations and remedies; and
- introduced new civil penalty orders, including up to $1.1 million in fines for privacy breaches in certain circumstances.

Many of the amendments contained in the new legislation were precipitated by a wide-ranging report by the Australian Law Reform Commission (ALRC) entitled *For Your Information: Australian Privacy Law and Practice*, containing over 295 recommendations for reform.[5]

The following sections examine the rights and obligations set out in the Act.

THE COLLECTION, USE AND DISCLOSURE OF PERSONAL INFORMATION

Who does the Privacy Act apply to?

9.3 The Privacy Act applies to a wide range of entities. Broadly speaking, the provisions under the Act which relate to the collection, use and disclosure of personal information apply to 'organisations' and 'agencies'. The term 'agencies' refers to public bodies and other governmental entities and is not relevant for the purposes of this chapter. The term 'organisations' is defined in s 6C of the Act as meaning individuals, body corporates, partnerships, other unincorporated associations and trusts, but excludes small business operators and other entities.[6]

4. The Hon Nicola Roxon, Attorney-General and Minister for Emergency Management, Privacy Amendment (Enhancing Privacy Protection) Bill 2012, Second Reading, 23 May 2012.
5. See fn 2, ALRC.
6. Including registered political parties, agencies (as they are separately defined under the Act), state or territory authority and prescribed instrumentalities of a state or territory: s 6C. See also s 7B for other exemptions to the Act, including s 7B(3) (employee records) and s 7B(4) (journalism).

A small business operator is one that has an annual turnover of $3,000,000 or less[7] and does not otherwise fall into one of six exceptions. For example, where the small business operator deals in personal information for a benefit, provides a health service or is a credit reporting body.[8]

Organisations (also known as 'APP entities') that collect, use and disclose personal information are subject to the requirements set out in the Australian Privacy Principles (APPs). The APPs are the focus of this section of this chapter. The terms 'organisation', 'APP entity' and 'corporation' are used interchangeably in this chapter.

Australian Privacy Principles — APPs

9.4 Section 15 of the Act outlines the general obligations that all corporations which collect and use personal information, must comply with. Section 15 provides that an 'APP entity must not do an act, or engage in a practice, that breaches an Australian Privacy Principle'. The APPs came into force on 12 March 2014.

9.5 The APPs have been designed and organised in a manner that reflects the personal information management lifecycle. The Explanatory Memorandum to the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (EM) explained this approach to the design of the APPs as follows:

> The order in which the APPs appear is intended to reflect the cycle that occurs as entities collect, hold, use and disclose personal information. This broadly consists of the following stages:
>
> - planning in advance how to meet obligations in relation to the handling of personal information;
> - considering whether information may or should be collected;
> - collecting information;
> - providing notification of collection to the individual concerned;
> - using or disclosing the information for the purpose for which it was collected or for an allowable secondary purpose;
> - maintaining the integrity of personal information by securely storing it and ensuring its quality; and
> - when the information is no longer necessary for the functions or activities of the entity, destroying it or ensuring that it is no longer personal information.

7. See s 6D(1).
8. See s 6D(4).

> To this end, the APPs have been set out in Parts that move through each of the above elements of the information-handling chain.[9]

Consequently, each 'part' of this section will discuss the APPs in groupings that reflect the thematic organisation of those privacy principles in the Act. While each APP will not be discussed in its entirety, the key aspects or most important aspects of each APP will be covered. The main parts of this section will reflect the themes mentioned above being: information governance; the collection of personal information; use and disclosure of personal information; quality and security of personal information; and access to and correction of personal information. Prior to discussing the APPs within each of these parts, however, it is first necessary to identify what constitutes 'personal information' for the purposes of the Act.

What is 'personal information'?

9.6 The Privacy Act deals specifically with information privacy.[10] Accordingly, the critical starting point for any analysis of a corporation's obligations under the Privacy Act is to identify the scope of information that is caught by the Act. The key definition is 'personal information'. That term is defined in s 6 of the Act to mean:

> ... information or an opinion about an identified individual, or an individual who is reasonably identifiable:
>
> (a) whether the information or opinion is true or not; and
>
> (b) whether the information or opinion is recorded in a material form or not.

