

Current Issues Brief  
No. 3 2004–05

## Guide to copyright and patent law changes in the US Free Trade Agreement Implementation Bill 2004

Changes to the *Copyright Act 1968* and *Patents Act 1990* form a significant and complex part of the Bill to implement the Australia–US Free Trade Agreement. The intellectual property chapter is one of the largest and most prescriptive parts of the Agreement. However, the chapter does leave some room for Australia to decide the shape of its own law, so implementation inevitably involves making substantive policy choices. This guide provides a section-by-section discussion of the copyright and patent provisions of the Bill. It discusses the changes the Agreement requires and also the means which are proposed to meet these requirements. It also points out those areas where the Bill might go further than required or fail to take advantage of exceptions allowed

Jacob Varghese  
Law and Bills Digests Section  
3 August 2004

ISSN 1449-8472

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## Acknowledgements

The author would like to acknowledge the very generous assistance of Ms Kimberlee Weatherall, Associate Director (Law) at the Intellectual Property Research Institute of Australia who read and contributed to earlier drafts of this Brief. The author also thanks Thomas John, Sarah Miskin and Jane Grace of the Parliamentary Library for their editing assistance.

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Published by Information and Research Services, Parliamentary Library,  
Department of Parliamentary Services, 2004.

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## Acronyms

AUSFTA	Australia–United States Free Trade Agreement
BDD	Broadcast Decoding Device
CLRC	Copyright Law Review Committee
CSP	Carriage Service Provider
DFAT	Department of Foreign Affairs and Trade
DMCA	Digital Millennium Copyright Act of 1998 (US)
ERMI	Electronic Rights Management Information
JSCOT	Joint Standing Committee on Treaties
SAFTA	Singapore–Australia Free Trade Agreement
TPM	Technological Protection Measure
WIPO	World Intellectual Property Organisation
WPPT	WIPO Performances and Phonograms Treaty

## Executive summary

The US Free Trade Agreement Implementation Bill 2004 contains the substantive amendments necessary to implement the Australia–United States Free Trade Agreement (AUSFTA).<sup>1</sup> A large part of this Bill contains proposed changes to the *Copyright Act 1968* and the *Patents Act 1990*.

This Brief is intended to supplement the forthcoming Bills Digest and serve as a detailed guide to these changes and their effects. It examines both the substance of AUSFTA's requirements in these areas and the approach to implementation proposed by the Bill. Although the intellectual property requirements of AUSFTA are highly prescriptive, they do offer some room for interpretation. As a result, implementation is not merely a technical issue—it requires substantive policy choices as well.

The copyright changes would introduce a regime that is more protective of copyright and more punitive toward infringement. These changes would: expand performers' rights, including the creation of performers' copyright in sound recordings; extend the duration of copyright protection; introduce a more protective regime for electronic rights management information and broadcast decoding devices; criminalise more infringing and some non-infringing conduct; extend the scope of copyright to include all temporary reproductions; and introduce a new regime for determining the liability of carriage service providers.

In several areas, the proposed implementation either goes further than AUSFTA requires or fails to take advantage of exceptions and limitations that AUSFTA allows. More generally, the Bill introduces no new mechanisms to counter-balance the more protective copyright regime, such as a broad 'fair use' exemption or stronger competition laws. The result is that, in several respects, this Bill would give Australia a more protective copyright regime than the United States.

Copyright is a complex area of law and changes can produce unexpected results. As a result Australia has tended to pursue copyright law reform with wide, public consultation with stakeholders and experts. In several areas, changes proposed by this Bill conflict with the recommendations that have arisen through those processes, including those from the very recent review of the 2000 Digital Agenda reforms by law firm Phillips Fox.

It seems that little or no public consultation has been involved in the preparation of this Bill. Given the complexity of the reforms and the substantial issues of policy involved, a special public inquiry into the proposed copyright changes could be warranted.

The patent law changes are minor. They should assuage some earlier concerns that AUSFTA would require changes that would expand the scope of patentable inventions, especially those relating to software patentability.

## Introduction

The US Free Trade Agreement Implementation Bill 2004, as its name suggests, contains the substantive amendments necessary to implement the Australia–United States Free Trade Agreement (AUSFTA).<sup>2</sup> A large part of this Bill contains proposed changes to the *Copyright Act 1968*. A lesser part deals with changes to the *Patents Act 1990*.

This Brief is intended to supplement the forthcoming Bills Digest and serve as a detailed guide to these changes and their effects. It examines the proposed changes and considers:

- how they change current Australian law and what that change might mean in practice
- some assessment of the law that AUSFTA requires
- whether they adequately implement AUSFTA requirements, and
- whether they go beyond AUSFTA requirements.

Consideration is also given to the issue of laws relating to technological protection measures, a copyright related change that has not appeared in this Bill but is required by AUSFTA within two years of the agreement coming into force.

### Copyright Act changes

The Copyright Act amendments contained in Schedule 9 of the Bill propose some important, and in some cases radical, changes to the nature of copyright and copyright-like protections in Australia. In some instances, their effects and interactions with other aspects of copyright law are complex and unpredictable.

Although the changes deal with several disparate areas of the Copyright Act, certain themes can be observed. They include:

- more generous protection of copyright, most notably an increase in the duration of copyright
- greater use of criminal law, in addition to civil remedies, to enforce copyright
- increased prohibitions on acts preparatory to copyright infringements, rather than the infringements themselves, such as distribution of devices that assist infringement
- increasing prohibitions, or effective barriers, to the non-commercial use of infringing material
- increased liability for end-users and consumers, and
- new laws to increase the protection of copyright in electronic material.

Altogether, the changes would introduce a regime that is more protective of copyright and more punitive toward infringement.

### Patent Act changes

The changes proposed to the Patent Act are not particularly significant. If anything, they are remarkable for what they *do not* include. As a result, the Bill should assuage some of the concerns about changes to patent law raised earlier in the AUSFTA debate. The significant changes that AUSFTA requires that affect certain patented products are included in Schedules 2 and 7, dealing with agricultural and veterinary chemicals and pharmaceutical products respectively. These schedules are not dealt with in this Brief, but will be discussed in the Bills Digest.

## Schedule 9—Amendments to *Copyright Act 1968*

### Parts 1–4: Performers' rights

#### Performers' rights

The changes proposed by Parts 1–4 extend performers' rights over sound recordings of their performances.

#### Why are these changes necessary?

AUSFTA requires Australia to accede to the [\*WIPO Performances and Phonograms Treaty\*](#) (1996) (WPPT) (Article 17.1.3). Most of the provisions of these Parts give effect to obligations under the WPPT. AUSFTA also requires the extension of rights to performers in its own text, principally Article 17.4.1–3 and Article 17.6. The WPPT only requires new rules for the protection of sound recordings of performances, not audio-visual recordings. This is reflected in the amendments that these Parts propose.

It is important to note that Australia is already bound to accede to the WPPT through its free trade agreement with Singapore (SAFTA).<sup>3</sup> Article 2 of Chapter 13 of that agreement requires accession within four years of its entry into force; that is, by 23 July 2007.

Interestingly, the United States, which is also a signatory to the WPPT, has not adopted protection of performers' rights to the standard recommended by this Bill. Instead, US law more closely resembles current Australian law, providing neither rights in authorised recordings nor moral rights.<sup>4</sup> Accordingly, these changes would give Australia a more protective performers' rights regime than that of the United States.

## Current protection of performers' rights in Australian law: 'non-copyright' rights

Under current Australian law, performers do not own copyright in recordings of their performances. They are entitled to some non-copyright rights, provided by Part XIA of the Copyright Act. These are known as 'performers' rights' and are limited to the following:

- the right to authorise recording and broadcasting of the performance, and
- the right to prevent the knowing copy, sale, distribution or importation of unauthorised recordings.

Under this law, performers have no rights to control copy and distribution of the performances that they have *authorised*.

The period of protection for these performers' rights is normally 20 years from the year of the performance. For the purposes of *sound* recordings of performances, in certain circumstances the period of protection is 50 years from the year of the performance.

Criminal offences apply to unauthorised recording, the possession of recording equipment that is to be used for unauthorised recording or for unauthorised copying, sale, distribution or importation of an unauthorised recording. For the purposes of the copying, sale, distribution or importation offence, the period of protection is 50 years from the year of the performance.

## History of this issue in Australia

The current regime for protection of performers' rights was enacted in the *Copyright Amendment Act 1989*. This followed a report on the issue by the [Copyright Law Review Committee](#) (CLRC) in 1987.<sup>5</sup> The majority recommended against the granting of copyright, or like property rights, to performers although they did favour the 'non-copyright' rights described above. Their view was that the interests supporting performers' rights actually were looking for a more effective tool for collective bargaining for remuneration from producers, not protection of the originality of their performance, and that copyright was not the appropriate instrument for this purpose. Further, the majority considered that performers' copyright would create many practical problems and be disruptive to those industries, such as television and radio, where recorded performances are used, creating a disincentive in those industries to use Australian performances.<sup>6</sup> A minority of the committee took the opposite view, favouring the extension of copyright or similar property rights to performers. The government of the day accepted the majority view and this was reflected in the legislation.<sup>7</sup> With some differences, the scheme proposed by Part 1 of the current Bill is similar to that recommended by the minority.<sup>8</sup>

In 1997, the year after the WPPT had been agreed, the Attorney-General's Department and the then Department of Communications and the Arts released a discussion paper proposing that Australia accede to the WPPT and make the necessary changes to provide

the protection of performers' rights.<sup>9</sup> No legislative action came from the paper, although the Department of Communications, Information Technology and the Arts web site notes:

A number of responses were received reflecting a diversity of views about how Australia should proceed ...

Not surprisingly, increased statutory protection for performers' rights tends to be supported by the performers, union and copyright interests, while it tends to be opposed by producer interests such as broadcasters, film makers and record companies.<sup>10</sup>

The paper remains the most thorough discussion of the issue by the government. In its platform for the 2001 election, the Coalition committed to enacting performers' rights laws to the extent necessary to accede to WPPT.<sup>11</sup> To this extent, the changes proposed in the current Bill reflect the Government's policy as well as implementation of AUSFTA.

## Key changes

### Part 1. Performers' rights in sound recordings

**Part 1** proposes that performers be granted ownership of the copyright in the sound recordings of their performances (**item 2** through interaction with s. 97 of the Copyright Act). Currently, the owner of the media on which the recording is made is the sole owner of copyright in the recording. These changes would make that person and the performer *co-owners* of the copyright in equal shares (**item 7**).

Granting performers actual copyright in the sound recordings of their performance is a significant extension to their rights.

