
Authorisation in Context

Potential consequences of the proposed amendments
to Australian secondary liability law

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Executive Summary

The Australian Government has proposed amending the Copyright Act 1968 to broaden the circumstances in which an organisation or individual may be liable for someone else's copyright infringement. Although the Government's proposed amendment appears to be squarely aimed at ISPs, the amendments would apply with equal force to any other person who provides goods or services which may be put to infringing use. This includes all organisations which provide internet access to the public (including government bodies, libraries, schools and universities), online platforms which enable users to upload and display images and videos (such as eBay, Facebook and YouTube), providers of remote or 'cloud' storage (including commercial businesses like Dropbox, Microsoft and Google, as well as schools and universities), organisations which loan out or make available copyrighted content (libraries and video stores) and businesses which make and sell everyday consumer technologies like CDs, CD/DVD burners, USB keys, hard drives, digital video recorders and photocopiers.

This report sets out the existing law in its historical and global contexts, and, on the basis of extensive consultations with representatives from universities, schools, libraries and the technology sector, explores the legal and practical implications of the proposed changes for Australian intermediaries. It finds that:

- ▲ the proposed expansion of liability would potentially have significant deleterious effects for Australian institutions;
 - ▲ the existing Australian law is already as broad as or broader than those of its counterparts overseas (and fully compliant with its international obligations);
 - ▲ the proposal would use a 'one size' fits all approach contrary to a century of authority emphasising the necessity of determining liability with reference to all of the facts of each case;
 - ▲ it would give copyright owners considerably broader rights against Australian individuals and institutions than those suffering economic loss because of torts committed in other contexts (without any justification of why they should receive such special treatment);
 - ▲ the proposed amendments would likely result in persistent rightholder lobbying for new regulations that go further and do more, perpetuating uncertainty about the scope of intermediaries' obligations and liability;
 - ▲ it would oblige greater reliance on 'safe harbours', driving increased account terminations;
 - ▲ the increased costs and uncertainty would make Australia less competitive and a less attractive place for investment; and
 - ▲ there has been no clear analysis about the benefits likely to be obtained in exchange for these costs.
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CONTENTS

Executive Summary	i
‘Authorisation’ in Australian law	1
Overview of the law	1
Ongoing significance of the common law	1
The importance of flexibility	2
The proposed amendment	4
Likely legal consequences	5
Downgrading the significance of a defendant’s power to prevent the third party infringement	5
Limiting the courts’ discretion to determine what amounts to ‘reasonable steps’ on the facts of each case	6
Practical implications for Australian intermediaries	8
New obligations to take proactive steps to reduce infringement	8
Case study: Public Wi-Fi	8
New obligations for libraries, schools, universities, cloud providers and more	9
New pressure to enter into private enforcement deals	12
Increased need to rely on ‘safe harbours’	14
More red tape and regulation = reduced global competitiveness	15
Situating the proposal within the global context	17
What about graduated responses?	19
Conclusions	20
About the author	21
Appendix 1	21
List of cases reviewed for the purpose of footnote 29 and accompanying text:	21

‘Authorisation’ in Australian law

Overview of the law

As a matter of general principle, Australian law does not impose obligations on unrelated organisations to take proactive steps to protect the economic interests of others. As McHugh J reminded us in *Perre v Apand*, citing a long list of authorities:

As long as a person is legitimately protecting or pursuing his or her social or business interests, the common law will not require that person to be concerned with the effect of his or her conduct on the economic interests of other persons. And that is so even when that person knows that his or her actions will cause loss to a specific individual.¹

That situation changes only where a defendant has sufficient proximity to that loss.²

These general principles apply to a range of legal situations, including liability for copyright infringement committed by third parties. Thus the law does not make everyone liable for failing to proactively protect the copyrights of others; liability arises only where the defendant has sufficient involvement to justify its being held responsible.³

In Australia, the legal mechanism for determining whether a defendant is sufficiently involved to warrant liability is a doctrine called authorisation. Its current statutory basis is the *Copyright Act 1968* (Cth), which grants copyright owners the exclusive right to do certain acts with regard to copyrighted material, including the exclusive right to ‘to authorize’ another person to do such acts (and makes it an infringement for a person to do those acts without permission or ‘to authorize’ another person to do so).⁴

Ongoing significance of the common law

Despite its statutory basis, for most of its century-long existence authorisation was shaped entirely by the common law. The leading authority is the High Court’s decision in *University of New South Wales v Moorhouse*.⁵ In that case publishers sued the University of New South Wales for ‘authorising’ infringements that occurred by use of photocopying facilities located adjacent to books in one of its libraries. After defining ‘authorisation’ as ‘sanctioning, approving or countenancing’ infringement, the High Court ultimately held that the University was indeed liable for authorising the infringing copying. Gibbs J held that,

[A] person who has under his control the means by which an infringement of copyright may be committed – such as a photocopying machine – and who makes it available to other persons,

¹ *Perre v Apand Pty Ltd* (1999) 198 CLR 180, 224 [115], citing *Caltex Oil (Australia) Pty Ltd v The Dredge “Willemstad”* (1976) 136 CLR 529, 552 (Gibbs J); *Jaensch v Coffey* (1984) 155 CLR 549, 578 (Deane J); *Sutherland Shire Council v Heyman* (1985) 157 CLR 424, 503 (Deane J); *Bryan v Maloney* (1995) 182 CLR 609, 618-619 (Mason CJ, Deane and Gaudron JJ); *Hill v Van Erp* (1997) 188 CLR 159, 184 (Dawson J), 211 (McHugh J).

² For a general discussion of the kinds of circumstances where this may be the case, see the judgment of Gummow and Hayne JJ, *Roadshow Films Pty Ltd v iiNet Ltd (No 2)* (2012) 248 CLR 42, 79-80 [107]-[110] (‘iiNet’).

³ See pages 2-4, 6 for discussion of the kinds of involvement that have been accepted as giving rise to authorisation liability (or not being sufficient to do so).

⁴ *Copyright Act 1968*, ss 13(2), 36(1), 101(1) (‘Copyright Act’).