9.7 The definition set out above came into force on 12 March 2014 and aligns with international precedent.[11] The former definition required an identity to be apparent, or reasonably ascertainable from the information or an opinion. The new definition omits the requirement that was contained in the former definition for an individual to be identified or identifiable *from* information or an opinion. The rationale underpinning this change is that with greater potential and/or capacity of corporations to conduct data matching and data linking, the requirement

9. The Explanatory Memorandum to the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (EM), 52.
10. See fn 2, ALRC, [1.68]. Information privacy can be contrasted with a tort for invasion of privacy which would provide protection from privacy in cases not covered by statute. The existence of such a tort is a matter that was left open by the High Court of Australia in *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* [2001] HCA 63. Lower courts have also indicated some support for the existence of the tort: *Grosse v Purvis* [2003] QDC 151. Cf the United Kingdom Court of Appeal decision of *Google v Vidal-Hall* [2015] EWCA Civ 311 which determined that the misuse of personal information in browser-generated information could constitute a tort.
11. See fn 2, ALRC, [6.53].

for information to be '*from* the information or opinion' was potentially limiting. That is, information or an opinion on its own may not enable one to identify an individual, but it may when linked to other extraneous data sources. This may be a crucial distinction in the digital age.

9.8 The issue of identification through the use of data matching or data linking begs the question: when will a person be reasonably identifiable for the purposes of the definition? For example, if a corporation has no intention of linking data sources (which in themselves do not identify an individual but in combination may), this lack of intention should be considered in determining whether an individual is reasonably identifiable. Other factors would include the technical difficulty associated with such 'linking' and any required investment.

9.9 These issues were identified by Microsoft in its submission to the ALRC in relation to Report 108. In respect of the 'reasonableness' test, Microsoft said:

> This test necessitates a consideration of the cost, difficulty, practicality and likelihood of the organisation linking information with other personal information accessible to it, and not merely whether the organisation would be able to link the information after incurring substantial expenditure ... In Microsoft's experience as a large organisation that handles and processes significant volumes of personal information for its business purposes, it is apparent to us that just because an organisation holds, or is capable of accessing, various pieces of information about an individual, it does not follow that it will always combine this information to ascertain the identity of that individual. In many cases it is not practical or useful for this to be done, and so it simply does not occur.[12]

The EM reflects the substance of these statements. It states that:

> The new definition will refer to an individual who is, 'reasonably identifiable'. Whether an individual can be identified or is reasonably identifiable depends on context and circumstances. While it may be technically possible for an agency or organisation to identify individuals from information it holds, for example, by linking the information with other information held by it, or another entity, it may be that it is not practically possible. For example, logistics or legislation may prevent such linkage. In these circumstances, individuals are not 'reasonably identifiable'. Whether an individual is reasonably identifiable from certain information requires a consideration of the cost, difficulty, practicality and likelihood that the information will be linked in such a way as to identify him or her.[13]

12. Microsoft Asia Pacific, *Submission PR 463*, 12 December 2007.
13. See fn 9, EM, 53.

9.10 From one perspective, these statements reflect the approach that would have been taken to interpreting the same issue under the former definition of 'personal information'. Accordingly, it is not clear that the scope of the amended definition has changed much, if at all. Indeed these sentiments were acknowledged in the EM, which notes that:

> The proposed definition does not significantly change the scope of what is considered to be personal information. The application of 'reasonably identifiable' ensures the definition continues to be based on factors which are relevant to the context and circumstances in which the information is collected and held.[14]

9.11 The Australian Privacy Principles guidelines issued by the Office of the Australian Information Commissioner (APP guidelines) mirror these concepts.[15] For judicial views on the weight to be given to the APP guidelines see 9.58 and 9.59 below.

