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Law Reform Commission
GPO Box 31
Sydney NSW 2001

Submission concerning digital assets upon death or incapacity

I wish to make this preliminary submission to the review into access to digital assets upon death or incapacity. I am a researcher at UNSW Law associated with the Allens Hub for Technology Law and Innovation. The opinions expressed in this letter are my own.

This submission relates to intellectual property and digital assets. It supplements a submission made on 1 June 2018 by several of my colleagues at UNSW Law.

Intellectual Property as ‘digital assets’

The Commission’s background information defines ‘digital assets’ as “a person’s digital property and electronic communications”. To the extent that use of the term ‘property’ in this definition refers to legally-recognised property, with respect to which property rights can be enforced, intellectual property is a significant class of assets.

Under Australian law, categories of intellectual property include:

- **Copyright**, created under the *Copyright Act 1968* (Cth). Copyright can subsist in original, authored literary, dramatic, musical and artistic ‘works’, and in ‘subject-matter other than works’ in the form of sound recordings, cinematograph films, broadcasts and published editions. For works, copyright usually lasts for 70 years after the end of the year in which the author died.¹ Copyright lasts for 70 years after the end of the year of first publication for sound recordings² and cinematograph films,³ 50 years after the end of the year a broadcast was made,⁴ and 25 years after a published edition was first published.⁵ Copyright is personal property.⁶
- **Trade marks**, created by registration with IP Australia under the *Trade Marks Act 1995* (Cth).⁷ Trade marks are words, logos, slogans, shapes, colours, smells, and other indicia of commercial reputation that are used as brands on goods and/or services. Trade marks can be registered for maximum periods of 10 years,⁸ but can be renewed⁹ repeatedly so long as they continue to function as trade marks. Trade marks are personal property.¹⁰

¹ *Copyright Act 1968*. Section 33(2). For works that are created anonymously or pseudonymously, copyright continues to subsist until the end of the period of 70 years after the end of the calendar year in which the work was first published: *Ibid.* Section 34.

² *Copyright Act 1968*. Section 93.

³ *Ibid.* Section 94.

⁴ *Ibid.* Section 95.

⁵ *Ibid.* Section 96

⁶ *Ibid.* Section 196(1): “Copyright is personal property...”

⁷ *Trade Marks Act 1995*.

⁸ *Ibid.* Section 72(3).

⁹ *Ibid.* Section 75(1).

¹⁰ *Ibid.* Section 21(a): “[a] registered trade mark is personal property”.

- **Goodwill**, recognised as property under the common law tort of passing off.¹¹ Assets protected as goodwill are indicia of commercial reputation that are used to brand goods and/or services. Property arises when they have been used in a way that has engendered relevant brand recognition in the minds of consumers of the types of goods and/or services with respect to which they are used. Property in the form of goodwill lasts for as long as the brand recognition persists in the minds of the consumers.¹²
- **Patents**, created by registration with IP Australia under the *Patents Act* 1990 (Cth).¹³ Patents create property¹⁴ over certain inventions that are novel and non-obvious ('inventive' or 'innovative'). So long as annual maintenance fees are paid, standard patents last 20 years¹⁵ and innovation patents last 8 years.¹⁶
- **Designs**, created by registration with IP Australia under the *Designs Act* 2003 (Cth).¹⁷ Designs law creates property in the new and distinctive appearance of an object. Registered designs last 10 years.¹⁸
- **Plant variety types**, created through registration with IP Australia under the *Plant Breeder's Rights Act* 1994 (Cth).¹⁹ Registrations last 20 years for most plant species.²⁰ Registrations for vines and trees last 25 years.²¹
- **Computer circuit layouts**, created under the *Circuit Layouts Act* 1989.²² The 'protection period' of circuit layouts is 10 years.²³
- **Geographical indications** are protected in Australia as certification marks under the *Trade Marks Act* 1995,²⁴ or under the *Wine Australia Act* 2013.²⁵ Geographical indications award property to owners of certain brands that are connected with a geographical place of origin.

¹¹ *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (Unreported, FCA, 1992) 176. §102, per Lockhart J: "It is now beyond argument that the plaintiff's right which the law of passing off protects is a proprietary right in the goodwill or reputation of his business likely to be injured by the defendant's conduct."

¹² See, eg, *AdLibClub v Granville* [1972] RPC 673, in which goodwill persisted after a business had ceased trading; *ConAgra v McCain* (1992), *Ibid.* §107 where Lockhart J stated: "it is, in my view, quite wrong to assert in 1992 that the law of passing off cannot protect a plaintiff or his goods (or services) in a country where he does not carry on business or has ceased to carry on business or has no place of business."

¹³ *Patents Act* 1990.

¹⁴ *Ibid.* Section 13(2): "[t]he exclusive rights are private property".

¹⁵ *Ibid.* Section 67.

¹⁶ *Ibid.* Section 68.

¹⁷ *Designs Act* 2003.

¹⁸ *Ibid.* Section 46.