⁵ (1975) 133 CLR 1 (‘Moorhouse’).

knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorize any infringement that resulted from its use.⁶

In 2000, amendments to the Copyright Act partially codified existing common law principles, particularly as enunciated in *Moorhouse*.⁷ Parliament's intention was 'to provide a degree of legislative certainty about liability for authorising infringements'.⁸ As a result, the Act now specifies three factors which the court must take into account in determining whether a defendant has authorised infringement, derived largely from the opinion of Gibbs J:⁹

- a) the extent (if any) of the person's power to prevent the doing of the act concerned;
- b) the nature of any relationship existing between the person and the person who did the act concerned; and
- c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

The codification is partial only. While courts must take these factors into account, they must also consider all other relevant circumstances in determining liability. Since common law principles continue to apply, the reasoning in dozens of previous decisions provides context and guidance to courts and enrich judicial analyses of both the statutory factors and other relevant considerations.

The importance of flexibility

Australian courts have repeatedly emphasised the importance of determining liability for authorisation on 'all the facts of the case'.¹⁰ In 1946, Herring CJ warned that:

[A]ny attempt to prescribe beforehand ready-made tests for determining on which side of the line a particular case will fall, would seem doomed to failure. ... In the end the matter must in each case depend on a careful examination of all the relevant facts.¹¹

The partial codification in 2000 did not limit the judicial flexibility necessary to the doctrine. If anything, it increased it. By adding the words '(if any)' to the first statutory factor, Parliament confirmed that liability

⁶ *Moorhouse* at 13.

⁷ Revised Explanatory Memorandum, *Copyright Amendment (Digital Agenda) Bill 2000* (Cth), Schedule 1 at [57], [157].

⁸ *Ibid.*

⁹ *Copyright Act*, ss 36(1A) (relating to copyright in works) and 101(1A) (for copyright in subject matter other than works). See *iiNet*, 53-54 [22] (French CJ, Crennan and Kiefel JJ), 87 [133] (Gummow and Hayne JJ).

¹⁰ *iiNet*, 48 [5] (French CJ, Crennan and Kiefel JJ), citing *Moorhouse*, 12 (Gibbs J); *Performing Right Society Ltd v Cyril Theatrical Syndicate Ltd* [1924] 1 KB 1, 9 (Banks LJ). See also *Australasian Performing Right Association Ltd v Metro on George* (2004) 210 ALR 244, 251 [17] (Bennett J) ('*APRA v Metro on George*'); *Australasian Performing Right Association Ltd v Jain* (1990) 26 FCR 53, 61 (Sheppard, Foster and Hill JJ) ('*APRA v Jain*').

¹¹ *Winstone v Wurlitzer Automatic Phonograph Co of Australia Pty Ltd* [1946] VLR 338, 345 (Herring CJ), cited with approval in *APRA v Jain*, 59; *TS & B Retail Systems Pty Ltd v 3Fold Resources Pty Ltd (No 3)* (2007) 158 FCR 444, 488-489 [176] (Finkelstein J); *iiNet*, 84 [125] (Gummow and Hayne JJ); *Fairlight.AU Pty Ltd v Peter Vogel Instruments Pty Ltd* [2013] FCA 1280, [27] (Edmonds J).

can accrue even in the absence of any power to prevent the infringement where the whole of the circumstances nonetheless pointed to authorisation.¹²

It is necessary to consider all the facts of each case because authorisation is holistic in nature: each relevant circumstance must be weighed against all the others to determine whether the liability threshold is reached. That interrelationship between the relevant factors means that a circumstance which is indicative of liability in one scenario might be irrelevant in another, and likewise, steps to prevent infringement that would usually be sufficient to avoid liability in one scenario may not be sufficient to avoid liability in all the circumstances of another. This can be illustrated by the cases. For example, *APRA v Metro on George* concerned the liability of a music venue owner for the unlicensed public performances that occurred there.¹³ The defendant had no contractual right to control the music that would be performed in the venue, and had incorporated clauses in the contract stating it did not 'authorise or permit' any performance and requiring hirers to comply with the *Copyright Act* and licensing requirements of the Australasian Performing Right Association.¹⁴ In some cases this would no doubt be sufficient to avoid liability. On the specific facts of the case however, the Federal Court held that the venue provider had authorised the infringements. The threshold was reached because, having been told that unlicensed performances were in fact occurring, and having an indirect power to prevent them (by refusing to hire out the venue to unlicensed hirers or enforcing the contractual warranty against them), it had failed to take the reasonable step of ascertaining whether licences had in fact been obtained.¹⁵

*Universal Music Australia v Sharman License Holdings*¹⁶ considered whether the providers of the Kazaa peer-to-peer file sharing software were liable for their users' infringements. Defendant Sharman Networks had actively encouraged users to commit infringements, disproportionately rewarded users who 'shared' infringing files, and had itself benefited financially from those infringements.¹⁷ Its power to prevent the infringement was indirect – it could do so only by changing the software to restrict user access to copyrighted works, and then encouraging users to replace the old version with the new.¹⁸ It did not take these steps however, and made only token attempts to limit its users' infringements. The court found that, in these circumstances, alteration of the software would have been a reasonable step to prevent infringement, and held the defendant liable for authorisation. But that is not to say that it would be a reasonable step in other cases. Another software provider with a similar power to prevent third party infringement, but with less intimate involvement in that infringement, is unlikely to have any obligation to exercise it. In general, the greater the defendant's involvement, the more it is obliged to do to avoid liability.

That principle can be further illustrated by the case of *Cooper v Universal Music Australia*.¹⁹ Primary infringements occurred when users followed links from the website 'MP3s4FREE' to download infringing sound recordings. Not only was the website provider liable for authorising those infringement, but so too

¹² Robert Burrell and Kimberlee Weatherall, "Providing Services to Copyright Infringers: Roadshow Films Pty Ltd v iiNet Ltd" (2011) 33(4) *Sydney Law Review* 801, 811-812.

¹³ (2004) 210 ALR 244.

¹⁴ *APRA v Metro on George*, 249-250 [13].

¹⁵ *Ibid*, 256-264 [42]-[85].

¹⁶ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1 ('Sharman').

¹⁷ *Ibid*, 24-28 [67]-[84], 98-99 [404]-[407].

¹⁸ *Ibid*, 99-100 [414].

¹⁹ *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380 ('Cooper').

was the ISP that hosted the site on its servers. The ISP knew that the MP3S4FREE website linked users to infringing material, and could have reasonably prevented the infringements by declining or ceasing to host the site. Instead, it agreed to provide free hosting with the intention of attracting business from the third party infringers.²⁰ Those circumstances reached the threshold for liability. While ISPs will not always be liable for user infringements, they certainly can and will be under the current law where they have sufficiently close involvement.