However, **Item 9** provides certain 'safeguards' that balance the rights of performers against the right of other owners of copyright in the same recording. In particular:

- **proposed s. 113A** provides that an agent can be appointed to act for a group of performers
- **proposed s. 113B** provides that a performer's permission to use a recording for a particular purpose is taken to be granted where the performer gave his or her consent to the recording for that purpose. For example, a recording studio may publish a recording if the performer allowed the recording to be made on the understanding that it would be published; consent is not necessary for both steps (an 'implicit license')
- **proposed s. 113C** provides that an owner of copyright in a sound recording of a performance is taken to have received permission to exploit or use the recording from any co-owner in the event that the co-owner cannot be located after reasonable inquiries are made. If this occurs, the owner exploiting the recording must keep the co-owner's share of the profits received in trust for the co-owner for a period of four years.

**Item 2** provides that a performance by an employee is taken to have been made by the employer, unless a contrary agreement has been reached between the performer and the employer.

The creation of performers' copyright would be *retrospective*, affecting all sound recordings not currently in the public domain. This is a requirement of the WPPT. However, provisions are also included to ensure that existing owners of copyright in sound recordings can continue to exercise their rights as before, or that they receive compensation (**items 8 and 10**).

#### Part 2. Performers' moral rights

**Part 2** proposes the changes necessary for performers to enjoy moral rights in their performances. Australian law currently recognises moral rights for literary, dramatic, musical or artistic works and films. Moral rights are certain non-economic rights provided to authors in addition to copyright. They include the right to attribution of authorship, the right not to have authorship falsely attributed and the right of integrity of authorship. These provisions would extend moral rights to live and recorded performances as well, as far as these performances consist of sounds.

For the most part, these provisions would simply replicate the existing provisions of Part IX of the Copyright Act with the necessary changes to protect performers as well as authors. For practical purposes, this would mean that the same rights, remedies and exceptions that apply to works and films will also apply to sound recordings of performances.

#### Part 3. Performers' protection

**Part 3** proposes changes to the existing provisions for 'non-copyright' rights of performers under Part XIA of the Copyright Act.

The changes are:

- reduction of the exemptions from protection for sound recordings of performances to simply 'fair dealing' for the purpose of research or study, criticism or review or news reportage (**Items 60–67, 71, 72, 73, 74, 75**). Currently, exemptions exist for recordings made solely for the purpose of the private domestic use of the maker and for indirect sound recordings made for certain purposes. Arguably, this goes further than the WPPT requires. Some countries have accepted that the WPPT allows private and domestic use on the basis of the 'three step test' for exceptions.<sup>12</sup> These exemptions will no longer apply to sound recordings, but will continue to apply to audio-visual recordings, which are not covered by the WPPT. Also, recordings made solely for the maker's private and domestic use will remain exempted from the criminal offence of unauthorised recording (**item 80**)

- extension of performers' protection to the exclusive right to authorise communication of their (unrecorded) performances to the public (**items 68, 76, 77, 79, 81**). Currently, this right is limited to broadcasts
- expansion of the definition of *performance*, and therefore the subject-matter of protection, to include performances of an expression of folklore (item 69), and
- provision to prevent performers from 'double dipping' by receiving compensation for infringement of copyright in a sound recording and for infringement of performers' protection arising from the same events (item 78).

#### Part 4. Copying and communicating broadcasts of performances

**Part 4** proposes changes that would allow educational institutions and institutions assisting people with disabilities to reproduce broadcast performances without authorisation from the performer, under certain conditions. This would extend to broadcast performances the current statutory license scheme which exists for reproduction of copyright protected broadcasts by these institutions (in Part VA of the Copyright Act).<sup>13</sup>

This change is necessary because Part 3 (item 61) proposes to remove the blanket exemption for the indirect sound recording of performances for the purposes of education or the assistance of people with disabilities. Unlike the existing blanket exemption, the statutory license scheme requires the institution to pay equitable remuneration to a collecting society, which will then distribute the money to the relevant performers.

#### Comment

The issue of performers' rights and accession to the WPPT has received little attention in the public debate on AUSFTA and has been addressed by few submissions to the Senate Select Committee on the Free Trade Agreement between Australia and the United States (hereafter, the Senate Select Committee). This possibly reflects the fact that Australia is already bound to accede to the WPPT as a result of SAFTA. It is also possible that the lack of debate reflects a general failure to anticipate the Bill's extensive treatment of this issue.

The benefits of extending copyright in sound recordings to performers are:

- that it provides performers with a simple and effective means of demanding and receiving remuneration for their performances
- that it provides recognition of the creative and original aspects of performance, and
- that the ability, thanks to technology, to permanently 'fix' a performance by recording is analogous to the process of committing a literary or artistic idea to material form through the publication of a work. Accordingly, it is appropriate that performance should receive analogous rights.<sup>14</sup>

The main disadvantage of greater protection of performers' rights is the greater compliance costs for users of sound recordings, who will be forced to obtain consent from, and potentially pay, a greater number of owners before making copies or broadcasts. These compliance costs may be significant, as the Bill proposes a complex scheme of overlapping rights, especially with respect to performances recorded before the commencement date. In relation to performers' copyright in sound recordings, it is important to note that the proposed changes do not extend the scope of copyright to new media. Instead, they merely redistribute the ownership of copyright that already subsists in sound recordings. It was for this reason that the CLRC majority thought that performers' copyright was more an industrial matter relating to negotiations between performers and producers rather than a matter for copyright law. In economic terms, it is difficult to see any incentive benefit arising from performers' copyright as no new rights are created, they are merely reallocated. Conversely, new compliance costs will arise for producers and users of sound recordings.

Given that a new global standard is emerging through the WPPT, the argument used by the majority of the CLRC that providing these protections through Australian law would be a disincentive to use Australian performances no longer carries as much weight as it did in 1987. On the other hand, despite the WPPT, the protection of performers' rights remains uneven across the world. It has already been noted that the United States does not afford performers the level of protection proposed. Canada, New Zealand and the United Kingdom do not provide performers' moral rights.

Another possible disadvantage of the Bill's approach to performers' rights is that the Bill's limitation to sound recordings, not audio-visual records of a performance, compromises the principle of technology neutrality. This principle requires that regulation establishes rules and principles that apply in a similar way across differing technological platforms. The lack of technology neutrality here would create anomalous scenarios, such as the protection of the sounds of a performer on a record from degrading treatment, but not the protection of their image in a television appearance. On the other hand, it would have gone well beyond implementation of AUSFTA if the Bill had proposed protection of audio-visual records of performances. The lack of technology neutrality merely reflects the situation in international copyright law, in which the WPPT protects sound recordings but consensus remains elusive on the protection of audio-visual performances.

Commercial Television Australia (CTVA), while not indicating opposition to performers' copyright in sound recordings, submitted to the Joint Standing Committee on Treaties (JSCOT) that the legislation implementing such a change should be drafted in a way that does not cause disruption to their members.<sup>15</sup> In particular, they argued that the legislation should:

- contain deeming provisions to ensure that performers have no right to challenge the rights of record companies to licence and the right of commercial television broadcasters to use, recordings authorised under current industry arrangements

- contain a reasonable transition period before makers of recordings are required to obtain express consent from performers in relation to secondary uses of recordings
- ensure it is possible to assign performers' rights in relation to performances that are not yet in existence, and
- enable performers to give broad consents in relation to use of their performances, to a reasonable extent, to avoid the need to obtain individual releases.<sup>16</sup>

The Bill has met some of these concerns. The use of copyright as the template for performers' rights in sound recordings means that the last two concerns should have been met.<sup>17</sup> As to the first concern, the safeguards proposed by **item 9** go some way to minimising inconvenience to users of copyright. An alternative approach would have been to provide a 'compulsory license' to the other copyright owner (for example, the record company) to use and authorise use of the recording without the performer's permission. The provision of an implicit license, to allow the other owner to use the recording for the purposes for which it was recorded, as proposed by item 9, seems to achieve a balance between providing completely equal rights to authorise use and the compulsory license approach.

## **Part 5: Duration of copyright in photographs**

### **Changes to the law**

Currently, the duration of copyright in photographs is 50 years after the year in which the photograph was first published (s. 33(6), Copyright Act). This is much less than the duration of protection afforded to authors of other works, which is the life of the author plus 50 years.

**Part 5** makes the amendments necessary to provide that photographs receive the same period of protection as other artistic works (**items 107–113**).

**Item 114** proposes to alter the presumption provided by s. 127 relating to the authorship of photographs. This presumption is that the person who took the photograph is the owner of the material (for example, film) or apparatus (for example, the camera) on which the photograph was taken. Currently, this presumption has the effect that the owner of the film or camera is taken to be the author of, and therefore the owner of copyright in, the photograph, unless it can be proved otherwise.<sup>18</sup> Item 114 would amend this so that, in the case where the owner of the apparatus or material is a body corporate, the presumption would only apply to questions of ownership of copyright, not questions of the duration of copyright. As s. 127 may provide a presumption in favour of a body corporate as the author—where it owned the material on which the photograph was taken—a rule of duration based on the life of the author would create problems, as a body corporate does not 'die'. Item 114 resolves this by providing that, in effect, in such circumstances the

duration of copyright will be determined from the life of the actual human photographer, not the owner of the materials.

**Item 115** has a similar effect in respect of photographs taken prior to the commencement of the Copyright Act in 1969. Rather than merely a presumption in favour of the owner of the materials, the law prior to 1969 provided that the author of a photograph *was* the owner of the materials.

**Item 117** provides that these amendments apply to all photographs in which copyright subsists on or after the day on which this item commences. In other words, there is an element of retrospectivity to these changes, in that they will apply to photographs taken before the commencement of the Bill if copyright has not yet expired. For example, a photograph published 49 years ago whose author has not yet died will receive a very significant extension of copyright. However, no photographs that are currently in the public domain will revert to copyright.

**Items 118 and 119** establish a compensation scheme for agreements reached prior to Royal Assent to make (infringing) use of photographs whose copyright would have expired but for the intervention of the Bill. Under this scheme, the owner of the copyright may be required to pay reasonable compensation to a person who suffers a loss as a result of the copyright owner's refusal to allow the use of the photograph in accordance with the agreement. Item 118 also provides that, where the owner of copyright has neither notified a person who had made such an agreement that they must not use the photograph nor agreed to reasonable compensation, the person is not liable, civilly or criminally, for using the photograph.

### **Why are these changes necessary?**

These changes are required by Article 17.4.4 of AUSFTA, which specifically requires that photographs receive the same duration of copyright as other works. This article actually requires that duration of copyright be 70 years from the death of the author or first publication. The changes to increase the duration from 50 years to 70 years are made by the next Part of the Bill.

