

Online Copyright Infringement

Discussion Paper¹

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Submission

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Introduction

1. The Paper, by consideration of the issue of authorisation, addresses a very practical development in commerce. Online copyright infringement is now not only about unauthorised uses of cinematograph films but has filtered down to become more prevalent amongst small to medium enterprises (SME), as some competitors embrace online trading by aggressively and often unlawfully, seeking market share.
2. It is understandable that internet service providers (ISPs), as gatekeepers of internet traffic, may be considered as being more than a conduit of contravening conduct³ but not a joint tortfeasor involved in a common design.⁴
3. In between those extremes lies the concept of authorisation in copyright which has a long history in Australia since the *Copyright Act* 1905 (Cth).⁵ The text of s 101(1A) of the *Copyright Act*,⁶ in particular s 101(1A)(a) and (c), derived from statements of Gibbs J in *Moorhouse*.⁷

¹ Referred to herein as the Paper.

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³ *Google Inc v Australian Competition and Consumer Commission* [2013] HCA 1.

⁴ *Louis Vuitton Malletier SA v Toea Pty Ltd* [2006] FCA 1443.

⁵ *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16 per French CJ, Crennan and Kiefel JJ in their plurality reasons at [42]; Gummow and Hayne JJ in their joint reasons at [105] (*iiNet*).

⁶ Equally applicable to s 36 of the *Copyright Act*.

⁷ French CJ, Crennan and Kiefel JJ in their plurality reasons at [52] referred to the decision of Gibbs J in *University of NSW v Moorhouse* [1975] HCA 26; (1975) 133 CLR 1 at 12/13:

"[a] person cannot be said to authorize an infringement of copyright unless [the person] *has some power to prevent it...* a person who has under his control the means by which an infringement of copyright may be committed – such as a photocopying machine – and who makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and *omitting to take reasonable steps to limit its use to legitimate purposes*, would authorize any infringement that resulted from its use." (Italics added)

4. The Paper considers that extending authorisation liability is essential to ensuring the existence of an effective legal framework that encourages industry cooperation and functions as originally intended, and is consistent with Australia's international obligations.⁸
5. Although the approach may be to identify indicators of reasonableness, ultimately each case must turn on its own facts and reasonableness considered in the context of those circumstances.⁹
6. This submissions accepts and agrees that further clarification of elements which should be considered on the question of reasonableness is beneficial to give greater certainty in the area, but cautions that the satisfaction of one or more of those integers must ultimately submit, following the application of the relevant statutory and other relevantly considered matters, to the facts of the case.

The Paper Overview

QUESTIONS 1 – 5

Current Interpretation

7. The centrepiece of the Paper is the extension of authorisation liability and seeks responses to five (5) of the eleven (11) questions raised by the Paper.
8. The Paper notes the limitations upon an ISPs liability for the acts of copyright infringement by a subscriber to the service, arising from the decision of the High Court in *Roadshow Films Pty Ltd v iiNet Ltd* [2012] HCA 26 (*iiNet*).
9. Specifically, seven of the eight judges in the *iiNet* appeals, considered that iiNet had acted reasonably in the circumstances. As a general observation, a common thread appearing in the reasons of these judges, were the deficiencies in the notices provided to iiNet by the Australian Federation Against Copyright Theft (AFACT), representing the appellants (conveniently Roadshow).
10. In the High Court:
 - a. French CJ, Crennan and Kiefel JJ:
 - i. found as a matter of fact that iiNet had no direct technical power at its disposal to prevent a customer from using the BitTorrent system to download the appellants' films on that customer's computer.¹⁰

⁸ The Paper at p3.

⁹ French CJ, Crennan and Kiefel JJ in *iiNet* at [60] referring to Jacobs J in *Moorhouse* at (1975) 133 CLR 1 at 21.