The proposed amendment

The Government proposes to extend the existing authorisation law by amending the factors that were introduced into the Copyright Act as part of the 2000 codification.²¹ It would repeal consideration of the defendant's power to prevent the infringement from the list of factors that must be taken into account in determining whether authorisation occurred.²² Instead, the defendant's power to prevent would only be relevant to whether the defendant took any reasonable steps to prevent or avoid the doing of the infringing act.²³

Thus, the factors the court would be required to take into account in determining whether a defendant has authorised infringement would be:

- a) the nature of any relationship existing between the defendant and the primary infringer; and
- b) whether the defendant took any (other) reasonable steps to prevent or avoid the doing of the infringing act.

In assessing whether the defendant took any reasonable steps to prevent or avoid the doing of the infringing act, courts would be required to have regard to:

- c) the extent (if any) of the defendant's power to prevent the doing of the infringing act;
- d) whether the defendant was complying with any relevant industry schemes or commercial arrangements entered into by relevant parties;
- e) whether the defendant complied with any prescribed measures in the *Copyright Regulations 1969* (Cth); and
- f) any other relevant factors.

²⁰ *Cooper*, 413 [154]-[158] per Kenny J, 392 [61]-[65] per Branson J (placing less weight on the relationship between the ISP and the third party infringers). French J agreed with Branson J and Kenny J: 382 [1].

²¹ Australian Government, *Online Copyright Infringement*, Discussion Paper (July 2014) <<http://www.ag.gov.au/consultations/pages/onlinecopyrightinfringementpublicconsultation.aspx>> ('Discussion Paper').

²² *Ibid*, 4.

²³ *Ibid*.

Likely legal consequences

As discussed above, the current authorisation law is flexibly applied on a case by case basis. However, a core principle can be distilled from a century of case law (as codified): the more intimately involved the defendant is with the infringement, the less control it needs to have over that infringement for liability to arise; the more control, the less intimately involved it needs to be. This is the key balancing exercise that courts engage in to determine what steps are reasonable in all the circumstances, whether they have been taken, and from there, to determine whether the defendants have sufficient proximity to the loss to justify holding them liable for the actions of others.

The proposed framework has the potential to drastically alter where that line is drawn by:

- a) downgrading the significance of a defendant's power to prevent the third party infringement; and
- b) imposing new limits on the courts' discretion to determine what steps amount to 'reasonable steps to prevent infringement' on the facts and circumstances of each case.

Downgrading the significance of a defendant's power to prevent the third party infringement

The Government's proposal clearly intends to downgrade the significance of a defendant's power to prevent third party infringement.

The Discussion Paper states that the changes are motivated by a desire to ensure that the law can provide for liability even in the absence of 'a direct power to prevent a person from doing a particular infringing act'.²⁴ This suggests a misapprehension of the existing law: as discussed above in the context of the *Sharman* case in particular, defendants with only attenuated and indirect powers to prevent their users' infringements can indeed be liable for authorisation. The High Court's decision in *iiNet* did nothing to suggest this would not continue to be the case in appropriate circumstances; it simply found that the threshold had not been reached on that occasion.²⁵

In any event, this aspect of the proposal could potentially do nothing to change the outcomes of cases. Courts have always taken into account all relevant factors (including any power to prevent) in determining what amounts to reasonable steps in any given scenario. For that reason, they may not accept that relocating this factor to the reasonable steps analysis changes their analyses in any substantive way. However, in the context of the legislature's stated intent of expanding the doctrine, the amendment is likely to signal to courts that *Moorhouse* is no longer good law. To give effect to the new threshold of liability, courts would be obliged to give less weight to a defendant's power to prevent the infringement than is currently the case. The corollaries would be that service providers would have more positive duties to act to limit infringement, and that rights holders would be in a much stronger bargaining power to demand that service providers take steps to limit infringement. Courts may even interpret the amended law as imposing obligations to take proactive steps to limit infringement whenever there is some relationship between the

²⁴ Discussion Paper, 3.

²⁵ *iiNet*, 67-71 [65]-[79] (French CJ, Crennan and Kiefel JJ), 87-90 [135]-[146] (Gummow and Hayne JJ).

intermediary and infringer. If so, the practical implications for Australian intermediaries would be extremely broad.

Limiting the courts' discretion to determine what amounts to 'reasonable steps' on the facts of each case

Requiring courts to take into account voluntary commercial arrangements and/or prescribed measures in determining what amounts to reasonable steps in any given scenario would significantly change the nature of the doctrine. Under the existing law, that determination is made with reference to all the circumstances of each case. What is reasonable in one fact scenario may not be in another. Equally, what would have been reasonable can be negated by specific facts suggesting otherwise.²⁶ The importance of the full factual matrix can be illustrated by the application of the law to the Australian ISP iiNet, which rights holders had accused of authorising infringement by virtue of its failure to pass on infringement allegations to users and impose sanctions. Factors that influenced the High Court to find that iiNet had not authorised its users' infringements included the unsubstantiated nature of the allegations, the failure of the plaintiffs to fully disclose their detection methods, iiNet's risk of liability to customers if the allegations were unfounded, iiNet's limited technical and contractual powers to prevent the infringements, and the fact that termination would entirely prevent all of the subscriber's non-infringing activities online as well.²⁷ Had iiNet been more intimately involved in the infringement, perhaps by financially benefiting from it or encouraging it to occur, if the evidence of infringement had been better substantiated, or if termination could have been effected in a way that did not put an end to non-infringing use, then the court's analysis of what would have amounted to reasonable steps *in those circumstances* would have been different. The current law gives courts discretion to take the totality of these and other relevant circumstances into account in determining whether the threshold to culpability has been reached. That is why it is impossible to provide any meaningful answer to the question asked by the Government in the Discussion Paper about what constitutes 'reasonable steps'²⁸ – the answer always is, and must be, 'it depends'.