The element of retrospectivity is required by Article 17.4.5 of AUSFTA which provides that Article 18 of the Berne Convention applies.<sup>19</sup> This article provides that changes to copyright required by the agreement must apply to all works that have not entered the public domain at the time the agreement comes into force.

### **Comment**

Comments on the general extensions to the duration of copyright are contained in the discussion of the next Part.

With respect to the issue of the duration of copyright in photographs, the following particular comments could be made:

- treating photographs the same as other artistic works, such as paintings, conforms with the principle of technology neutrality. It is clearly not neutral to grant painted visual art more generous copyright protection than photographed visual art
- the extension of the duration of copyright in photographs involves a much greater retrospective extension than is involved for other works under AUSFTA, largely because it is coming from a lower base level. This is well illustrated by the case of Max Dupain, one of Australia's most famous photographers. Assuming passage of this Bill and Assent by the end of 2004, any photos published by Dupain in 1955 and later will maintain their copyright until 2062, 70 years from Dupain's death in 1992. Without passage of the Bill, photographs published in 1955 would become available next year. The photographs published before 1955 are already in the public domain and this will not change. For these photographs, this Bill will provide effectively prolong their copyright by 57 years. Under the general extension to copyright, no work or other matter would have its copyright prolonged by more than 20 years.

## **Part 6: Duration of copyright in works and other subject-matter**

### **Changes to the law**

This Part contains the necessary amendments to change the current term of copyright protection from 50 years to 70 years from the death of the author (or from the first publication or performance in certain cases).

**Item 131** provides that these changes apply with the same element of retrospectivity as the changes in Part 5: that is, works and other subject-matter currently under copyright will have their copyright term extended by 20 years. As with Part 5, **items 132 and 133** provide a compensation scheme for those who have reached agreements before Royal Assent with respect to the exploitation of material which, but for this Bill, would not be subject to copyright. Item 132 also provides a similar immunity from criminal or civil liability as that provided by item 118 (discussed above).

### **Why are these changes necessary?**

The extension of the duration of copyright is required by Article 17.4.4. The element of retrospectivity is required by Article 17.5.5.

These provisions clearly implement Australia's obligations under these Articles.

## Comment

The issue of the duration of copyright has been widely canvassed in the AUSFTA debate. In general, it seems that representatives of some owners of copyright (such as the ARIA, the Business Software Association and Copyright Agency Limited) favoured an extension and users of copyright (such as the Australian Libraries and Information Association and the Australian Vice-Chancellors Committee) were opposed. The position of creators' representatives (such as the Media, Entertainment and Arts Alliance, the Australian Screen Directors Association, the Australian Writers Guild and Linux Australia) was either mixed or opposed, reflecting the fact that creators would receive the benefit of longer protection, but also suffer the loss of public domain material from which they can draw for their creative purposes.

Those in favour of longer copyright protection tend to argue that greater protection provides a greater incentive to create and produce works and other material. Another argument advanced in favour of the change is that it will 'harmonise' Australia's law with that of its major trading partners, such as the United States and European Union. Those against longer protection have tended to argue that the extension would provide a minimal additional incentive to produce, while increasing costs for purchasers and users of the material. They have also argued that even with this change, Australian law on the duration of copyright will not be harmonised with that of the United States, which provides a variety of different rules for calculating duration. The most significant difference is that where copyright is authored by a corporation (as the employer of the actual author), copyright lasts for 95 years from the date of publication or 120 years from the creation of the material. In Australia, although such a corporation would be owner of copyright, the human author would (normally) be considered the author for the purposes of calculating the copyright duration; that is, the life of the actual author plus 70 years. In some cases Australian copyright will last longer; in some cases US copyright will last longer. As a result, harmonisation is not achieved.

Two major economic studies of AUSFTA—one prepared for the Department of Foreign Affairs and Trade (DFAT) and one for the Senate Select Committee—did not view the extension of the copyright term as a significant additional incentive to create. The Centre for International Economics (for DFAT) said:

Although the extended period of copyright provides an additional opportunity for creators of new works to receive revenue, this revenue will unlikely be a significant incentive to create new works because it accrues so far in the future. Therefore, the copyright extension in the agreement will, at most, provide a minor additional incentive for the creation of new works.<sup>20</sup>

On the other hand, an extension to copyright would carry economic costs. Dr Philippa Dee, in her report for the Senate Select Committee, estimated that Australia's net royalties payments could increase by up to \$88 million per year as a result of the extension.<sup>21</sup>

Even accepting the argument that the extension of protection creates additional incentive to create material, it seems hard to justify the element of retrospective action on works already created but still within copyright. No incentive can be provided for works already created.

Nonetheless, this element of retrospectivity is a clear requirement of AUSFTA, rather than a decision of the drafters of this Bill. The drafters have included a compensation scheme for those who had already entered into agreements to use the material once copyright expires, which will mitigate the loss caused by the retrospective action for at least some of those adversely affected by the change.

#### Orphaned material

The Bill does not propose any system to reduce compliance costs associated with finding copyright owners for 'orphaned material'. Orphaned material is material still under copyright whose copyright owners are difficult to trace as the author has died or lost interest or an owning company has been wound-up. In these circumstances, obtaining permission to use the material can be impossible, which can mean that the value of the work is lost until the copyright expires. An extension to copyright will increase the amount of orphaned material.

One system to deal with orphaned material would be to allow use after reasonable efforts at finding the owner have been fruitless. Reasonable proceeds of the use could then be kept in trust for a period in case the owner subsequently is found.<sup>22</sup> A similar system is proposed by this Bill in relation to joint copyright owners in sound recordings. Another approach is that proposed by the Public Domain Enhancement Act currently before the US Congress. That Act would allow the free use of material 50 years after the death of the author, unless the owner had registered their continuing interest in the material. It is at least arguable that these approaches would comply with AUSFTA and other international copyright agreements to which Australia is a party.

#### Unpublished works

Article 17.4.4 would allow Australia to introduce a rule that works and other subject-matter not published or performed within 50 years of their creation be free from copyright 70 years after the creation. The current Bill has not proposed this change.

Under the current law, copyright lasts *indefinitely* for unpublished works and other material. The only exception is that 50 years after the death of the author, unpublished works can be used for certain research and preservation purposes and, in some circumstances, publication (under ss. 51–52, Copyright Act). Both this rule and its exception will remain under the current Bill.

## Part 7: Electronic rights management information

### Changes to the law

#### Current law

Electronic rights management information (ERMI) is information that is attached or connected to copyright protected media. This information identifies the media, the author and/or the copyright owner. It may also explain the terms and conditions the copyright owner has imposed on the use of the material.

ERMI already receives some protection under the Copyright Act. Civil and criminal remedies may apply where the following activities are undertaken knowing<sup>23</sup> that they would induce, enable, facilitate or conceal infringement of copyright:

- the removal or alteration of ERMI
- the distribution or importation, with a commercial purpose, of material which is known to have had ERMI removed or altered, or
- the communication to the public of material which is known to have had ERMI removed or altered.

#### Proposed changes

The proposed changes to the law are:

- a new definition of ERMI that
  - explicitly requires ERMI to be ‘electronic’
  - extends the coverage of ERMI protection to information that ‘appears or appeared in connection with a communication, or making available, of the work’ (item 134 and, consequentially, items 135, 138 and 14124)
- removal of the element of commercial motivation from the civil action for distribution or importation of material whose ERMI has been removed or altered. That is, distribution or importation of such material would attract civil liability regardless of the motivation (**items 136 and 137**)
- creation of a civil action and a criminal offence for the distribution or importation of ERMI that has been removed and/or altered. Current actions and offences deal only with conduct relating to copyright material from which ERMI has been removed or altered, not with conduct relating to dealings with ERMI itself when it has been detached from the material. The criminal offence would require an element of

commercial or profit-making motivation (**item 139 and item 141**<sup>25</sup>), but the civil action would not, and

- provision of a defence against ERMI offences for not-for-profit libraries, public archives, educational institutions and non-commercial broadcasters (**item 142**).

### Why are these changes necessary?

Article 17.4.8 of AUSFTA provides certain requirements regarding the protection of ERMI. Australian law already complies with most of these requirements. The changes outlined above would achieve compliance with the remainder.

### Comment

The following comments can be made about these provisions:

- the removal of the element of commercial motivation from the civil actions relating to ERMI will significantly expand the scope of these actions and the number of potential defendants. Currently, distribution to the public free of charge or importation for personal use would not attract civil liability. This change will create a higher standard of protection for EMRI and EMRI-connected material than exists for copyright material itself or for non-electronic information regarding authorship or ownership of copyright. Accordingly, it could be used to take action against people involved in the private, non-commercial distribution of infringing products where no copyright infringement has occurred, simply because those products have had ERMI altered or removed. A similar remedy would not be available where the product involved was non-electronic, such as a book. In practice, this would compromise the principle of technology neutrality
- the extension of the regime to cover ERMI that ‘appears or appeared in connection with the communication or making available’ of copyright material seems to improve technology neutrality over the current requirement that ERMI be ‘attached’ to the material. Electronic media delivered in non-text forms (such as music) may have difficulty devising ERMI that fit within the current definition. The expanded definition would provide more flexibility
- the provision of new civil and criminal remedies for distribution and importation of ERMI that has been detached from the copyright material might, among other things, provide remedies against the removal of ERMI in order to attach them to copyright infringing material. The Copyright Agency Limited (CAL) proposes a similar change in their submission to the law firm Phillips Fox in its review of the *Copyright Amendment (Digital Agenda) Act 2000* (‘the Digital Agenda Act’)<sup>26</sup>
- the Bill does not propose to take advantage of a limitation to the civil liability of certain public institutions.<sup>27</sup> AUSFTA specifically allows Australia to provide that damages cannot be awarded against these institutions where they can show that they were not

aware, or had no reason to believe, that their acts were unlawful (Article 17.11.13(b)). The Bill makes use of a similar immunity with respect to criminal ERMI offences, but makes no provision to apply the limitation to civil liability.

## Part 8: Criminal offences

### Changes to the law

**Part 8** proposes several changes that AUSFTA requires to the nature of criminal offences under the Copyright Act.

**Items 146–153** add the element of ‘intention of obtaining a commercial advantage or profit’ to several crimes relating to the unauthorised use of copyrighted material. Notably, this is proposed as an additional, rather than alternative, element in establishing these crimes. Theoretically, this could make prosecutions *more difficult*, as prosecutors will be required to prove an additional element of intent to gain commercial advantage or profit.