- ii. found as a matter of fact that iiNet had no direct power under its contract with its customers, to prevent the primary infringements and could only ensure that result indirectly by terminating the contractual relationship it had with its customers.¹¹
 - iii. Determined, in the context of s 101(1A),¹² that iiNet acted reasonably, because its inactivity was not based on indifference to infringement but rather “that iiNet was unwilling to act because of its assessment of the risks of taking steps based only on the information in the AFACT notices”.¹³
- b. Gummow and Hayne JJ concluded, also in the context of s 101(1A),¹⁴ that:
- i. it “was not unreasonable for iiNet to take the view that it need not act upon the incomplete allegations of primary infringements in the AFACT Notices without further investigation which it should not be required itself to undertake, at its peril of committing secondary infringement.”¹⁵
 - ii. Accordingly their Honours answered in the negative the question their Honours posed:

“...was it reasonable to expect iiNet to issue warnings or to suspend or terminate the contracts of customers when AFACT had not fully disclosed the methods used to obtain the information in the AFACT Notices?”¹⁶
 - iii. The practical course would have been to exercise the contractual power to ‘switch off and terminate further activity on suspect accounts’, however this raised the difficulty that suspension or termination denied access to non-infringing material.¹⁷

11. In the Full Court of the Federal Court:¹⁸

- a. Emmett J considered that:

¹⁰ *iiNet* at [65].

¹¹ *iiNet* at [70].

¹² *iiNet* at [63].

¹³ *iiNet* at [76].

¹⁴ *iiNet* at [135].

¹⁵ *iiNet* at [146].

¹⁶ *iiNet* at [138].

¹⁷ *iiNet* at [139].

¹⁸ *Roadshow Films Pty Limited v iiNet Limited* [2011] FCAFC 23 (*iiNet* FC)

- i. iiNet could warn customers, block sites or ports and suspend or terminate the account of a customer whose account was found to have been involved in infringements of copyright. Further, that iiNet had technical capability to suspend or terminate accounts.¹⁹
- ii. “it was not reasonable to require iiNet to undertake the immense amount of work, cost and effort required in order to set out, review and analyse the allegations in the information provided with the Infringement Notices”.²⁰
- iii. before it could be reasonable for iiNet to take steps within the meaning of s 101(1A)(c) to suspend or terminate a customer’s account, certain circumstances should at least exist.²¹ These are summarised as follows:
 1. iiNet to be given full particulars of specific acts of primary infringement.
 2. iiNet requested to take the following steps:
 - a. Inform the customer of the particulars.
 - b. Invite the customer to indicate whether the service used as alleged.
 - c. Invite the customer refute the allegation or undertake to cease infringing conduct.
 - d. Warn the customer that the account would be suspended (suggested 7 days), unless there was a satisfactory response.
 - e. Warn the customer that continuing infringing conduct would lead to service termination.
 - f. Terminate the account in the event of further infringements
 3. iiNet should have been provided with unequivocal and cogent evidence not assertions with ‘whatever particulars’ were available. This information would include the way in which the material supporting the allegations was derived.

¹⁹ *iiNet FC* at [182] and [183].

²⁰ *Ibid* at [205].

²¹ *iiNet FC* at [210].

4. Undertakings by the copyright owners:
 - a. To reimburse iiNet for reasonable costs of verifying the particulars of infringement and of establishing a watch over the site/s complained of.
 - b. To indemnify iiNet in respect of any liability reasonably incurred as a result of suspension or termination of an account.

b. Nicholas J considered that:

- i. iiNet had the technical power to prevent copyright infringement by iiNet users by denying them access to the internet using iiNet's facilities.²²
- ii. iiNet's "failure to take steps to issue warning notices or to terminate or suspend subscribers' accounts in response to the allegations made in the AFACT notices was not unreasonable given the lack of information in the AFACT notices..."²³

12. In her dissenting reasons Jagot J concluded that iiNet had "moved beyond mere indifference to at least tacit approval of [the] primary infringements".²⁴

RESPONSES

QUESTION 1: What could constitute 'reasonable steps' for ISPs to prevent or avoid copyright infringement?

13. This submission considers that Proposal 1 correctly incorporates the 'power to prevent'²⁵ and the commercial arrangements between the parties,²⁶ as relevant factors in the determination of whether reasonable steps were taken.
14. Although their Honours French CJ, Crennan and Kiefel JJ considered there were technical impediments to iiNet's ability to suspend or terminate customer accounts, their Honours Gummow and Hayne JJ of the High Court and Emmett and Nicholas JJ of the Full Court of the Federal Court, still considered that iiNet had acted reasonably in the circumstances, notwithstanding an acceptance that iiNet had technical and/or

²² *iiNet* FC at [720].