If the Government's proposed amendment goes ahead, authorisation's statutory framework could effectively mandate positive steps that need to be taken. While the proposal does not say that failure to take positive steps would be determinative, the very requirement that courts must take into account industry schemes, commercial arrangements or prescribed measures in determining whether reasonable steps *have* been taken will fetter their discretion to determine what was in fact reasonable on the facts of each case. As currently drafted, the proposal would strongly influence courts to find authorisation liability where there has been a failure to adopt and comply with such schemes, arrangements or measures - *even where the courts would not have found those steps reasonable had they engaged in unconstrained analysis*. For two main reasons, there is a real risk that such situations would arise. First, the strengthened bargaining position of rights holders and need to manage new liability of uncertain scope would be reflected in the terms of deals reached by intermediaries (whether industry schemes or commercial arrangements), and thus could easily result in their exceeding what a court would have seen as 'reasonable' on all the facts of a

²⁶ See, eg, *APRA v Metro v George*, 258-259 [56]-[59], where the otherwise reasonable step of requiring hirers to contractually warrant that they would comply with the *Copyright Act* became ineffective when Metro failed to enforce it, knowing that infringements were taking place.

²⁷ *iiNet*, 67-73 [65]-[79] (French CJ, Crennan and Kiefel JJ), 87-90 [135]-[146] (Gummow and Hayne JJ).

²⁸ Discussion Paper, 4.

particular case. Second, industry schemes, commercial arrangements and prescribed measures are severely limited in the range of situations they can provide for (eg that Measure X is required in Situation Y). Judicial authorisation analyses are capable of much more nuance (eg that Measure X would have been required in Situation Y but is not because Party A did Measure Z, and because Party B failed to provide Information W). The problem of imposing the same obligations in a range of different situations would be exacerbated by the potential for commercial arrangements to bind other 'relevant parties'. Thus, parties could easily be required to take steps that courts would not have themselves found to be reasonable in all the circumstances.

To avoid liability in a situation where it has not complied with an industry scheme, commercial arrangement or prescribed measures, the defendant may find itself obliged to provide evidence as to why it was not in fact reasonable in the circumstances to do so. In effect, this would reverse the burden of proof, resulting in a significant shift of rights and responsibilities. Requiring courts to give such weight to pre-determined 'reasonable steps' would severely limit their discretion to deal with eventualities such as changing circumstances, arrangements that prove impossible to implement in practice, or the possibility of too-onerous obligations having been imposed by rights holders. It is perfectly appropriate for failure to take agreed steps to amount to a breach of contract. However, it should not dictate that the threshold for authorisation liability has been reached.

Though courts look at the totality of circumstances to determine what amounts to reasonable steps to prevent infringement in any given case, once made, that finding is extremely powerful. Every single defendant to have been found to have failed to take 'reasonable steps' to prevent infringement since Gibbs J first enunciated his test in *Moorhouse* has then been held liable for that infringement.²⁹ That is, once a court determines the defendant has failed to take reasonable steps to prevent infringement, liability has inevitably followed. This history demonstrates that a failure to take reasonable steps to prevent infringement is highly indicative of liability. Where courts have unfettered discretion to determine what reasonable steps are in any given scenario, having taken into account the totality of circumstances, this is not problematic. That flexibility enables them to find, for example, that there were no reasonable steps that could have been taken, and thus that a failure to take any measures at all is not indicative of liability.³⁰ How might courts respond if that discretion is reduced, and regulations or voluntary agreements are used to effectively mandate reasonable steps regardless of other circumstances? It is possible that Australian courts may create new precedent to find that authorisation is not made out even where there has been a failure to take reasonable steps to prevent it. However, they may feel bound to find that liability is made out even if the totality of circumstances, in an unconstrained analysis, would not have resulted in that finding. The mandate of reasonable steps has the potential to be an extremely blunt and powerful instrument that affects the very foundations of the doctrine.

²⁹ The full list of cases considered as part of this analysis is at Appendix 1.

³⁰ See, eg, *Cooper*, 393 [71] (Branson J), 415 [167] (Kenny J), in which an employee of the ISP, Mr Takoushis, avoided liability for authorisation despite knowing of the third party infringement and taking no steps to prevent it. This was because he had no authority to prevent infringement, and it was not a reasonable step for him to approach his employers to compel them to do so.

Practical implications for Australian intermediaries

Although the Government's proposed amendment appears squarely aimed at ISPs, the broadening of the doctrine would apply with equal force to any other person who provides goods or services which may be put to infringing use. This includes all organisations which provide internet access to the public (including government bodies, libraries, schools and universities), online platforms which enable users to upload and display images and videos (such as eBay, Facebook and YouTube), providers of remote or 'cloud' storage (including commercial businesses like Dropbox, Microsoft and Google, as well as schools and universities), organisations which loan out or make available copyrighted content (libraries and video stores) and businesses which make and sell everyday consumer technologies like CDs, CD/DVD burners, USB keys, hard drives, digital video recorders and photocopiers.

As explained above, authorisation law is governed only partly by statute. Although courts must take the statutory factors into account, they do so with reference to the common law origins of those factors, and incorporate other considerations and analysis from the common law. It is impossible to predict in advance how courts faced with any given fact scenario might integrate the amended statute with existing common law principles. However, the likely practical implications of the amendment for Australian intermediaries include:

1. New obligations to take more proactive steps to prevent infringement;
2. New pressure on organisations to enter into private enforcement deals;
3. Increased need to rely on 'safe harbours' (with a corresponding increase in terminations of user accounts); and
4. Reduced international competitiveness as a result of additional red tape and regulatory burdens.

New obligations to take proactive steps to reduce infringement

There are many situations in which it may be argued that an organisation could take steps to limit infringement, even though it has little or no direct power to prevent the infringements from occurring.

Case study: Public Wi-Fi

A number of public bodies such as the Cities of Adelaide and Perth provide free Wi-Fi internet access to the public;³¹ plans have been announced to roll out similar programs in Melbourne and Canberra.³² Similar

³¹ Adelaide City Council, *AdelaideFree WiFi* <<http://www.adelaidecitycouncil.com/explore-the-city/city-information/city-services/internet-and-wi-fi/>>; City of Perth, *Free City WiFi* <<http://www.perth.wa.gov.au/our-city/getting-and-around/free-city-wifi>>.