9.12 The key issue for corporations under the definition of 'personal information' is to assess their information collection and management practices on an ongoing basis to determine whether information they collect is 'personal information' for the purposes of the Act. This is a critical, but not necessarily straightforward, task, especially in the information age. For example, information that is on its face clearly not personal information (eg, a cookie ID or a dynamic IP address) could become so once correlated or linked with other snippets of information. For example, the ALRC observed that a mobile telephone number, email address or IP address could be, or could become, 'personal information once that information was linked to a particular individual due to the accretion of information around the number or address'.[16]

9.13 This 'accretion issue' is one that is extremely important in the context of the information economy and the increasing use of 'big data'. Corporations need to ensure that they do not inadvertently breach the Act due to a mistaken belief that individual data sets do not constitute 'personal information' when, in aggregate, they actually do have such status.[17]

14. See fn 9, EM, 53. For when an explanatory memorandum can be used in interpreting a statute see: ss 15AA and 15AB of the Acts Interpretation Act 1901 (Cth) and D C Pearce and R S Geddes, *Statutory Interpretation in Australia*, 6th ed, LexisNexis Butterworths, 2006, especially Chs 2 and 3.
15. See Office of the Australian Information Commissioner, *Australian Privacy Principles guidelines*, revised 31 March 2015 < www.oaic.gov.au > at B.91-B.94 and following.
16. See fn 2, ALRC, [6.30].
17. For an overview of some broader policy issues in this context see P Leonard, 'Customer Data Analytics: Privacy Settings for "Big Data" Business', *International Data Privacy Law*, Vol 4, No 1, 2014, 53.

9.14 ***Metadata as personal information*** The recent determination of *Ben Grubb and Telstra Corporation Limited* [2015] AICmr 35 (1 May 2015) illustrates how these issues can manifest themselves in practice. The definition of 'personal information' which applied in the determination was the definition in the Act that was in force prior to the commencement of the recent reforms, namely:

> ... information or an opinion (including information or an opinion forming part of a database), whether true or not, and whether recorded in a material form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information of opinion.[18]

However, the case is instructive because it does not appear that much would turn on the differences between the former and current definitions;[19] or at least not in the context of the factual matrix of the case.

9.15 In this matter, Mr Grubb, who is a journalist, sought access to certain data held by Telstra which Mr Grubb argued was his personal information. The information which was the focus of the determination comprised:

- *network data*, including Mr Grubb's Internet Protocol (IP) address information, the Uniform Resource Locator (URL) information of websites Mr Grubb visited and certain cell tower location information;[20] and
- *inbound call records* for Mr Grubb, including the numbers of people who called him.[21]

9.16 Telstra argued that the network data and the inbound call records did not constitute personal information. The Privacy Commissioner found that both the network data and the inbound call data were personal information because they satisfied the two key elements of the applicable definition of personal information in that they:

- contained information about Mr Grubb (ie, in some way concerning or connected with Mr Grubb); and
- his identity was apparent, or could reasonably be ascertained, from the information.

9.17 ***Network data*** The network data was determined to be about Mr Grubb because the network data could be cross matched with other data held on Telstra's various network and records management

18. See 9.2.
19. See 9.6 and 9.7.
20. *Ben Grubb and Telstra Corporation Limited* [2015] AICmr 35 (1 May 2015) (*Ben Grubb*) at [32].
21. See fn 20, *Ben Grubb* at [33].

systems to link it a particular individual, in this case, Mr Grubb.[22] The Privacy Commissioner then determined that Mr Grubb's identity was not apparent from the network data in its native form.[23] However, despite Telstra indicating that its data retrieval process were lengthy and complex (including requiring several rounds of cross matching), the Privacy Commissioner was not satisfied that Telstra had 'demonstrated that the process [was] beyond what is reasonable relative to the resources it has at its disposal and its existing operational capacities'.[24] On this point the Privacy Commissioner therefore concluded:

> Telstra's handling of tens of thousands of requests made by law enforcement bodies, together with its recent public statement affirming that customers may access their metadata on request, suggests ... that Telstra has the capacity through the use of its network and records management systems to ascertain the identity of an individual and this process of ascertaining an individual's identity does not exceed the bounds of what is reasonable.
>
> I am consequently of the view that the metadata Telstra holds in connection with an individual which permits that individual's identity to reasonably be ascertained from that metadata constitutes the personal information of that individual under the Privacy Act.[25]

The Privacy Commissioner considered whether any exceptions would excuse Telstra for not providing the network data to Mr Grubb and held that no exceptions applied.[26] The Privacy Commissioner determined that because Telstra had not provided access to the network data, it had breached the access obligations in National Privacy Principle (NPP) 6.1 (now APP 12.1).