**Item 158** defines ‘profit’ to exclude private or domestic use, so personal use of infringing material would not constitute the relevant crimes.

**Item 154** creates a new offence of ‘significant infringement of copyright’. This makes it a crime to engage in conduct that *results in* copyright infringement in such a way that it causes *substantial prejudicial impact* on the owner of the copyright and is on a *commercial scale*. In determining ‘commercial scale’ a court must take into account the volume and value of the infringing articles as well as any other relevant matter.

### Why are these changes necessary?

Article 17.11.26(a) requires Australia to provide criminal sanctions for ‘wilful copyright piracy on a commercial scale’ that are to include:

- significant wilful infringements of copyright that have no direct or indirect motivation of financial gain, and
- wilful infringements for the purposes of commercial advantage or financial gain.

Items 146–153 are drafted to meet the second of these. Arguably, a cleaner and more direct way to implement it would have been to provide the ‘intention to obtain commercial advantage or profit’ instead of, rather than as well as, the existing elements such as ‘by way of trade’ or ‘for the purposes of trade’. In practice, however, these are all overlapping concepts with only minor technical differences between them.

Item 154 is drafted to meet the first. In effect, it will criminalise a broader range of ‘non-commercial’ infringing conduct. Currently, non-commercial conduct is criminal only when it involves:

- distribution of infringing copies for the purpose of trade or ‘for any other purpose to an extent that affects prejudicially the owner of the copyright’ (s. 132 (2)), or
- possession of infringing copies for the purpose of such distribution (s. 132 (2A)).

The crime proposed by item 154 goes further. It would apply to any infringing conduct, not simply distribution. For example, it could be used to prosecute a tourist returning overseas with a large volume of pirated material, even where no evidence could be found that he or she intended to use the material for anything other than personal use.

Further, and more significantly, it applies not only to infringing conduct but also to conduct that ‘*results in one or more infringements*’. Read with clause 5.6 of the *Criminal Code Act 1995* (Cth), a prosecution would have to show that the conduct was performed *intentionally*, but only that the accused was *reckless* as to the infringement that resulted. Recklessness requires that the person be aware of a substantial risk of the result (infringement) and that it would be unjustifiable to take that risk. As Melbourne University academic Kimberlee Weatherall has pointed out, this could mean that a person could be guilty of the offence merely for distributing software that has both an infringing and a non-infringing purpose, where there is a substantial risk that it will be put to its infringing use.<sup>28</sup> Such a person may not actually have infringed copyright, or even authorised or been complicit in the infringement of copyright, but might nonetheless be guilty of a criminal offence under the Bill. The only protection from such an application is the test of whether the risk is ‘unjustified’, but this will rely on the development of case law before ‘justification’ in these circumstances develops any conceptual certainty. Even then, access to material for non-infringing purposes could become difficult if distributors are required to protect against substantial risks of infringing use resulting from their distribution. Fair dealing exceptions to copyright become ineffective if the source of material is blocked by criminal law.

## Comment

The following comments can be made of these provisions:

- the criminalisation of more non-commercial infringement is a significant extension of the role of the state in copyright enforcement. The activities covered by the crime proposed by item 154 would, in most cases, already be subject to civil action initiated by the copyright holder. Criminalisation involves state costs and effort in the investigation and prosecution of offences, whereas civil action requires these costs and efforts to be borne by the plaintiff. In addition, criminalisation can lead to imprisonment of offenders, where civil action leads only to compensation, confiscation and/or injunction against further infringement. The central issue is whether this type of infringement is considered a wrong against society, in which case criminalisation may be appropriate, or a wrong only against a private person, in which case provision of a civil remedy would be appropriate. Of course, some copyright infringements are

already criminal. The policy choice is whether or not this extended criminalisation, and the increased state intervention this involves, is warranted

- the Bill provides no definition of ‘commercial scale’, only vague direction on the factors to be considered, being the volume and value of the material. Until courts start to try cases, there will be uncertainty as to what volume or value will be enough to establish the offence. People may find they have committed the offence without realising they have done so. A different approach is taken with similar offences relating to the possession of drugs, in which either legislation or regulation tends to set the quantities that will be taken to be commercial in scale. Such an approach would provide far more certainty and an unambiguous statement of what constitutes criminal conduct
- the application to conduct that ‘results in’ infringement significantly broadens the offence in item 154, to the extent that it may have adverse flow-on effects for fair dealing with material, as discussed above. This could have been avoided by requiring that that the conduct *be* an infringement rather than *cause* an infringement. Alternatively, if the goal is to catch preparatory acts to infringement as well as infringement, the drafting could have required that the person *intends* that the conduct result in infringement, rather than merely be *reckless* as to that result. Both of these approaches would have complied with AUSFTA, which merely requires criminalisation of infringement, not conduct resulting in infringement. In this way, item 154 goes beyond what is required by AUSFTA
- the Bill does not take the opportunity to introduce a broader ‘fair use’ exception to copyright infringement, instead maintaining the current, more limited ‘fair dealing’ approach. As discussed above, JSCOT recommended that, in order to balance the tighter copyright restrictions required by AUSFTA, a ‘fair use’ approach consistent with AUSFTA should be adopted.<sup>29</sup> Currently, criminal copyright liability is much narrower in Australia than the United States, mostly applying only for infringements for the purposes of trade. However, with the extension of criminal liability to non-commercial infringement, the absence of a ‘fair use’ exemption would mean that more conduct will be criminal in Australia than in the United States.

## Part 9: Encoded broadcasts

### Changes to the law

**Part 9** proposes certain changes to the protection of encoded broadcasts (pay TV). The key changes are:

- providing civil and criminal liability for *exporters* of broadcast decoding devices (BDDs) (**item 164 (civil) and 175 (criminal)**)<sup>30</sup>
- expanding the number of parties who may bring actions under these provisions to include channel providers and anyone with an interest in the copyright in the broadcast

or its content, rather than simply the broadcaster as is currently the case (**items 165 and 170**)<sup>31</sup>

- removing the element of commercial purpose to the civil action against users of BDDs (**item 168**); currently, an action will lie against a user of a BDD if the device is used ‘for the purpose of, or in connection with, a trade or business’. This will make personal and other non-commercial use of a BDD actionable—for example, using a decoder in one’s own home
- creating a new action against wilful distributors and receivers of broadcasts that have been accessed without authorisation using a BDD (**item 169**)
- criminalising the *use* of BDDs to gain unauthorised access to an encoded broadcast for a *commercial purpose* (**item 181**)
- criminalising the *distribution* of broadcasts received without authorisation using a BDD, where that distribution *prejudicially affects* the channel provider or a person who has an interest in the copyright in the broadcast or its content (**item 181**)
- addition of the element of ‘intention of obtaining a commercial advantage or profit’ to various crimes involving commercial distribution of BDDs (**items 174–179**) (see discussion above under Part 8).

#### What does AUSFTA require?

Article 17.7 of AUSFTA makes certain requirements regarding the protection of encoded program-carrying satellite signals. Specifically, it requires that criminal and civil liability attach to those who:

- manufacture, assemble, modify, import, export, sell, lease or otherwise distribute a device or system knowing, or having reason to know, that the device or system is primarily of assistance in decoding an encrypted program-carrying satellite signal without authorisation (‘device liability’), and
- wilfully receive and make use of or further distribute a program-carrying signal knowing that it has been decoded without authorisation (‘use liability’).

In terms of civil liability, the proposed changes appear to give effect to AUSFTA’s requirements. The only change to Australian law necessary to align the civil device liability requirement is to add exporting to the grounds for action, which is proposed by item 164. Australian law currently provides use liability only where the use is for a commercial purpose. Item 168 removes this limitation and item 169 provides a specific action against wilful recipients and distributors of unauthorised broadcasts. AUSFTA also requires that civil action be available to any person injured by the contravention of any person with an interest in the broadcast: this is implemented by items 165 and 170.

With respect to criminal liability, it is not clear that the Bill adequately implements AUSFTA's requirements. In terms of device liability, item 175 provides the necessary changes to add exporting to BDD offences under s. 135AS of the Copyright Act. However, AUSFTA requires a slightly lower standard of knowledge to establish the crime. Current law requires actual knowledge or recklessness as to whether the device will be used to decode encrypted broadcasts without authorisation (s. 135AS(1)), whereas AUSFTA requires that 'having reason to know' be sufficient. Recklessness requires a subjective consideration of the person's state of mind, whereas 'having reason to know' is an objective element of fact.<sup>32</sup> An amendment with the words 'the person knows, or ought reasonably know' to replace the current 'the person knows, or is reckless as to whether', would have been a more accurate implementation of AUSFTA.<sup>33</sup>

Further, the proposed implementation of criminal use liability does not seem to implement AUSFTA accurately. The versions of criminal use liability contained in item 181 contain elements not found in the agreement. It proposes that:

- use be an offence only where it is done with the intention of obtaining a commercial advantage or profit, and
- distribution of a broadcast obtained through a BDD be an offence only where it *affects prejudicially* a copyright holder.

Although these elements reflect the traditional reluctance of Australian law to criminalise low-level personal use, they may not be consistent with the text of Article 17.7.

### Comment

AUSFTA requires only protection of encoded satellite broadcasting, but the Bill proposes an extension that will apply to all broadcasting. This goes beyond implementation of AUSFTA. On the other hand, there is a powerful rationale for treating terrestrial broadcasting in the same way as satellite broadcasting in the interests of technology neutrality.

Australian law has tended not to criminalise the use of BDDs and other technological protection circumvention devices. Instead it has criminalised the sale, importation and trafficking in the devices themselves and, sometimes, provided only civil remedies against end-users.

Phillips Fox, in its review of the Digital Agenda reforms, explained the rationale for Australia's reliance on device liability rather than use liability as follows:

The Government took this approach as it saw the most significant threat to copyright owners' rights as lying in preparatory acts for circumvention, such as manufacture, importation, making available online and sale of devices, rather than individual acts of circumvention.<sup>34</sup>

Another rationale is that some uses of circumvention devices might not infringe copyright; for example, where they are covered by a 'fair dealing' exception. Accordingly, prohibition on use of BDDs would prohibit some otherwise non-infringing activities.

Phillips Fox recommended that civil use liability should be provided. However it also proposed a blanket exception for use of a BDD for a 'permitted purpose' being a purpose that involves fair dealing.<sup>35</sup> The Bill does not propose a blanket exemption for permitted purposes and to do would probably contravene AUSFTA.

Phillips Fox did not recommend the adoption of criminal use liability. The issues involved in the criminalisation of these infringements are similar to those discussed in relation to Part 8.