³² Victorian State Government, *Public Wi-Fi* <<http://www.digital.vic.gov.au/initiatives/public-wi-fi/>>; Conor Hickey, 'Free Wi-Fi for Canberrans to come to Civic in October', *Canberra Times* (online), 29 May 2014

services are offered on a smaller scale by libraries, airports, cafes, hospitals, and other businesses. Currently, such services encourage use by making it easy to get online. In Federation Square in Melbourne, for example, users are required only to agree to basic 'Terms and Conditions' of use to be connected (and are not required to provide their identity or contact details).³³

Under the revised law, such public Wi-Fi providers may have a duty to take more proactive steps to limit potential infringement. They would be obliged to wrestle with what that might involve. Would it be a reasonable step in those circumstances to provide only slow connections? To limit access to web protocols or impose download limits? To require formal identification or verified contact details from each user? These providers would also have to keep abreast of private arrangements entered into by other internet providers, including traditional ISPs, in case such arrangements impact their own liability. The Government's proposed amendment is clearly aimed at encouraging ISPs to reach private accommodations with rights holders to assist them in enforcing their copyrights online. Assume the law is enacted and some or all Australian ISPs do enter into such accommodations. The current wording of the text, with its reference to 'commercial arrangements entered into by *relevant parties*' (emphasis added), opens the door to arguments that those deals are relevant to whether non-ISP organisations who provide internet access to the public have themselves failed to take reasonable steps to prevent infringement.

It would be highly undesirable for the liability of Australia's public institutions to depend so much upon the actions of legal strangers. Libraries, schools, universities and other public Wi-Fi access providers each have very different relationships with their customers, different kinds of expertise, and different technological, educational, financial and legal capabilities and constraints. Extending their legal obligations by agreements to which they were not party may result in the imposition of inappropriate obligations, especially where confidentiality considerations or a lack of contextual evidence prevent the court from being able to ascertain the full matrix of circumstances in which the agreement was reached. Despite the inappropriateness of extending liability in this manner, the proposal (as currently drafted) opens the door to precisely that. In the absence of any formal process for negotiating industry codes and commercial arrangements, these groups seem unlikely to be represented at the negotiations, making it impossible for them to protect their legitimate interests.

New obligations for libraries, schools, universities, cloud providers and more

The range of circumstances in which Australian intermediaries might face new liability under the proposed amendment is significant. The extended liability would apply not only to movie and music piracy, but to the full gamut of non-permitted uses. Thus, the forwarding of emails, sharing of photographs and memes online and storage of infringing (and not just pirated) content on remote servers would all potentially result in greater liability for intermediaries than they face under the current law, as would many other uses involving copying or transmission. For example:

<<http://www.canberratimes.com.au/technology/technology-news/free-wifi-for-canberrans-to-come-to-civic-in-october-20140529-zrrqb.html>>.

³³ Federation Square, *Free Wi-Fi* <<http://www.fedsquare.com/information/free-wifi/>>.

- ▲ **Libraries:** lend out audio and audiovisual materials such as CDs, DVDs, and videos, as well as literary works including books, ebooks, maps and journals. Patrons may make infringing copies of these materials at home or in their workplace. Libraries have no direct power to prevent such infringements. Under the amended law, would they be required to take measures such as limiting access to in-library use to avoid liability? Libraries also have many holdings, including books, sheet music, maps and genealogical records, which may be infringed within the library itself by patrons using smartphones to photograph pages. It may be argued that under the revised law they must take more positive steps to prevent patrons from doing so, for example by requiring phones to be given up in exchange for access to certain collections, posting new warning notices outlining the circumstances in which it might amount to infringement, requiring users to agree to new conditions of entry and/or requiring security staff to monitor for the practice during patrols. Some libraries also provide patrons with access to copying technologies such as scanning equipment and CD/DVD burners on public computers, which are typically used for activities such as school projects and family genealogical research. The proposed change may make it unfeasible to continue to provide that public service.
- ▲ **Search engines:** enable users to find content on the web, some of which is infringing. As they do not control what material is on the web, they cannot remove it. They do however already take steps to limit access to infringing content. For example, Google removes some 4 million links to infringing material each week upon request from rights holders, and its search algorithm deprioritizes results for sites that have been repeatedly reported to contain infringing material. Under the amended law, rights holders would be in a position to exert pressure on search engines to go further – for example, to proactively scan for links that might potentially be infringing rather than relying on being alerted by rights holders, or remove sites that have been associated with infringement altogether. This has significant potential to interfere with non-infringing uses, and could foreseeably result in unrelated sites hosted on the same domain being lost to the index. The very nature of the internet also means that blocking and filtering impose hidden costs which may not be apparent to courts.³⁴ All of these costs would again be imposed without any clear identification of the benefits likely to be obtained in return.
- ▲ **Consumer electronics and software companies:** design products that are capable of copying or transmitting copyright material, such as video recorders. Australia's expansive copyright laws have already limited the technologies available to consumers. TiVo, for example, launched here a decade later than in the US, with a severely limited feature list.³⁵ Cloud providers face more liability in Australia than in many overseas jurisdiction because an expansive reading of the Copyright Act potentially imposes direct (as well as secondary) liability for their users' infringements.³⁶ The proposed changes would expand that liability further still. Would technology providers be obliged to design their technology differently so as to reduce the impact of infringement? To what extent would that obligation trump the desirability of making these technologies available for non-infringing uses?
- ▲ **Other Australian businesses:** sell technologies that can be put to infringing use, like blank CDs and DVDs, USB keys, and CD/DVD burners. Under the current law, their lack of power to prevent the infringement and general lack of involvement in any resulting infringement mean they are not required

³⁴ See generally R Barnes, A Cooper, and O Kolkman, 'Technical Considerations for Internet Service Blocking and Filtering' (work in progress, Internet Architecture Board, 28 January 2014).

³⁵ See eg Daniel Long, *The Australian Tivo FAQ – What it does, will it skip ads, when it launches, will it work with Foxtel* (2008) <<http://www.pcauthority.com.au/Feature/116335,the-australian-tivo-faq--what-it-does-will-it-skip-ads-when-it-launches-will-it-work-with-foxtel.aspx>>. Some of the key differences are that the US version allows taping of cable television as well as free to air, and has much more sophisticated ad-skipping technology.

³⁶ See detailed discussion in Rebecca Giblin, 'Stranded in the technological dark ages: implications of the Full Federal Court's decision in *NRL v Optus*' (2012) 35 *European Intellectual Property Review* 632-641.

to take any steps to limit them.³⁷ Under the revised law they may be obliged to do more to avoid liability, such as posting notices warning against infringement, or requiring prospective purchasers to agree not to put them to infringing use. Manufacturers and importers of copying technologies may also face new pressure to limit their functionality to make them less useful for infringement, with the potential to also impact on their availability for non-infringing use.