²³ *iiNet* FC at [783].

²⁴ *iiNet* FC at [477].

²⁵ s 36(1A)(a) and s 101(1A)(a) of the Copyright Act.

²⁶ S 36(1A)(b) and s 101(1A)(b) of the Copyright Act.

contractual capacity to suspend or terminate the services, thereby preventing the infringements.²⁷

15. In short, it is appropriate these matters be considered equally as factors going to the overall assessment of reasonableness.
16. This submission supports the inclusion as a factor, of any statements reflecting industry standards as being instructive upon that issue. The form might reflect the definition of 'industry code' in s 116AB of the Copyright Act and that part of Reg. 20 of the Copyright Regulations 1969, which refers to the industry code being developed through an open voluntary process by a broad consensus of copyright owners and carriage service providers (or service providers as they will be known).
17. This submission further supports as a factor in the consideration, the compliance or more accurately the level of compliance (if any), with the prescribed measures in the Copyright Regulations, presumably, those in Part 3A going to the limitation of remedies available against carriage service providers.
18. It is submitted that whilst the catchall phrase 'any other relevant matters' is appropriate, there should be some further factors identified to assist the courts and to take advantage of the opportunity afforded by the review.

Additional factors

19. Firstly, the extent to which copyright infringement may be deduced by the ISP.
20. The issue with iiNet involved copyright in thousands of commercially released films and television programs, including a sample of 86 films in evidence before the primary judge. Those were the facts of this case. Accordingly, as there appeared to be whole reproduction and communication of the copyright works, the question of assessment of whether the copyright material was infringing was not onerous.
21. In iiNet the question of assessment of whether there was infringement did not need to be an issue, as the infringement was clear, the question became whether the information given by AFACT was sufficiently presented and particularised to draw the response from iiNet, the copyright owners considered was reasonable.
22. In practice however, it is often not that clear.
23. A composite trade mark for example, made up of words and an image is often also an artistic work within the meaning of the Copyright Act. Goods bearing an artistic work which is not an exact copy of the work but rather a close copy, are often sold online.

²⁷ See footnotes 16, 18 and 21.

24. It would be most inappropriate to place the ISP in a position where it has to make an assessment of whether the allegedly offending work is a substantial reproduction of the copyright work or not.
25. Of course, the tests for such an assessment are complex involving qualitative and quantitative considerations.
26. In those circumstances, it is submitted that most, if not all of the other factors will be impacted upon by the reasonableness of an ISP concluding infringing conduct from the material provided. For example, a notification by a copyright owner of allegedly infringing conduct should not carry much weight if the ISP is involved in a complex assessment of whether there is a substantial reproduction of the work.
27. Secondly, the submission adopts two factors suggested by Emmett J in *iiNet*, with a reservation.
28. The two factors involve undertakings by the copyright owners.
29. If the copyright owner considers that there is an infringement, it would be reasonable to undertake to fund the enquiry and monitoring by the ISP. Conversely, it may be a telling factor that despite having been offered monies or an undertaking to reimburse the ISP, for reasonable costs of verifying the particulars of infringement and of establishing a watch over the site/s complained of, the ISP takes no action.
30. Similarly, it is submitted that another relevant factor is an undertaking to indemnify the ISP in respect of any liability reasonably incurred as a result of suspension or termination of an account. This consideration would involve the same two edged sword, namely a failure to take a step might seem less reasonable in the face of an indemnity.
31. The fact of submitting an undertaking to indemnify is a factor, but as all factors, the consideration of that fact must submit to the circumstances of the case.
32. In *iiNet*, the copyright owners were of substance. However, an undertaking to indemnify against liability for loss, by a party without substance places the weight of that factor into a different and more realistic context.

QUESTION 2: How should the costs of any ‘reasonable steps’ be shared between industry participants?