¹⁹ *Plant Breeder's Rights Act* 1994.

²⁰ *Ibid.* Section 22(2)(b).

²¹ *Ibid.* Section 22(2)(a).

²² *Circuit Layouts Act* 1989.

²³ *Circuit Layouts Act* 1989. Section 5.

²⁴ *Trade Marks Act* 1995. Part 16.

²⁵ *Wine Australia Act* 2013.

- **Confidential information** is sometimes described as property and/or intellectual property. Whether it is indeed 'property' has been contested,²⁶ but it can nonetheless be considered a valuable asset (think, for example, of the value associated with the Coca Cola recipe, which has enhanced commercial value because it remains secret). For the purposes of this analysis, it will therefore be categorised as intellectual property.

The tort of breach of confidence can be used to obtain injunctions to prevent the disclosure of secret information and/or to compensate for unauthorised disclosure of secret information. It covers commercial information, such as trade secrets, and extends to personal information, such as photographs that the wholly or partially-naked subject of which had not intended for public distribution.²⁷

Of these, copyright and confidential information are perhaps most likely to be implicated in a discussion of the treatment of digital assets upon death or incapacity.

Once something has been recognised as property under an intellectual property law, certain territorially-delineated rights attach and are legally enforceable. Although someone may have created the material that the law then recognises as intellectual property, that person may not own it. For example, the creator of a copyright-protected 'work', sound recording or film is likely to be the original owner of its creation, but the ownership status may be modified by an employment relationship or assignment, intentionally or by operation of law. Ownership may be transferred through assignment of the intellectual property, and rights may be licensed (see below).

Intellectual property rights give owners and exclusive licensees limited monopolies to use, and/or to exclude others from using, their property. During the term an asset is recognised as intellectual property, other people may use it in ways specifically permitted by the law (eg. copyright material may be used without permission in accordance with fair dealing provisions,²⁸ and patented inventions may be used for certain experimental uses),²⁹ or as licensed by the intellectual property holder. After the term of intellectual property protection expires, the asset falls into the 'public domain', meaning it is no longer private property. Subject to restrictions placed by other laws (eg. on the use of certain inventions), the former intellectual property can then be freely used by anyone without permission.

Similar assets, which are not usually classified as 'intellectual property' but that share some characteristics with intellectual property and create moral claims and/or legally-enforceable rights include:

- Indigenous traditional knowledge and cultural property
- Domain names
- Business and company names
- Coats of arms
- Animal brands
- Trading standards

²⁶ See, eg, *Coco v AN Clark (Engineers) Ltd* [1968] F.S.R. 415 that suggests information is not proprietary in nature. See discussion of this issue in Megan Richardson, 'Breach of Confidence, Surreptitiously or Accidentally Obtained Information and Privacy: Theory Verses Law' (1994) 19 *Melbourne University Law Review* 673. Page 691ff.

²⁷ See, eg, *Giller v Procopets* [2008] VSCA 236 (Victorian Court of Appeal); *Wilson v Ferguson* [2015] WASC 15 (Supreme Court of Western Australia).

²⁸ *Copyright Act 1968*. Sections 40, 41, 41A, 42, 103A, 103AA, 103B, 103C.

²⁹ *Patents Act 1990*. Section 119C.

Any type of intellectual property might find uses in a digital environment. For example, trade marks may be used to brand goods/services online, and patent specifications appear in an online register hosted by IP Australia. Many of the activities people participate in online (eg. social media) involve the creation and/or use of intellectual property assets. Goods that embody patent, design, copyright and/or trade marks (registered or protected by passing off) may be sold through online stores.

However, the existence of the property created by trade mark, patent, design laws and plant variety types is dependent on registration, rather than their use in a digital environment. The same can be said for any property related to domain names, business and company names, coats of arms, animal brands, and trading standards – each exists independently of how they are used in a digital environment. Rights attaching to intellectual property also exist separately from their application in a digital environment.

Property arising from copyright, passing off and breach of confidence laws might exist solely as a result of activity in a digital environment. For example, the text of an online blog, or a social media entry, might constitute a literary work that is regarded as property under copyright law, and a secret shared privately with a friend through a social media platform might give rise to an actionable breach of confidence if it is then disclosed without permission. A brand that obtains goodwill through online trading may be recognised as property and protected under the law of passing off for as long as it represents the trader's goods/services in the minds of consumers. However, once the property has been created, its existence and the legal rights governing its use exist regardless of whether they are exploited in a digital environment.

It can therefore be concluded that, once created, objects identified as property by intellectual property laws maintain their legal status independent of how they are used in a digital environment. As such, they can be regarded as 'assets' rather than a sub-category of 'digital assets'.

The ability to license use of intellectual property means these assets nonetheless remain relevant to a discussion of the treatment of digital assets upon death or incapacity.