- ▲ **Government departments, universities, schools, libraries and commercial providers:** commonly provide remote or cloud-based digital storage to their staff, students, or customers. Under the revised law, would intermediaries have new positive obligations like scanning for and blocking infringing material that has been uploaded by users?
- ▲ **Schools, universities, libraries and businesses of all kinds:** regularly supply email facilities to their employees and users. Under existing Australian law, forwarding emails can amount to an infringement of the copyright in the original. Organisations have no power to prevent this, short of removing the 'forward' functionality altogether. If this is litigated, perhaps because of a case involving a confidential, commercially valuable or sensitive message, it might be argued that it was a 'reasonable step' to require a pop-up window to display a warning each time a user seeks to forward an email, or for the relevant organisation to have provided more training for users about their copyright obligations.
- ▲ **Schools:** provide equipment and resources (including internet access, remote storage, interactive whiteboards, tablet computers, photocopiers, software and course packs) which students might put to infringing use. Schools already invest considerable resources into promoting respect for copyright. National Copyright Unit initiatives include frequent training sessions for teachers, the provision of a detailed guide providing practical advice to school and TAFE teachers to facilitate their understanding and compliance, and a variety of educational initiatives aimed at increasing student understanding of piracy, the surrounding ethical issues, and its impact on creators.³⁸ If the revised law is enacted, imposing new obligations on schools to proactively reduce infringement, they may be pressured by rights holders to allocate additional resources away from other parts of the curriculum to do more to 'educate' students and teachers about copyright. **Libraries also** provide many of these same resources as part of venue hire arrangements, school education programs and client services. No cost/benefit analysis has been done to discover what further benefits would be obtained from such a reallocation compared to devoting those resources to activities elsewhere.

In addition to having greater policing obligations, there is also potential for Australian intermediaries to themselves be directly penalised for infringements committed by their customers, patrons, students or staff. For example, the State Library of Western Australia, like many other institutions, purchases its internet access from an external provider. If patrons committed online infringements, the library itself may risk its access being limited in accordance with the terms of any industry scheme, commercial arrangement or prescribed measures. That would raise the costs of providing access and reduce the services the library could provide – again, with no cost/benefit analysis about whether it is justified to do so.

Notably, the degree of involvement necessary to give rise to liability under the expanded authorisation law may be significantly less than in other areas involving economic loss. For example, whether a person is liable for pure economic loss caused by their negligent act or omission depends on whether they owe the sufferer a duty of care, determined with reference to factors such as whether there was reasonable foreseeability of

³⁷ *Australian Tape Manufacturers Association Ltd v Commonwealth* (1993) 176 CLR 480, 497-498 (Mason CJ, Brennan, Deane and Gaudron JJ).

³⁸ See National Copyright Unit, Smartcopying <http://www.smartcopying.edu.au/>.

pure economic loss to an ascertainable class of people, together with salient features including the level of control the defendant had over the circumstances giving rise to the risk of loss, the vulnerability of the plaintiff to the risk of loss (including whether there were reasonable steps they could take to protect themselves), whether the area is already governed by a contractual regime that addresses the issue, whether there is a statutory regime addressing the field, the level of knowledge of the defendant, determinacy of the loss and so on.³⁹ Whether a duty will be found is highly contingent on the facts and is determined on a case by case basis. By changing authorisation in the manner described, intermediaries could effectively be treated as having a duty of care with considerably less involvement. No clear justification has been provided for treating plaintiff rights holders so much more favourably than those who suffer other forms of economic loss.

New pressure to enter into private enforcement deals

The existing authorisation law has been widely criticised for its lack of clarity.⁴⁰ Despite the Government's stated intention of 'clarify[ing]' its operation,⁴¹ the change would in fact be accompanied by significant new uncertainties. Unresolved questions include:

- ▲ How would judicial analyses change in response to the 'power to prevent' being subsumed into 'reasonable steps'?
- ▲ What would be the significance of a failure to comply with an industry scheme or commercial arrangement to the 'reasonable steps' analysis (especially when the defendant has no direct power to prevent the infringement)?
- ▲ Would a failure to comply with prescribed measures have less, the same or greater significance than a failure to comply with an industry scheme or commercial arrangement?
- ▲ Would enforcement deals entered into by legal strangers be relevant to the liability of organisations which provide similar services?
- ▲ How would each of these controversies be integrated into judicial analyses which also take other common law factors into account?
- ▲ How would these matters impact on providers further upstream (for example, the provider of internet access to a university or smaller ISPs)?

³⁹ *Perre v Apand Pty Ltd* (1999) 198 CLR 180; *Johnson Tiles Pty Ltd v Esso Australia Ltd* [2003] VSC 27.

⁴⁰ See, eg, the remarks of the trial judge, Cowdroy J, *Roadshow Films Pty Ltd v iiNet Ltd (No 3)* (2010) 263 ALR 215, 290 [358] ('[T]he law of authorisation has continued to grow more complicated and unwieldy, with a litany of competing and contrasting considerations, and with one statement of principle frequently matched with a contradictory one. The authority on authorisation has become a mire.');

Hugh Laddie et al, *The Modern Law of Copyright and Designs* (Butterworths 3rd ed, 2000), 39.14 (describing Australia's authorisation law as 'hard to reconcile'); Jennifer E Stuckey, 'Liability for Authorizing Infringement of Copyright' (1984) 7(1) *University of New South Wales Law Journal* 77, at 78 (as 'enshrouded' in confusion); David Lindsay, 'Internet intermediary liability: a comparative analysis in the context of the Digital Agenda reforms' (2006) 24(1&2) *Copyright Reporter* 70-86, 77 (describing it as 'incoherent' and 'unnecessarily complex and uncertain'). See also Rebecca Giblin, 'The uncertainties baby: Hidden perils of Australia's authorisation law' (2009) 20(3) *Australian Intellectual Property Journal* 148-177, for a detailed analysis of the uncertainties within the doctrine.

⁴¹ Discussion Paper, 4.