33. The submission in relation to Question 1, included the factor of whether an undertaking to pay or contribute to the ISPs fees of investigation/monitoring was proffered by the copyright owner.
34. It has in the past been a very cost effective and practical measure to place obvious cases of copyright infringement before a discrete legal section of some social media sites such as Facebook and Twitter.
35. In those few cases, there is a substantial saving for the copyright owner, as opposed to seeking immediate injunctive relief.
36. In circumstances where a copyright owner might get that de facto relief, it would be considered reasonable that they pay a larger proportion of the reasonable costs of the ISP to take such reasonable steps.

QUESTION 3: Should the legislation provide further guidance on what would constitute ‘reasonable steps’?

37. This submission supports the provision of further examples or guidance of relevant factors. In this regard reference is made to other suggested factors set out in response to Question 1 above.
38. The case for further guidance is supported by analogy of the evolution of the factors to be considered in relation to a discretionary award of additional damages under s 115(4) of the Copyright Act.
39. In 2000 and 2003, the provision for the award of additional damages was amended in order to add further factors considered relevant to such an assessment.²⁸

²⁸ Copyright Amendment (Digital Agenda) Act 2000 NO. 110, 2000 s 4 and Sch 1 item 96A amended s 115(4) by adding “whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form;” to contextualise the factors in a digital environment; Copyright Amendment (Parallel Importation) Act 2003 NO. 34, 2003, s 3 and Sch 4 item 1, added the following factors to be considered by the courts:

- the need to deter similar infringements of copyright; and
- the conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that the defendant had allegedly infringed the plaintiff’s copyright;

QUESTION 4: Should different ISPs be able to adopt different ‘reasonable steps’ and, if so, what would be required within the legislative framework to accommodate this?

40. This submission makes no recommendation to tier the treatment of ISPs .
41. The definition in the Telecommunications Act 1997 s 87, applicable to the term in the Copyright Act, makes no distinction between a carriage service provider using networks and an international carriage service provider using for example a line link connecting a place in Australia and a place outside of Australia.
42. There may be practical matters caused by the location of the ISP outside of Australia, but these should impact upon the question of reasonableness in the circumstances of that particular case rather than establish a separate regime.

QUESTION 5: What rights should consumers have in response to any scheme or ‘reasonable steps’ taken by ISPs or rights holders? Does the legislative framework need to provide for these rights?

43. In the situation where the site contains infringing works or subject matter other than works, the consumer has little complaint to make.
44. The issue is, as foreshadowed by Gummow and Hayne JJ in *iiNet*, where access to non-infringing material is blocked by a suspension or termination.
45. This submission considers that the spectrum of circumstances are so wide, that any attempt to arm consumers with rights in a given set of circumstances will complicate a situation which, is ultimately driven by commerce.
46. For example, if an ISP customer has some copyright infringing works or subject matter, but offers other goods or services which are non-infringing, the notification system reflected by those adopted in the U.S. and U.K., would place the ISP customer in the position of assessing whether it will persist to offer or use the allegedly infringing material. It becomes a commercial decision to be made by the person offering the site.
47. Further, if a model is implemented whereby a series of notices are sent, it will (or at least should), anticipate a response from the ISP customer. In the case where there is allegedly infringing and non-infringing material on the site, the response may realistically be:

I do not consider there is an infringement as alleged. I will withdraw the offending material upon the undertaking by the copyright owner to pay compensation to be assessed by the Court, by my being adversely affected by the withdrawal of the services.

48. This effectively mirrors the usual undertaking as to damages given by a rights holder in obtaining interlocutory injunctive relief.²⁹
49. Of course, litigation will need to be instituted in order that such an assessment might be considered. The options in practice however, would at least seem to be:
- a. That the ISP customer comforted by the undertaking removes the allegedly offending material whereupon:
 - i. The ISP need not take any further step;
 - ii. The copyright owner is satisfied that the infringing conduct is cauterised;
 - iii. The consumer carries on with the non-infringing material.
 - b. The copyright owner may commence a proceeding for infringement whereupon the undertaking as to loss may be assessed;
 - c. The ISP customer may, provided a threat has been made, bring a groundless threats claim under s 202 of the Copyright Act.
 - d. Neither the ISP customer nor the copyright owner commence proceedings for reasons which might include that they do not have confidence in their position, or that the estimated loss does not warrant the expenditure on litigation.

QUESTION 6: What matters should the Court consider when determining whether to grant an injunction to block access to a particular website?