## Part 10: Reproductions

### Changes to the law

#### Description of changes

**Item 186** proposes a new definition of the term *material form* for the purposes of the Copyright Act. Material form is an important concept in copyright, as copyright only attaches to works that have been reduced to material form. More importantly, for present purposes, the right to reproduce a work in material form is one of the key rights subsisting in copyright (s. 31, Copyright Act).

Currently, material form is defined to include forms of storage from which reproductions can be made. This definition was introduced in 1984 so that digital 'copies' of works would receive copyright protection even though they were not 'material' in the traditional sense.<sup>36</sup> The limiting criterion is that reproductions can be made from the digital copy; for example, by printing a hard copy of the document or making another digital copy.

The proposed definition would remove this criterion so as to include *all* forms of storage of the work, whether or not they allow further reproductions.

Like item 186, **item 187** proposes an addendum with a similar effect on the definition of *copy* for the purposes of film and sound recordings. This addendum would provide that forms of storage of film and sound recordings are copies, with the copyright protection that entails, regardless of whether or not reproductions are available from that form of storage.

**Item 188** proposes a new exception to copyright infringement of works where a reproduction is made as part of a *technical process of use*. **Item 189** proposes a similar exception for reproduction of subject-matter other than works (for example, films and sound recordings).

## Effect of the changes

These changes must be read together. Items 186 and 187 *expand* copyright protection to non-reproducible forms of storage.

The current law on this issue was considered in the Federal Court case, *Kabushiki Kaisha Sony Computer Entertainment & Ors v Eddy Stevens* (the *Playstation case*).<sup>37</sup> Based on the current definition of material form, that case held that a reproduction to a form of storage which is ‘ephemeral or volatile’ and not capable, with existing technology, of further reproduction to a more stable form, is not a copyright violation. The relevant issue in that case was whether copying of data from a CD-ROM onto the RAM (working memory) of a games console constituted reproduction in material form. The same issue could potentially apply to DVD players—which make temporary copies of the data on the disc before processing the data into a TV-readable signal—as well a variety of other existing and future technologies.<sup>38</sup>

The definition proposed by items 186 and 187 would make these temporary copies subject to copyright. However, the effect of items 188 to 189 is to ensure that temporary copies made for the purpose of accessing CD-ROMs or DVDs and the like (‘incidental reproductions’) would continue to be non-infringing *as long as these copies are not made from infringing copies*.

In effect, items 186 and 187 extend copyright protection, but items 188 and 189 claw some of it back. Further limitation to items 186 and 187 would be provided by the existing ss. 48A and 111A of the Copyright Act, which provide an exception for infringement where temporary copies are made in the process of communication.

In the abstract, it is difficult to hypothesise about what currently lawful conduct would become unlawful under these proposed amendments. The most obvious is that temporary reproductions made for the purpose of accessing pirated material would become a copyright infringement. This could mean that playing pirated DVDs could be an infringement, even when it is for non-commercial use in one’s own home, as could browsing or playing infringing material on the Internet (although some of this material would already be covered by the definition of ‘material form’). The change may also have flow-on effects for other copyright areas such as anti-circumvention device laws.<sup>39</sup>

## Why are these changes necessary?

AUSFTA requires that copyright apply to ‘all reproductions, in any manner or form, permanent or temporary (including temporary storage in material form)’ (Article 17.4.1). Given the *Playstation case* and similar court decisions, Australian copyright law as it currently stands does not protect *all* temporary reproductions so scenarios could emerge that conflict with AUSFTA. The Bill’s approach to this issue is to establish a general rule that temporary, non-reproducible reproductions are covered by copyright, with limited exceptions.

## Comment

The Bill's approach has merit as it clarifies the position of temporary reproductions. The current definition's reliance on the concept of reproducibility is far more difficult to grasp than exceptions for communications and incidental reproductions.

However, the fact that the incidental reproductions exception does not apply where infringing material is involved warrants closer examination. One effect of this 'exception to the exception' might be that end-users of infringing materials become infringers in their own right. This would be a significant extension of the reach of copyright law. Copyright law normally acts on those who produce, reproduce, sell, distribute, exhibit to the public or make other commercial use of unauthorised copies, not on those who make final, personal use of those copies. These end-users of pirate material are not normally liable.

Given that ever increasing media are delivered through digital means, the exception to the exception could create a creeping 'end-use infringement'. Not only would this be a significant change to the nature of copyright, it also compromises technology neutrality. Merely reading an infringing copy of a book, viewing a counterfeit painting, or listening to an (analogue) sound recording would remain a non-infringing activity. Yet playing an infringing DVD or an infringing computer game would be infringements, simply because the nature of these media technically involves 'reproduction'. Similarly, a blind person who uses a text-to-speech computer to have an infringing copy of a book read aloud might be infringing copyright, where a sighted person reading the same book would not.

Phillips Fox did not recommend the exception to the exception, instead recommending that:

irrespective of whether or not the version from which that reproduction is made is itself an infringement, ... [an] act of reproduction as part of a technical process, with nothing more, should not expose the user in Australia to any liability. If all that happens is that person accesses the work, and does nothing more, then the exception should apply.<sup>40</sup>

This problem could be avoided by the removal of **proposed sub-sections 43B(2) and 111B(2)**.

Would the removal of these sub-sections retain consistency with AUSFTA? According to the Bill's *Explanatory Memorandum*, the exception for incidental reproductions is justified by Article 17.4.10, which allows exceptions to copyright rights according to the 'Berne three step test'.<sup>41</sup> Under this test, limitations or exceptions to the exclusive rights of copyright-holders are allowed in '*special cases* [step 1] that do *not conflict with the normal exploitation of the work* [step 2] ... and *do not unreasonably prejudice the legitimate interests of the right-holder* [step 3]'

The three step test clearly applies to, and therefore permits, an exception for reproductions made as part of an incidental technical process. But there seems no reason that the

exception would be permitted only when limited to incidental reproductions of non-infringing copies. The exception for incidental reproductions is an exception to the exclusive right to authorise reproduction, which AUSFTA requires and Australian copyright law provides. AUSFTA does not require that Australia provide copyright owners an exclusive right to authorise personal use of works, so there is no need to limit any exception in order to preserve such a right. Yet this is the effect of the exception to the exception. If the exception is permitted for incidental reproductions of non-infringing works, it must also be permitted for incidental reproductions of infringing works.

## Part 11: Limitations on remedies available against carriage service providers

### Changes to the law

#### The current regime

Following the passage of the Digital Agenda Act in 2000, the present Australian law on carriage service providers (CSPs) liability for copyright infringements by third parties using their systems of networks can be summarised as follows:

- CSPs are not liable merely because a person uses their facilities to infringe copyright (ss. 39B and 112E, Copyright Act)
- CSPs may be liable when they have *authorised* a person to infringe copyright using their facilities (ss. 36 and 101, Copyright Act)
- the courts have held that a person ‘authorises’ an infringement when they ‘sanction’, ‘approve’ or ‘countenance’ infringement. There is no liability for authorisation if a person did not know, and had no reason to know, that infringements were occurring
- in determining whether or not the CSP has authorised the infringement, the following factors are to be taken into account (‘the authorisation test’) (ss. 36 and 111, Copyright Act):
  - the extent of the CSP’s power to prevent the doing of the act concerned
  - the nature of the relationship between the CSP and the subscriber
  - whether the CSP took reasonable steps to prevent or avoid the doing of the act, including whether they complied with any relevant industry codes of practice [According to a recent newspaper report, attempts to develop a CSP industry code of practice on copyright protection are ‘in limbo, due to uncertainty over the impact of the free-trade agreement’.<sup>42</sup>]

- CSPs are not liable for temporary or incidental copies of copyrighted work that may be formed on their computers as a result of the technical process of transferring data from the source computer to the subscriber's computer (ss. 43 and 111A, Copyright Act).

Proposed changes

**Item 191** proposes a new regime that will act *in addition* to that outlined above. This would have the following key features:

- CSPs would be immune from any monetary remedy against them for copyright infringements that occur through the course of carrying out *relevant activities*, as long as they comply with *relevant conditions*
- the relevant activities are:
  - transmission etc of copyright material (Category A activity)
  - caching copyright material through an automatic process (Category B activity)<sup>43</sup>
  - storage of copyright material at the direction of a user (Category C activity), and
  - referring or linking users to an online location (Category D activity).
- even if they have complied with the relevant conditions, courts may order:
  - that the CSP disable access to an online location outside Australia, if an infringement has occurred in the course of a Category A activity
  - that the CSP terminate a specified account, if an infringement has occurred in any relevant activity
  - that the CSP remove or disable access to copyright material, if an infringement has occurred in a Category B, C or D activity, and
  - any other non-monetary order that would be less burdensome but comparably effective, if an infringement has occurred in a Category B, C or D activity
- the *relevant conditions* are set out in the table under **proposed s. 116**. The key conditions are that the CSP:
  - adopt and implement a policy for termination of repeat infringers' accounts (although there is no requirement for monitoring of infringing activity across their service)
  - comply with relevant industry codes of practice

- with respect to caching, expeditiously remove or disable access to cached material upon receipt of a notice that the material has been removed or blocked at the originating site
  - with respect to Category C and D activities, expeditiously remove or block material or a reference residing on its network upon notice that the material has been found to be infringing by a court, and
  - with respect to Category C and D activities, comply with the prescribed procedure in relation to removing or blocking material or a reference residing on its network.
- provision for regulations to provide civil remedies and criminal offences for conduct in relation to conditions, and to provide immunity from civil remedies as a result of action taken by a CSP to comply with a condition.

### **Why are these changes necessary?**

Article 17.11.29 requires a very prescriptive scheme in this area. That scheme is clearly modelled on the United States' Digital Millennium Copyright Act of 1998 (DMCA).<sup>44</sup> The Bill, on the whole, implements this scheme.

However, a key part of that scheme that has not been spelt out in the Bill is the 'take down notice' procedure. Article 17.11.29 (v) requires that a relevant condition for Category C and D activities be:

expeditiously removing or disabling access to the material residing on its system or network on obtaining actual knowledge of the infringement or become aware of facts or circumstances from which the infringement was apparent, such as through effective notifications of claimed infringement in accordance with clause (ix).

Clause (ix), in turn, provides that Australia establish an appropriate procedure for notifications ('take down notices') and counter-notifications. Monetary remedies are to be available against people who cause injury to others by providing false information in notifications or counter-notifications. Clause (x) further provides that CSPs must restore material online once they receive a counter-notification unless the complainant seeks judicial relief within a reasonable time.

Trade Minister Mark Vaile has exchanged a side-letter on this issue with his US counterpart.<sup>45</sup> This outlines in detail the specific procedures that are required to meet the above requirements.