Since authorisation's scope is largely determined by the common law, each of these matters would have to be teased out on a case by case basis to determine its new contours. That would be a significant task. Given the amendment's clear signal that the leading authority, *Moorhouse*, is no longer good law, new principles would have to emerge to fill the lacunae.

Intermediaries across a wide range of sectors, including libraries, universities and technology providers (particularly relating to online search and cloud hosting and storage) have expressed concern that they did not fully understand what their new liability might be if the Government's proposal were enacted. Even if they could be confident that they would not be liable under extended authorisation principles, intermediaries must also account for the risk that the Government may change that position by regulation if they do not sufficiently accommodate the interests of rights holders. Even if the Government has no current intention of doing so, there is significant potential for lobbying by rights holders to increase the number and scope of prescribed measures once the regulation power is in force, which further adds to the uncertainty about the potential scope of institutional obligations.

The combined effect of the expanded law, uncertainty about the extent of its reach and the possibility of regulations being prescribed if intermediaries were insufficiently accommodating would combine to exert significant pressure on Australian organisations to enter into private enforcement deals.

The strengthened hand of rights holders under the amended law would give them little incentive to be reasonable in negotiating the terms of such deals. That is problematic because the interests of copyright owners do not always align with the broader public interest, leading them to sometimes overreach in enforcing those rights. For example, the most powerful rights holders have long advocated for infringing users to have their internet access terminated, with the International Federation of the Phonographic Industry ('IFPI') suggesting in 2007 that '[d]isconnection of service for serious infringers should become the speeding fine or the parking ticket of ISP networks.'⁴² Since then, there has been growing awareness that termination of access is actually a very serious penalty, with significant impact on day to day life including the ability to engage with government and business, to study, and to look for employment. That, combined with the implications for fundamental human rights such as freedom of expression, demonstrates that it should not be inflicted lightly.⁴³ Separately, IFPI has also advocated for filtering of all content by ISPs using deep packet inspection, a method which would impose significant costs on the service provider and slow

⁴² International Federation of the Phonographic Industry, *IFPI:07 Digital Music Report* (2007), 3
<<http://www.ifpi.org/content/library/digital-music-report-2007.pdf>>.

⁴³ See, eg, Frank LaRue, *Report of the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression*, UN GA HRC, 17th sess, Agenda Item 3, UN Doc A/HRC/17/27 (16 May 2011)
<http://www2.ohchr.org/english/bodies/hrcouncil/docs/17session/A.HRC.17.27_en.pdf> (criticising graduated response laws that provide for disconnection of access as being 'disproportionate'); Ministère de la Culture et de la Communication, *Publication du décret supprimant la peine complémentaire de la suspension d'accès à Internet* (*Publication of the decree abolishing the additional penalty of suspension of access to the Internet*), (9 July 2013)
<http://www.culturecommunication.gouv.fr/content/download/72701/555642/file/130709_MCC%20-%20cp%20suspension%20d%27acc%C3%A8s%20%C3%A0%20internet.pdf> (press release of the French Ministry of Culture and Communication, announcing that the repeal of provisions relating to internet access termination for copyright infringement, on the grounds that it was no longer seen as an appropriate remedy).

down internet access for infringing and non-infringing users alike.⁴⁴ Despite IFPI's description of the method as 'effective and not unreasonably burdensome', it was rejected by the Court of Justice of the European Union as being contrary to the fundamental rights of intermediaries and users.⁴⁵

It is entirely understandable that rights holders wish to exert their rights to full commercial advantage. However, that does not make it desirable or reasonable for them to have such a powerful role in deciding what everyone else's rights and responsibilities ought to be.

Increased need to rely on 'safe harbours'

An alternative way for intermediaries and others to manage extended authorisation liability may be to rely on the safe harbour provisions in Part V, Division 2AA of the *Copyright Act*. The Government has recommended accompanying the proposed extension of authorisation law with an expansion of existing safe harbour provisions to ensure they cover all online service providers rather than only 'carriage service providers'.⁴⁶

Safe harbours limit the monetary remedies available against service providers in some circumstances where the service has been put to infringing use. Universities, schools, libraries, search engines and cloud storage providers are among those that would benefit from this change, and it is a welcome initiative that would bring Australian law into line with many of its trading partners.

For the reasons set out below however, this extension would only partly ameliorate the consequences of an expanded authorisation law.

- ▲ **Safe harbours do not prevent liability from accruing:** There is no need to resort to reliance on safe harbours unless liability has accrued in the first place. Discussions with stakeholders suggest that it is important to many sectors to avoid liability altogether, rather than to merely rely on a limitation on remedies. For that reason, an extension to safe harbours would give them little comfort in dealing with rights holder demands that they take greater proactive steps to prevent infringement.
- ▲ **The extended safe harbours would apply only to certain online activities, not to all activities captured under the expanded authorisation law:** In many cases, the extension of authorisation liability would not be matched by an extended safe harbour. For example, libraries would not be protected from any new liability the law introduced for their users engaging in offline copying of their holdings. Nor would manufacturers be able to rely on the safe harbours to protect themselves from extended liability from the design of their products, or businesses for the sale of equipment that may be put to infringing use. In such cases, intermediaries will face new liability without any corresponding new protections.
- ▲ **Even where a safe harbour applies, it may still impose new burdens:** Even in situations where a safe harbour did apply, the service provider would still be obliged to comply with the attached conditions to

⁴⁴ IFPI, *ISPs – Technical Options for addressing online copyright infringement* <http://www.eff.org/files/filenode/effeurope/ifpi_filtering_memo.pdf>, 1.

⁴⁵ *Ibid*; *Scarlet Extended SA v Societe belge des auteurs, compositeurs et editeurs SCRL (SABAM)* (C-70/10), EU:C:2011:771.

⁴⁶ Discussion Paper, 7.

obtain its benefit. For example, a cloud storage provider seeking to fall within the Category C safe harbour for its storage of copyright material on its system must comply with a range of requirements relating to the removal of that material.⁴⁷ To the extent that such obligations arise from the extension of authorisation liability (rather than liability under the existing law), the combined effect of the changes would still be to burden intermediaries with new obligations.