9.18 ***Inbound call records*** The inbound call records were also held to be personal information. The Privacy Commissioner observed that 'personal information' encompassed not only to information that identifies an individual but also to other information *about* that individual.[27] The Privacy Commissioner then went on to observe that:

> It appears to me that an inbound call number, in the context of the complainant's mobile phone activity, comprises shared information about both the incoming caller and the complainant. Calls being made to the complainant's mobile service reveal information about the complainant as well as the incoming caller. I am of the view that information about who is calling the complainant is consequently personal information about the complainant, notwithstanding that it may also be the personal information of other individuals.[28]

22. See fn 20, *Ben Grubb* at [52].
23. See fn 20, *Ben Grubb* at [65].
24. See fn 20, *Ben Grubb* at [100].
25. See fn 20, *Ben Grubb* at [101]–[102].
26. See fn 20, *Ben Grubb* at [104]–[107].
27. See fn 20, *Ben Grubb* at [113]–[114] referring to the determination in *'BA' and Merit Protection Commissioner* [2014] AICmr 9 (30 January 2014) at [56] and the definition of 'about' in *Macquarie Dictionary* Online (2013) which provides that the word 'about' means 'in regard to, concerning or connected with'.

9.19 Although Mr Grubb's identity was not apparent from the inbound call records, the Privacy Commissioner found that the process for ascertaining Mr Grubb's identity was reasonable in the circumstances through data matching.[29] However, the Privacy Commissioner ruled that Telstra was excused from providing it as it involved the personal information of other users, providing access to it would constitute an unreasonable impact on the privacy of others (an exception under NPP 6.1(c) now APP 12.3(b)) because they may have silent numbers or may have blocked their caller ID (ie, phone number) at the time the call was made.[30] Telstra would not be able to differentiate where this may have been the case.[31]

9.20 ***Possible ramifications*** A key issue that the *Grubb* decision turned on was the fact that Telstra had the capability to cross match numerous data sets to identify individuals. While this was a complex process, in light of Telstra's organisational capabilities (it had over 120 people with data retrieval capabilities)[32] and that it had responded to about 85,000 law enforcement requests in a 12 month period to the determination,[33] the Privacy Commissioner was persuaded that the cross matching data required to link the network data and inbound call records to Mr Grubb meant that Mr Grubb was 'an individual who [was] reasonably identifiable' for the purposes of the definition of 'personal information'.

9.21 The *Grubb* determination has been criticised because of alleged 'disturbing ramifications'.[34] On one hand the logic relied in making the

28. See fn 20, *Ben Grubb* at [117].
29. See fn 20, *Ben Grubb* at [118]–[121].
30. In reaching his decision on this point, the Privacy Commissioner referred to decision in *Smallbone v New South Wales Bar Association* [2011] FCA 1145 at [49]–[50] where Yates J cited with approval the factors identified in *C v Insurance Company* [2006] PrivCmrA 3 'as relevant to the assessment of whether providing access to documents would have an unreasonable impact on the privacy of other individual': See fn 20, *Ben Grubb* at [128].
31. See fn 20, *Ben Grubb* at [143]–[145] and [148]–[153].
32. Evidence revealed that Telstra had 'a pool of over 120 staff with expertise in data retrieval of this kind and who are already specifically engaged in the retrieval and cross-matching of metadata in response to requests from law enforcement bodies or to problem-solve customer connectivity service or performance issues': [94]
33. See fn 20, *Ben Grubb* at [95].
34. D Swan, 'Telcos hit out at "disturbing" metadata decision', *The Australian*, 5 May 2015 <www.theaustralian.com.au>.

determination can be apprehended and appears reasonable. A broad view of what constitutes personal information is consistent with some approaches that have been adopted in overseas jurisdictions. For example, in *Google v Vidal-Hall* [2015] EWCA Civ 311 the United Kingdom Court of Appeal held that it was arguable that browser-generated information (including cookies that may not on their face contain personally identifiable information) could constitute personal data under United Kingdom data protection laws.[35] On the other hand, the *Grubb* determination does raise a number of issues.