Licensing of Intellectual Property

Intellectual property assets may be licensed in a multitude of ways. For example:

- A license may be exclusive, allowing a single licensee to exploit rights in the intellectual property. At the other end of the spectrum, an open source or 'creative commons' style license might permit the world at large to use the intellectual property freely or on specific terms.
- A license might cover all intellectual property rights in a physical item, or it might cover just some. For example, a song might encompass literary work copyright in the lyrics and musical work copyright in the score. These may be owned by the same or different people. If owned by the same person, they could be licensed together, or separately.
- A license might be for a limited term or last for the life of the intellectual property. For example, use of software might be licensed to a business on an annual basis, or on an indefinite basis.
- A license might be for a specific purpose, or it might cover all rights. For example, the owner of copyright in a photograph might license its use in a book under restrictive conditions (eg. 1/3 of a page, black and white only, with a particular acknowledgment) or it might license

the photo to be used in a wide variety of enumerated ways (eg. stock photo libraries often license images to be used in an open-ended range of commercial or non-commercial ways).

- A license might authorise the use of certain rights in Australia only, in specified territories, or worldwide.

Subscribers to social media websites, photo upload platforms, and various other online services, typically agree to a set of standard 'terms and conditions' or 'terms of use'. These vary between platforms. Some state that certain intellectual property created or used on the platform becomes the property of the platform. Others license the platform to use intellectual property in certain ways. For example:

- The Facebook 'Terms of Service' include the following license:

"when you share, post, or upload content that is covered by intellectual property rights (like photos or videos) on or in connection with our Products, you grant us a non-exclusive, transferable, sub-licensable, royalty-free, and worldwide license to host, use, distribute, modify, run, copy, publicly perform or display, translate, and create derivative works of your content (consistent with your privacy and application settings). This means, for example, that if you share a photo on Facebook, you give us permission to store, copy, and share it with others (again, consistent with your settings) such as service providers that support our service or other Facebook Products you use."³⁰

- The Instagram 'Terms of Use' include the following license:

"when you share, post, or upload content that is covered by intellectual property rights (like photos or videos) on or in connection with our Service, you hereby grant to us a non-exclusive, royalty-free, transferable, sub-licensable, worldwide license to host, use, distribute, modify, run, copy, publicly perform or display, translate, and create derivative works of your content (consistent with your privacy and application settings). You can end this license anytime by deleting your content or account. However, content will continue to appear if you shared it with others and they have not deleted it."³¹

Licenses to individuals and organisations (eg. universities) with respect to the use of other types of digital assets containing intellectual property, such as e-books, music and video downloads, and online games, typically contain provisions limiting how these assets may be used. 'Purchasers' of downloaded media typically obtain only a license to use that media in certain circumstances. Many such licenses are personal, meaning they are not transferrable to others.

Licenses over intellectual property can persist after the incapacity or death of a licensor or licensee. In each case, the situation will depend on the nature of the intellectual property in question and the rights that have been licensed (which might both vary between jurisdictions), the terms of the license, and the law governing the agreement. Access to intellectual property stored in online services might present practical difficulties that are distinct from property considerations.

The law governing such license agreements may be outside Australia, and private international law with respect to intellectual property is a complicated field.

Distinguishing Intellectual Property from Other Property Interests

³⁰ <https://www.facebook.com/terms.php> Clause 3 (1)

³¹ https://help.instagram.com/581066165581870?helpref=page_content

Intellectual property exists separately from property in the physical objects with which it is associated. For example, when music is 'sold' on physical media (eg. an LP record, cassette tape or CD), the purchaser typically obtains ownership of the physical object, while different copyrights remain with the lyricist, the composer, and/or the music publisher or others (depending on the terms under which it has been published). Where text is 'sold' in a paper book format, the purchaser gains property in the physical book, while the copyright remains with the author, publisher or others (again, depending on the terms under which it has been published). By contrast, licensees of downloads typically obtain only specified usage rights.

When individuals create intellectual property that is stored in a digital form, they might grant licenses to storage providers (eg. 'Cloud' storage businesses) to use the material in certain ways in order to provide storage services. Alternatively, or in addition, they might store the material on an internal or external computer hard drive. However, underlying property in the intellectual property is separate from ownership of the storage medium. It may also be that an owner of intellectual property bequeaths, for example, physical assets (such as a computer on which intellectual property is stored, or a literary manuscript embodying copyright material) to one beneficiary, and copyright to another.

Conclusion

This preliminary submission has summarised various intellectual property considerations that affect the use and control of digital assets upon death or incapacity.

It is recommended that an investigation of this topic address intellectual property issues by systematically considering:

1. Types of intellectual 'property' that may be used as digital assets.
2. Rights that attach to that property.
3. Ways in which those rights can be exploited in a digital environment, particularly through the granting of licenses:
 - a. From the perspective of owners and/or licensors; and
 - b. From the perspective of licensees.
4. The degree to which NSW law might address these issues as they relate to death or incapacity of an intellectual property owner or a licensee of intellectual property rights.

The use of intellectual property in a digital environment is a complicated topic, and further discussion around the law's treatment of these issues upon death or incapacity would be welcome.

Yours sincerely,

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