The Bill does not contain provisions detailing 'take down notice' procedures, except where notice is given that a court has found material to be infringing. This is far short of AUSFTA's requirements. Instead, the Bill provides that the take down notice procedures will be prescribed in regulations. Compliance with AUSFTA will presumably be achieved through these regulations.

## Comment

Depending on how it is prescribed in the regulations, the 'take down notice' process could be open to abuse. For example, people could issue notices to disrupt a competitor's business or to censor material on the Internet with which they disagree. AUSFTA provides some protection against this with the counter-notice provision and the requirement that penalties apply against knowingly false or misleading 'take down notices'. But in practice, this relies on the alleged offender having the resources and inclination to pursue these remedies. Also, there will be an inevitable delay between the CSP taking down the material and the restoration of the material once the CSP accepts a counter-notification. In certain political (for example, elections) or business (for example, annual general meetings, e-commerce) contexts, a short delay could be critical. If the complainant 'seeks judicial relief within a reasonable time', the material could be brought down for a much longer period. These are among the several problems of a system that effectively assumes infringement until the alleged infringer shows otherwise.

In response to criticism of these provisions of AUSFTA, the then Communications Minister Darryl Williams, said 'The FTA's provisions will also allow Australia sufficient flexibility to introduce a notice and take down system that incorporates procedural fairness.'<sup>46</sup> The Internet Industry Association found these comments 'significant and reassuring'.<sup>47</sup>

In failing to provide the 'take down notice' procedure in the Bill, or even draft regulations, the Government has not demonstrated how it will incorporate procedural fairness and other protections against abuse. Indeed, it is difficult to imagine how such protections could be enacted in a manner that complies with AUSFTA. The agreement requires that material be taken down when the CSP obtains 'actual knowledge of infringement' or becomes 'aware of facts or circumstances from which infringement was apparent'. The last of these is a low standard of knowledge. In effect, a mere claim of copyright infringement requires removal of the material. The agreement does not seem to leave any room for Australia to introduce a process, such as a court or tribunal hearing or independent arbitration, to settle the question of infringement before the material is taken down. Even though the counter-notification process may allow material to be placed back on line, AUSFTA requires that the material stay off line if the complainant seeks judicial relief. In effect, this means material that is merely alleged to infringe copyright could stay off line for some time.

In their review of the Digital Agenda, Phillips Fox recommended the development of a similar 'take down notice' procedure.<sup>48</sup> However, its model has several key differences:

- material would be taken down only if the alleged infringer had not supplied a counter-notice within a certain time, rather than taken down immediately on receipt of the 'take down notice' as required by AUSFTA

- on receipt of a take down notice, the CSP's core responsibility would be to provide the notice to the alleged infringer, or notify the complainant that it is unable to determine the identity and contact details of the alleged infringer
- if a counter-notice is received, the CSP would only be required to forward that notice to the complainant
- there would be no requirement for the CSP to take material down while awaiting judicial determination of the dispute, and
- take-down notices would need to be accompanied by a statutory declaration affirming the accuracy of the information in the notice. This would prevent the use of computer-generated automatic notices, a problem that has reportedly arisen under the DMCA provisions in the United States. Automated notices costs almost nothing to generate but create substantial compliance costs for the CSP. Sarah Deutsch, from Verizon, a major American CSP, told a recent symposium:

The copyright owners are doing no due diligence whatsoever. The robots automatically scour the Internet and they automatically generate these notices and tell the service provider to take them down. The problem is that these materials are not on our system of network, they are on the users' hard drive.

So just to give you an example last year one small ISP in the US received over 20,000 notices of all these automated peer to peer notices that [were] asking us not only to take the material down but effectively to terminate the subscriber and since the ISP has no idea what is on the users' hard drive in this case we just pipe, it's a very egregious remedy. Another US ISP received from January to today over 30,000 notices, only two of them actually related to materials that were on its system of network. So these were all non-compliant notices and in the past 12 months the same ISP received over 90,000 notices.

Each of these automated notices requires human intervention to track and see if it is on your network and when the ISP tries to reply for example to one of these robot notices from Paramount pictures they getting email bounce back that says the destination domain name specified in this address doesn't exist or is incapable of accepting mail.<sup>49</sup>

This scheme which Phillips Fox proposes is much more generous to the alleged infringer and the CSP, but would not be possible under AUSFTA.

## Technological protection measures

An important area of copyright change that AUSFTA requires that is not included in the Bill concerns protection of technological protection measures (TPMs), otherwise known as anti-circumvention device law. AUSFTA allows Australia a period of two years from the entry into force of the agreement to enact these laws, which is why they have not appeared in the present Bill.

Under AUSFTA, TPMs are ‘any technology, device or component that, in the normal course of its operation, controls access to a protected work, performance, phonogram, or other subject matter’ (Article 17.4.7). Classic examples of TPMs include region coding for DVDs, anti-copying music CDs that will not play in a PC, encrypted software requiring entry of a registration code before being installable, passwords and encryption used to prevent unauthorised access to online databases, and so on.

Article 17.4.7 of AUSFTA requires Australia to provide civil and criminal liability for the following conduct related to TPMs:

- circumvention of any TPM (this would include circumvention by an end-user), and
- ‘trafficking’ in devices that are designed or promoted as enabling or facilitating TPMs to be circumvented or have only limited commercial purpose other than circumvention of TPMs [Note that this is a summary; see Article 17.4.7 (a) (ii) for the complete description of the conduct].

Importantly, these are to apply as ‘a separate civil or criminal offence and independent of any infringement that might occur under the Party’s law on copyright’ (Article 17.4.7 (d)). This means that circumvention of TPMs, or devices (including software) that allow TPMs to be circumvented are crimes *even if no copyright infringement results from the circumvention*.

AUSFTA allows Australia to provide certain exemptions or defences to these actions and offences, which are listed in Article 17.4.7 (e).

### **Current Australian law**

Under current law, making and trafficking in devices whose purpose is the circumvention of TPMs is prohibited, but not circumvention itself (s. 116A, Copyright Act, for civil liability and s. 132 (5A) and (5B) for criminal liability).

However, under current Australian law the definition of TPMs is restricted to devices, products or components designed, in the ordinary course of operation, to *prevent or inhibit copyright infringement* (s. 10, Copyright Act). AUSFTA contains a much broader definition that includes any devices that *control access* to copyright material. This is a significant distinction, as it means that the laws required by AUSFTA would protect TPMs that may do more (or less) than prevent copyright infringement, such as protection from parallel importation or competition for accessories, which are discussed below.

### **Comment**

Two concerns might be raised about TPM protection through copyright law:

- it effectively bans otherwise legitimate, non-infringing uses of copyrighted material, and

- it may give monopoly rights to copyright holders beyond those rights normally subsisting in copyright.

#### Banning legitimate, non-infringing uses

The rationale for the protection of TPMs is that it gives state backing to measures that copyright owners take to protect their own rights. In a sense, it attempts to stop pirating by criminalising the equipment the pirates use.

However, the problem is that TPM circumvention may be done for legitimate, non-infringing purposes, not simply piracy. Examples include:

- accessing media purchased legitimately overseas, such as playing on an Australian-bought machine DVDs bought overseas
- other uses that would be considered ‘fair dealing’, such as clips from films for the purposes of criticism or review or to report news, and
- other uses that would be non-infringing in copyright law, such as educational copying, making back-ups or making interoperable products.

A ban on TPM circumvention, while possibly helping to cut off piracy at the source, may also prevent these legitimate uses and severely circumscribe consumers’ rights to do as they wish with the property they have legally bought.

In respect of current Australian law on TPMs, the Phillips Fox review recently recommended that the Copyright Act be amended so that:

- the definition of ‘permitted purpose’ for use and sale of TPM circumvention devices be expanded so that fair dealing and access to legitimately acquired non-pirated product are added, and
- under these circumstances, making end use an infringement unless for a permitted purpose.<sup>50</sup>

AUSFTA does not allow a blanket exemption for non-infringing uses, so it would not permit the Phillips Fox recommendations to be enacted.

However, AUSFTA does allow Australia to provide an exemption for:

non-infringing uses of a work, performance or phonogram in a particular class of works, performances or phonograms, when an actual or likely adverse impact on those non-infringing uses is credibly demonstrated in a legislative or administrative review or proceeding; provided that any such review or proceeding is conducted at least once every four years from the date of conclusion of such review or proceeding’ (Article 17.4.7 (e) (viii)).

In other words, Australia may make certain classes of copyrighted work (for example, films on DVD, music, video games) exempt from the normal TPM circumvention prohibitions on use where the circumvention is for a non-infringing use and such use is adversely affected by TPM protection.

However, the decision to exempt these classes, which may be made by parliament or delegated to a minister, public servant or government agency, must be reviewed every four years. This is similar to the process used under the DMCA in the United States in which the Librarian of Congress may determine that certain users or uses of TPM circumvention devices are legitimate.<sup>51</sup> Notably, AUSFTA does not require the adoption of certain criteria for determining whether or not a use should or should not be allowed, as does the DMCA. This leaves parliament with some freedom to choose which criteria should be relevant, beyond the adverse effects that non-infringing users suffer.

On one hand, this exemption allows that certain fair dealing and other non-infringing uses may be allowed. On the other hand, AUSFTA requires that a non-infringing use be illegal until 'an actual or likely adverse impact on those non-infringing uses is credibly demonstrated'. In the absence of well-resourced or organised lobbies representing consumer interests, it is foreseeable that these processes could be dominated by those representing copyright owners. A blanket exemption for non-infringing uses would avoid this problem, but this is not allowed under AUSFTA.

A more significant practical problem is that exemptions provided under this process would only apply to 'use' liability, not liability for trafficking in circumvention devices (as a result of Article 17.4.7 (f)). Therefore, although an exception may be allowed for non-infringing uses of TPMs, it may be illegal to sell the devices allowing such use, potentially nullifying the effect of the exemption. When asked about this at the Senate Select Committee, DFAT did not refute this reading of AUSFTA. Instead, it pointed out that not all circumvention devices or services would be banned from trafficking, only those within the ambit of Article 17.4.7 (a)(ii).<sup>52</sup> How this will apply in practice remains an open question. It is at least a possibility, if not a probability, that the provisions of AUSFTA are too restrictive to develop a regime that allows the lawful sale of TPMs that allow circumvention for non-infringing, exempted uses.

#### Extension of monopoly rights

Copyright is a system that grants certain monopoly (or exclusive) rights to authors and producers of creative material: to reproduce the material, publish the material, perform the material in public, communicate the material to the public, make adaptations of the material and to enter into commercial rental agreements in respect of the material.