50. The proposal is the first glimpse of some relief for copyright owners who face the difficulty of seeking to enforce their rights against a web site which infringes their copyright.
51. There are two significant matters which appeal. Firstly, there is a much easier path to obtaining relief against an ISP outside the jurisdiction. The alternative being to commence a proceeding against the web site owners (if indeed that could be obtained) and seek to serve in another jurisdiction. Secondly, the question of authorisation is not in issue as the injunction replaces the mechanism of putting the ISP in a position of taking reasonable steps.
52. The 2011 decision in *Twentieth Century Fox Film Corporation & Ors v British Telecommunications plc* [2011] EWHC 1981 involved major film companies. In addition,

²⁹ See Federal Court Practice Direction CM 14:

<http://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/cm14>

the mandatory injunction blocked IP addresses from which there had been a finding the sites were involved substantially in infringing conduct. Like *iiNet*, the dominant purpose of the offending sites involved copyright infringement.

53. The matters the Court should consider should not, as far as the injunction is concerned, vary dramatically from the usual considerations for the grant of an interlocutory injunction. The rights holder must show that there is a prima facie case or a serious question to be tried and that the balance of convenience favours the granting of the injunction: *Australian Broadcasting Corporation v O'Neill* [2006] HCA 46.
54. The balance of convenience should favour the rights holder in many cases because of the difficulties which face that party if the injunctive relief is not granted.
55. On the question of serious question to be tried, the Court must consider whether a prima facie claim for copyright infringement has been made out. The strength of the applicant's case will also be a factor on the balance of convenience question: *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156.
56. The proposal is an appealing alternative. However, its limitation is that the site must have as its dominant purpose copyright infringement. Where the site offers both infringing and non-infringing material, it will not be possible to get the injunction on the basis that copyright infringement is not the dominant purpose.
57. The order is sought for compliance by the ISP, who has no power to remove offensive elements on the customer's site. It appears therefore that copyright owners will have to tolerate sites operating under foreign ISPs, which may have infringing material but do not have it as their dominant purpose.
58. Other considerations of the Court may be:
 - a. The extent to which consumers would be denied access to non-infringing material.
 - b. The technological capability of the ISP to block access. In the 2011 UK decision of *Twentieth Century Fox*, a factor was the fact that the British Telecom had developed technology which could cost effectively be applied for this execution of the order. Accordingly, the level of expense and difficulty created by an order would be a factor to be considered.
59. It is assumed that the service of the order shall be where applicable, through the Hague Convention protocol.

QUESTION 7: Would the proposed definition adequately and appropriately expand the safe harbour scheme?

60. The proposal seems appropriate where the carriage service provider meets the relevant conditions. No submissions are made in relation to this proposal.

QUESTION 8: How can the impact of any measures to address online copyright infringement best be measured?

61. No submissions are made in relation to this question.

QUESTION 9: Are there alternative measures to reduce online copyright infringement that may be more effective?

62. The submission raises an additional measure rather than an alternative one. It is becoming a common and growing practice, nationally and internationally, for those offering infringing works or subject matter other than works online, to not identify themselves as the registrant of the domain site carrying the offending material. Rather, the party offering the infringing works retains a professional registrant, who for a fee appears as the registrant of the domain site. The registrant does not have an interest in the site, they are merely standing as the registrant shielding the identity of the true operator of the site.

63. At a national level, such an order could be made under an application for preliminary discovery under Rule 7.22 of the Federal Court Rules 2011, in order to ascertain the identity of the infringing party. On a practical level, the registrant may provide the information if evidence of the infringing conduct is given together with notice that the registrant may be implicated as a joint tortfeasor.

64. Internationally, it would be a practical tool to require the registrant to provide details of the party on whose behalf they hold the domain. Characteristic of this type of blocking, are disclaimers from the registrant that they have no interest in the site. In this way, the infringer seeks to hide their identity and frustrate claims.

QUESTION 10: What regulatory impacts will the proposals have on you or your organisation?

65. No submissions are made in relation to this question.

QUESTION 11: Do the proposals have unintended implications, or create additional burdens for entities other than the rights holders and ISPs?

66. No submissions are made in relation to this question.