As stated in a passage of the EM referred to in 9.9 above, '[w]hether an individual is reasonably identifiable from certain information requires a consideration of the cost, difficulty, practicality and likelihood that the information will be linked in such a way as to identify him or her'. In the *Grubb* determination, the Privacy Commissioner considered the cost, difficulty and practicality issues referred to, but it is arguable that he did not consider all relevant aspects of the likelihood criterion. It appears that where the *likelihood* of a party using information which identifies an individual (or may reasonably be identified), is a very key point. If a party like Telstra does not actually use information in the ordinary course of its business operations (putting to one providing information for law enforcement purposes) in a form that identifies a person (or can reasonably identify a person), should it be considered personal information? It is arguable that it should not. Certainly, this argument would be supported by the gist of the passage from the EM which is referred to above.

In forming views about likelihood, the intentions of the relevant entity need to be considered. As set out in the Microsoft submission mentioned in 9.9 above, it is clear that the intention of entity will (or should) have a significant bearing on whether any given information is personal information for the purposes of the Act. If the intention of the applicable entity is not given sufficient weight, then the boundaries of what constitutes personal information become very unclear. The intention of an entity has a direct bearing on the 'reasonably identifiable' element of the definition of personal information. It needs to be given sufficient weight in these contexts.

Further, it may be argued that the fact that Telstra responded to law enforcement requests for certain data is not relevant to the issue as to whether Telstra actually uses or is likely to use that information for one of its core business functions. From the evidence discussed in the

35. See *Google Inc v Vidal-Hall* [2015] EWCA Civ 311 at [106]–[133] per McFarlane and Sharp LJ.

Grubb decision, it seems that it does not. It provides it to the applicable law enforcement agency for their statutory functions; not its own.

Finally, the nature of the information that is actually provided needs to be considered. The *Grubb* approach to determining what constitutes personal information could capture vast amounts of often meaningless technical data viewed from the perspective of the ordinary person in the ordinary course. To illustrate this point, let us say that a browser is used to request the home page at www.barnet.com.au. This request will in fact generate over 20 separate communications between the browser and the web server using the hypertext transfer protocol (or http). This is not unusual. Indeed, many web pages can generate 500 or more such communications in order to serve or provide a single page to a browser. The types of information conveyed in these separate communications in respect of the request for the www.barnet.com.au home page are set out in the table below:

Name Path	Method	Status Text	Type
barnet.com.au	GET	200 OK	document
typography.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet
reset.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet
logo.gif /themes/simple/images	GET	200 OK	gif
layout.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet
jquery-1.10.2.min.js code.jquery.com	GET	200 OK	script
jade.png /themes/simple/images	GET	200 OK	png
int.png /themes/simple/images	GET	200 OK	png
form.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet
fontawesome-webfont.woff?v=4.0.3 netdna.bootstrapcdn.com/font-awesome/4.0.3/fonts	GET	200 OK	font
font-awesome.min.css netdna.bootstrapcdn.com/font-awesome/4.0.3/css	GET	200 OK	stylesheet
clb.png /themes/simple/images	GET	200 OK	png
css?family=Roboto:300,100 fonts.googleapis.com	GET	200 OK	stylesheet
collect?v=1&_v=j38&a=754079248&t=pageview&_s=1&dl=http%3A%2F%2Fwww.barn... www.google-analytics.com	GET	200 OK	gif
bootstrap3.0.2.js /themes/simple/javascript	GET	200 OK	script
bootstrap3.0.2.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet
bootstrap-glyphicons.css netdna.bootstrapcdn.com/bootstrap/3.0.0-rc2/css	GET	200 OK	stylesheet
barnet.css?m=1390460619 /themes/simple/css	GET	200 OK	stylesheet

20 requests | 407 B transferred | Finish: 244 ms | DOMContentLoaded: 205 ms | Load: 259 ms