However, copyright holders who are in the position to use TPMs can potentially create their own additional *de facto* monopoly rights by restricting access on their own terms. This could lead to significant anti-competitive results, with increased costs and/or decreased choice for consumers. State sanctions against circumvention of TPMs

substantially increase this risk. This is especially the case where the definition of TPM, for the purposes of the protection of the law, includes any measure which *controls access* to material, as AUSFTA requires, rather than merely preventing or inhibiting infringement, which is the current Australian position.

Two types of monopoly right extensions are likely:

- copyright holder imposed bans on parallel importing

Parallel importing is the legitimate purchase of protected material in one country in order to export it to another country, normally where that material is cheaper in the first country than in the second. A ban on parallel importing allows a copyright holder to segment the world into various markets and charge different prices depending on demand and supply in each market, rather than on a single world market. In Australia, the policy trend in recent decades has been to relax legislative restrictions on parallel importing, with major changes in 1991, 1998 and 2003. The result is that today, subject to some limitations, parallel importing of books, sound recordings, computer programmes and electronic literary or musical items is allowed.

TPMs, by controlling access to electronic works on the copyright holder's terms, can be used by copyright holders to circumvent this policy trend. Important examples are regional coding of DVDs and computer games so that these media can only be accessed on machines bought and sold within a relevant region. A ban on devices that circumvent TPMs significantly strengthens the copyright holder's ability to prevent parallel importing, by making it illegal to circumvent the region-coding, and thus play a DVD or computer game purchased in another country on an Australian-bought machine.

It does seem incongruous that a 'free trade' agreement, purportedly intended to liberalise trade, should assist copyright holders to establish their own trade barriers, a point that David Richardson made in a recent Parliamentary Library *Research Paper*.<sup>53</sup>

- use of TPMs to create 'serial monopolies'

Some commentators have suggested that the TPMs can also be used to create 'serial monopolies', controlling the markets for accessories associated with a primary product. This is done by using encryption technology to ensure that media, accessories or peripherals to a primary product must be purchased from the maker of the primary product (or another manufacturer under license). This already occurs frequently in the computer and computer games industries. Information technology lawyer and commentator Brendan Scott explains the potential reach of the problem:

We are already in a position where it is possible to embed microprocessors onto most manufactured items. Manufacturers in the US have already embedded such processors into garage doors and printers allowing them to control after markets for these products. For example, a printer interrogates the consumable cartridges to determine their origin and if they are from a competitor refuse to operate or, worse, will operate to

a lower standard without alerting the consumer. The anti-circumvention provisions will prevent competitors from making functional accessories. You don't need to be too bright to realize that this will become an increasingly common practice for manufactured items—if you can do it for garage doors, why not tractors?

Over time we will see the emergence of the kinds of serial monopolies (and the attendant price gouging) for product areas that we have seen in the software world. In an attempt to protect the US music industry from market competition what will emerge is a reduction in competition across broad swathes of the economy—whether it's the farmer who wants a combine harvester to work with their tractor, or the IT [information technology] manager who wants their PDA [personal digital assistant] to interface with their GPS [global positioning system] devices.

Economics tells us we will get increased prices and lower quality in these circumstances.<sup>54</sup>

Do the exemptions that AUSFTA allow provide enough scope for Australia to prevent these extensions of monopoly rights?

The 'serial monopoly' problem might be avoided by use of the first exemption which allows for non-infringing reverse engineering of a computer program, in 'good faith', 'for the sole purpose of achieving interoperability of an independently created computer program with other programs' (Article 17.4.7 (e)(i)). This is clearly intended to ensure that software manufacturers cannot use TPMs to prevent competitors from selling applications compatible with their software. Whether it can apply to Scott's printer cartridge example depends on how broad 'computer program' is read—given that all TPMs are effectively computer programs, there is a strong argument for a broad reading.

The problem remains that a competitor may have the onus of proving that their purpose was to achieve interoperability. Given the presumption that even non-infringing uses of TPM circumvention devices are illegal unless they fit within a prescribed exception, the AUSFTA model of TPM protection could provide a powerful disincentive to innovate. Where, for example, a programmer 'cracks' a TPM for the purpose of making an interoperable program, they run the risk of not being able to show that their activities were conducted in 'good faith'. In many cases, potential competitors might decide that innovation is not worth the risk. This is another problem that would be avoided by a blanket exemption for non-infringing uses.

## **Schedule 8—Amendments to the *Patents Act 1990***

### **Changes to the law**

#### **Grounds to oppose the grant of patents**

**Items 1 and 2** amend s. 59 of the Patents Act which provides the grounds on which standard patent grants may be opposed. By deleting specific grounds, it effectively

provides that patent grants can be opposed on the general ground that it is not a 'patentable invention' (as defined by s. 18).

These changes *expand* the grounds on which patents can be opposed. Currently, a patent can be opposed on the basis that the invention:

- is not a manner of manufacture (s. 18(1)(a), Patents Act)
- is not novel or does not involve an inventive step (s18(1)(b)), or
- is a human being or a biological process for human generation (s. 18(2)).

Items 1 and 2 will expand these grounds to include that the invention:

- is not useful (s. 18(c)), or
- has been secretly used by the patentee prior to the priority date of the claim (s. 18(d)).

Conditions on patents

**Items 4 and 5** delete ss. 104(3) and 138(3)(c) of the Patents Act to remove references to conditions on patents. Currently, s. 104(3) allows amendments to patents to be made 'subject to conditions', subject to the regulations. Section 138(3)(c) provides that failure to comply with a condition on the patent is a ground for revocation.

**Why are these changes necessary?**

AUSFTA does not provide for patents to be made on a conditional basis, so removal of condition-setting powers is required.

AUSFTA requires that the grounds for revocation match the grounds on which a patent can be refused (Article 17.9.5). Australia's grounds for revocation are broader than the grounds to oppose a patent, so the latter must be expanded.

**What is not in the Bill?**

Some of the concerns expressed about the patent provisions of AUSFTA might be assuaged by what has *not* appeared in the Bill.

In particular, there is no change to the conditions of patentability (s. 18). Concern had been expressed, by the open source software movement in particular, that AUSFTA may require a more permissive approach to the patentability of software. This concern was expressed in the Senate Select Committee's Interim Report, which noted:

Regarding software patents, the AUSFTA extends patents to ‘all fields of technology’. This is arguably very damaging to the software industry, as well as consumers, as it limits development opportunities and decreases competition.<sup>55</sup>

The drafters of the Bill seem to have felt that the current law already reflects the ‘all fields of technology’ element. This is an appropriate view, as that element is substantively congruent to Australia’s ‘manner of manufacture’ test, as expressed, for example, in *CCOM v Jeijing*.<sup>56</sup> Certainly, Australia has not received any complaint that its law on patentability does not comply with the TRIPs requirements, which uses very similar terms to AUSFTA including the phrase ‘all fields of technology’.<sup>57</sup>

Similarly, no change is made to the definition of ‘use’. A group of Australian National University academics had suggested that Article 17.9.11 would require Australia to adopt the US standard of utility, a ‘specific, substantial and credible utility’.<sup>58</sup> Clearly the drafters of the Bill believe that current Australian law on the definition of ‘use’ is sufficiently similar not to require any change.

## Comment

These are minor changes to the Patent Act. The changes to the grounds for opposition to patents actually expand the grounds for opposition. Unlike most of the other changes in the intellectual property chapter, this change reduces the rights of patent applicants in favour of competitors or consumers.

## Concluding comments

### Intellectual property changes as a requirement of AUSFTA

Parliament’s consideration of the US Free Trade Implementation Bill 2004 inevitably will involve consideration of the merits and demerits of AUSFTA as a whole package. As intellectual property laws, particularly copyright, are a large part of the package, it is appropriate that the changes AUSFTA requires be considered carefully. To this end, this Brief has attempted to outline and provide some assessment of the copyright policies that must be adopted if AUSFTA is to be ratified, including those areas not fully covered in the Bill (CSP liability and TPMs).

### Implementation of AUSFTA

Parliament must also consider whether the Bill proposes changes that are the best *means* to fulfil Australia’s AUSFTA obligations. Although the copyright requirements of AUSFTA are highly prescriptive, they do offer some room for interpretation. As a result, implementation is not a merely technical issue—it requires substantive policy choices as well.

With respect to encoded broadcasts, it seems that the Bill does not meet AUSFTA's requirements. Should Parliament support the ratification of AUSFTA, it may want to consider either amending the Bill appropriately or seeking advice from the Government on the United States' attitude to the implementation as proposed. The Australian Subscription Television and Radio Association has indicated that it is not satisfied with the model proposed.<sup>59</sup>

In several other areas, the Bill might either go further than required or fail to take advantage of allowed exceptions or limitations. These include:

- narrowing exemptions for sound recordings of performances made solely for the private and domestic use of the recorder (see above, page 6)
- failure to provide a new rule for the duration of copyright in unpublished works (see above, page 13)
- failure to provide a system for allowing use of orphaned material (see above, page 13)
- failure to take advantage of a limitation to the civil liability of certain public institutions in ERMI-related actions (see above, page 15)
- provision of an offence for conduct that *results in* significant copyright infringement, where AUSFTA requires only an offence for conduct that *is* a significant copyright infringement (see above, page 18)
- provision of the 'exception to the exception' for technical, incidental reproductions, which could make use of infringing material an infringement where it otherwise would not be (see above, page 23).

In addition to these, there could be several other areas where the 'three step test' might allow other specific exceptions that have not been explored here or in the Bill.

Wherever the Bill goes further than AUSFTA requires, substantive policy decisions are involved. These decisions may be justified on their own merits, but they need to be understood as policies rather than merely technical amendments consequential to ratification of AUSFTA.

### Copyright balance

In addition to the specific areas where the Bill does not take advantage of limitations or exceptions available under AUSFTA, the Bill does not take advantage of general methods that would be allowed to ensure 'copyright balance'.

The central policy issue in copyright is traditionally understood to involve achieving a balance between competing goals and interests, or 'copyright balance'. At one end of the scales sit the moral and economic rights of creators and other copyright owners and the

public interest in creating incentives to create. At the other end sit the rights of creators to build on previous creative work, the right of media outlets, schools and libraries (among others) to use material, the right of consumers to cheap prices for copyright material and the public interest in promoting competition and allowing the free flow of information. This is a simplification of the rights and interests involved in copyright, but it serves to illustrate the balance involved.

In current Australian law, a balance of these rights is met by providing a generally protective regime for copyright, limited in two ways:

- the provision of certain exceptions from copyright obligations for specified ‘non-infringing uses’ and ‘fair dealing’ uses of copyright material, and
- a focus on enforcement and remedies against commercial infringement, which has direct and serious impact on the interests of copyright holders, rather than targeting end-users and consumers of copyright material.

In contrast, the United States tends to have somewhat more protective general rules and a broader enforcement and remedial focus that includes non-commercial conduct. Against this stronger protective regime are two important counter-balances limiting copyright: the ‘fair use’ doctrine and competition law.<sup>60</sup>

The fair use doctrine is much broader than the specific and narrow ‘fair dealing’ and ‘non-infringement’ concepts in Australian law. Rather than statutorily enumerating the uses that are allowed, as in Australia, the US approach allows courts to consider case-by-case whether uses should be allowed considering the following criteria:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>61</sup>

This is a broader and more flexible system for providing exceptions to copyright. The result is that some conduct that is an infringement in Australia may be a fair use in the United States.

Competition, or anti-trust, law has been another important limit on copyright where it is used to anti-competitive effect. Although competition remedies under the *Trade Practices Act 1974* can be used in Australia to similar effect, the practice has not developed here as extensively as it has in the United States and Europe.

Schedule 9 of the Bill could be said to be adopting US standards on protection and enforcement of copyright without the broad limitations in the United States to guard against the excessive or stifling effects of copyright. In this sense, it could upset the copyright balance in Australia. The evidence suggest that in some areas this Bill would make Australia more protective of copyright than the United States, indeed probably more protective than any other English-speaking country. With this in mind, JSCOT recommended the adoption of a 'fair use' doctrine in Australian law.<sup>62</sup> The Government has not taken up this proposal in the preparation of this Bill.

Given the high standards of protection that the Bill proposes, it could also be argued that there would be merit in reconsidering the interaction between competition law and copyright. In order for competition law to be an effective counter-balance to strong copyright protection, changes to the Trade Practices Act and/or the Copyright Act might be warranted. It might also be appropriate to increase the resources of the Australian Competition and Consumer Commission to regulate this interaction. The Bill does not address these issues.

## Consultation

Intellectual property and copyright are, by their nature, very complex areas of law. As a result, Australia has relied on special standing and *ad hoc* mechanisms to review and reform copyright, including the Copyright Law Review Committee, the Intellectual Property and Competition Review Committee and the Digital Agenda Review by the law firm Phillips Fox, to cite some important contemporary examples.

Schedule 9 represents one of the most, if not *the* most, comprehensive proposals for reform of copyright law in recent decades. Comparable changes were made last by the Digital Agenda Act in 2000, following a lengthy process of consultation with stakeholders and experts lasting three years. Those changes were followed by more consultation on the effect of those changes (the Phillips Fox review, which reported in January 2004). It is notable that in the Digital Agenda Act, the Government made certain policy decisions that the US Free Trade Agreement Implementation Bill reverses. It is also notable that Phillips Fox made many recommendations contrary to those that this Bill proposes.

This history of careful and wide consideration on copyright reform has led to the development of a uniquely Australian system adapted to Australia's specific needs. Given this history, it would be unfortunate if the significant changes that this Bill proposes, in many cases rejecting previous copyright policy, should be adopted without an open process of consultation and consideration. It is true that the Joint Standing Committee on Treaties and the Senate Select Committee have taken submissions on AUSFTA. However, the submissions on copyright issues were, for the most part, made before the current Bill was introduced. Except for private consultation undertaken by government departments, there is no evidence that any significant stakeholder or expert consultation has been undertaken in the drafting of Schedule 9.

The apparent limited consultation may explain the Bill's failure to propose US-style copyright exceptions and limitations to balance US-style protection and enforcement standards. It might also explain those areas where the Bill appears to implement AUSFTA inadequately, fails to take advantage of exceptions allowed by AUSFTA or goes further than AUSFTA requires in protecting copyright.

More importantly, a longer process of consultation and consideration may more effectively predict and deal with the unexpected consequences of this Bill, which are likely to be numerous as the new legal concepts interact with existing concepts. There remain many uncertainties about how these changes will work in practice.

Given the minimal public consultation so far, the scope of the Bill and the complexity of the subject area, an inquiry specifically into Schedule 9 would be warranted. If Parliament chooses to support ratification of AUSFTA, advice from stakeholders and experts—and reasonable time for analysis—will be crucial to crafting a copyright law that both meets Australia's obligations under that agreement and, as much as possible, meets Australia's own copyright needs.

## Endnotes

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1. *Australia–United States Free Trade Agreement*, Washington, 18 May 2004 [2004] Australian Treaties Not yet In Force 6.
2. *Australia–United States Free Trade Agreement*, Washington, 18 May 2004 [2004] Australian Treaties Not yet In Force 6.
3. *Singapore–Australia Free Trade Agreement*, Singapore, 17 February 2003 [2003] Australian Treaty Series 16 (Entry into force: 28 July 2003).
4. *Survey on Implementation of WCT and WPPT*, Standing Committee on Copyright and Related Rights, World Intellectual Property Organisation, Geneva, 25 April 2003, pp. 882–83.
5. Attorney-General's Department, *Report on Performers' Protection*, Copyright Law Review Committee, Canberra, 1989 (hereafter CLRC).
6. These arguments are summarised in J. Lahore and W. Rothnie, *Copyright and Designs: Volume 1—Commentary*, 3<sup>rd</sup> revised edition, Butterworths, Australia, 2003, p. 54,044 [54,035].
7. Lionel Bowen, Attorney-General, 'Second Reading Speech: Copyright Amendment Bill 1988', House of Representatives, *Debates*, 3 November 1988, p. 2392.
8. CLRC, *op. cit.*, pp.48–72.
9. Attorney-General's Department and Department of Communications, Information Technology and the Arts, *Discussion Paper: Performers' Intellectual Property Rights*, Canberra, December 1997.

10. Department of Communications, Information Technology and the Arts, *Performers' Rights*, [http://www.dcita.gov.au/Article/0,0\\_1-2\\_12-3\\_470-4\\_106178,00.html](http://www.dcita.gov.au/Article/0,0_1-2_12-3_470-4_106178,00.html), accessed on 28 July 2004.
11. Liberal Party of Australia and National Party of Australia, *Arts for All*, Melbourne, October 2001. pp. 20–21, <http://www.liberal.org.au/documents/arts.pdf>.
12. See page 23 for an explanation of the 'three step test'.
13. See Lahore and Rothnie, op. cit., pp. 28,402–28,454 [28,455–28,560E] for a detailed description of this scheme.
14. *ibid.*
15. Commercial Television Australia, *Submission to the Joint Standing Committee on Treaties Australia—United States Free Trade Agreement Inquiry*, Sydney, 20 April 2004, p. 8.
16. *ibid.*
17. Sections 196–197, Copyright Act.
18. See definition of 'author' in s. 10, Copyright Act.
19. *Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886 (as subsequently revised)*, Stockholm, 14 July 1967 [1972] Australian Treaty Series 13.
20. Centre for International Economics, *Economic Analysis of AUSFTA: Impact of the bilateral free trade agreement with the United States*, prepared for the Department of Foreign Affairs and Trade, Canberra and Sydney, April 2004, p. 37.
21. Dr Philippa Dee, *Australia—United States Free Trade Agreement: An Assessment*, Paper prepared for the Senate Select Committee on the Free Trade Agreement between Australia and United States, Canberra, June 2004, pp. 23–25.
22. See K. Weatherall, *Supplementary Submission to the Senate Select Committee on the Free Trade Agreement between Australia and the United States*, Melbourne, 2004, p. 14.
23. In the criminal offence, recklessness as to knowledge is sufficient. In the civil action, knowledge can be implied if the person ought reasonably to have known that they would induce, enable, facilitate or conceal infringement of copyright.
24. Item 141 is consequential to the extended definition of ERMI only insofar as its proposed sub-sections 132(5C) and (5D) are concerned. These proposed sub-sections would not make any other significant substantive change to the offences.
25. Proposed subsection 132(5DA).
26. Phillips Fox, *Digital Agenda Review, Report and Recommendations*, Report commissioned by the Attorney-General's Department, Sydney, January 2004, p. 115.
27. The public institutions include non-profit libraries, archives, educational institutions and public non-commercial broadcasting entities.
28. See K. Weatherall, *Weatherall's Law*, website, <http://weatherall.blogspot.com>, accessed 28 July 2004.

29. Joint Standing Committee on Treaties, *Report 61: Australia—United States Free Trade Agreement*, Parliament House, Canberra, June 2004, p. 238 (hereafter JSCOT).
30. A broadcast decoding device is a device designed to enable a person to obtain unauthorised access to pay TV content.
31. A ‘channel provider’ packages a channel for broadcast by a broadcaster over an encoded service.
32. From s. 5.4, *Criminal Code Act 1995*:  

‘A person is reckless with respect to a result if:  
(a) he or she is aware of a substantial risk that the result will occur; and  
(b) having regard to the circumstances known to him or her, it is unjustifiable to take the risk.’
33. Notably, very similar words are currently used in relation to civil device liability (s. 135ANA(1)(d)) which says ‘the person knew, or ought reasonably to have known, that the broadcaster had not authorised the person to gain access to the broadcast by so using, or authorising the use of, the device’.
34. Phillips Fox, *op. cit.*, p. 54.
35. *ibid.*, p. 111.
36. For a discussion of this issue see W. P. Knight, ‘Chapter 23.1: Copyright’ in Law Book Company, *The Laws of Australia*, Law Book Company, 2003, [23.1.46].
37. (2002) FCA para 173 (per Lingred J with whom French J agreed).
38. See *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 114 FCR 324.
39. See *Kabushiki Kaisha Sony Computer Entertainment & Ors v Eddy Stevens*, *op. cit.*, for an example of this interaction.
40. Phillips Fox, *op. cit.*, p. 94.
41. Named from Article 13 of the *Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886 (as subsequently revised)*, Stockholm, 14 July 1967 [1972] Australian Treaty Series 13. See Parliament of the Commonwealth of Australia, *US Free Trade Agreement Implementation Bill 2004: Explanatory Memorandum*, Canberra, 2004, p.148.
42. M. Priest, ‘ISP standards to prevent piracy liability’, *Australian Financial Review*, 29 April 2004, p. 43.
43. *Caching* is defined as ‘the reproduction of copyright material on a system or network controlled or operated by or for a carriage service provider in response to an action by a user in order to facilitate efficient access to that material by that user or other users’.
44. See US Copyright Office, *The Digital Millennium Copyright Act of 1998: US Copyright Office Summary*, <http://www.copyright.gov/legislation/dmca.pdf>, accessed on 27 July 2004.

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