- ▲ **Increased reliance on safe harbours = increased account terminations:** If extended authorisation law and extended safe harbours were both enacted, one serious unintended consequence may be that it encourages the termination of user accounts. This is because, in order to take advantage of any of the safe harbours, the service provider 'must adopt and reasonably implement a policy that provides for termination, in appropriate circumstances, of the accounts of repeat infringers.'⁴⁸ Though the Government states in the Discussion Paper that it does not expect any 'industry scheme or commercial arrangement to impose ... any measures that would interrupt a subscriber's internet access',⁴⁹ termination policies must be put in place in order for service providers to rely on any of the safe harbours. The three members of the Full Court of the Federal Court in *iiNet* emphasised the need to implement genuine termination policies in order to shelter within the safe harbour.⁵⁰ Risk-averse institutions, unsure of the extent of their new obligations, may only be able to manage their new liability by becoming trigger-happy on user termination.

More red tape and regulation = reduced global competitiveness

Intermediaries exhibited widespread concern that the proposed changes would result in significant new compliance burdens. This would be the case whether they enter into formal industry arrangements or simply themselves proactively take additional steps to limit infringement to manage their extended liability.

The kinds of activities which such organisations may find themselves obliged to deal with if the proposed amendment is enacted include:

- ▲ **Developing policies to respond to infringement allegations** (How many warnings? In what circumstances? Who is to bear the costs of enforcement? What sanctions might be appropriate? How to deal with situations where different rights holders each demand different action to be taken?)
- ▲ **Evaluating infringement allegations** (How was the allegation generated? Is the information accurate? How serious is the offence?)
- ▲ **Additional record keeping and tracking** (and ensuring these are consistent with obligations under privacy legislation)
- ▲ **Passing on warnings**
- ▲ **Maintaining records to identify 'repeat infringers'**. Privacy legislation would apply to such records as they would be 'personal information'.
- ▲ **Implementing punishments**

⁴⁷ *Copyright Act*, ss 116AE, 116AH(1), Items 1, 4.

⁴⁸ *Copyright Act*, s 116AH(1), Item 1.

⁴⁹ Discussion Paper, 4.

⁵⁰ *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285, 343-347 [258]-[272] (Emmett J), 404-407 [516]-[526] (Jagot J), 464-465 [803]-[806] (Nicholas J).

- ▲ **Adjudicating disputes between copyright owners and users**
- ▲ **Making determinations about exceptions** (eg in case of hardship, special needs. Was the material being accessed for a school project in circumstances where it was not commercially available, and is that relevant to determining what amounts to reasonable steps?)
- ▲ **Managing potential liability for unfounded allegations**
- ▲ **Taking technical steps to alter or limit the use of their products and services**, including via the possible implementation of filtering, port blocking, slowing speeds etc.

Each of these obligations would consume finite public resources to be re-allocated from elsewhere. The appropriate allocation of enforcement costs has been a point of contention in every jurisdiction where governments have sought to impose new policing obligations on intermediaries. That global experience shows that intermediaries will not be able to rely on rights holders being willing to contribute to that burden. In New Zealand, for example, where the actual cost to ISPs of issuing a single notice is NZ\$30 or more, the recording industry proposed contributing just NZ\$2 or less,⁵¹ and the movie industry insisted it should pay 'a matter of pennies' – or even nothing at all.⁵² In many cases, the resources used to enforce these private rights would be public money intended for government, education, and research, diverted without any evidence that there would be a corresponding benefit in return.

Members of the technology sector, particularly hosting and cloud-computing providers, suggested that the changes might disproportionately disadvantage emerging participants compared to industry incumbents, and have a deleterious effect on competition. Various technology sector members also indicated that the proposed changes would make Australia a less attractive place to invest, and encourage offshoring and capital relocation. There was a widespread view that the change would put the Australian technology sector at a decisive disadvantage to international competitors, particularly in the provision of hosting and data centre operation. One representative of a large technology firm asked, 'why would you set up a new cloud storage service in Australia knowing you'd have more obligations than anywhere else in the world?' Another described the proposal as opening up 'a world of risk'. Others queried the cost/benefit analysis. By downgrading the power to prevent infringement, new liability would accrue regardless of whether the intermediary was best placed to reduce the infringement. From a risk management perspective, technology companies indicated that the proposed changes to the law would oblige them to consider taking greater proactive steps to reduce infringement. However, there are obvious inefficiencies in obliging owners of networks to take new proactive steps to reduce infringement without fully taking into account the costs that would impose (including degradation of performance and higher fees), and the benefits likely to be achieved in return.

⁵¹ Recording Industry Association of New Zealand and Independent Music New Zealand, Submission to the Ministry of Economic Development, *Copyright (Infringing File Sharing) Regulations – Fee Review* (30 April 2012), 6-7 <www.med.govt.nz/business/intellectual-property/pdf-docs-library/copyright/notice-process/illegal-peer-to-peer-file-sharing-submissions-on-fee-review-discussion/rianz.pdf>.

⁵² New Zealand Federation Against Copyright Theft, Submission to the Ministry of Economic Development, *Copyright (Infringing File Sharing) Regulations – Fee Review* (1 May 2012), 2-4 <www.med.govt.nz/business/intellectual-property/pdf-docs-library/copyright/notice-process/illegal-peer-to-peer-file-sharing-submissions-on-fee-review-discussion/nzfact.pdf>.

Universities also expressed concern that, by being burdened with more extensive liability than their overseas counterparts, they would become less competitive internationally, the opposite of what the Government's deregulation agenda had promised.

Situating the proposal within the global context

The Discussion Paper claims that '[e]xtending authorisation liability is essential to ensuring the existence of an effective legal framework that encourages industry cooperation and functions as originally intended, and is consistent with Australia's international obligations', including Australia's obligations under free trade agreements with the United States, Singapore and Korea.⁵³ However, as detailed legal analysis by Associate Professor Kimberlee Weatherall has demonstrated, it seems clear that Australia's existing law is already fully compliant with those international obligations.⁵⁴ Indeed, Australia's authorisation law is already at least as broad as its overseas equivalents – and in some cases, extends considerably further. This can be demonstrated by comparison to jurisdictions with which it shares close historical and trading links: the UK, Canada, New Zealand and the United States.

Like Australia, the three Commonwealth countries each use authorisation frameworks to address questions of secondary infringement. While they share similar statutory origins, they have evolved to have rather different scope and content in each.

Under UK law, authorisation has been interpreted as requiring the defendant to have granted or purported to grant the third party the right to do the infringing act.⁵⁵ In the leading authority of *CBS Songs v Amstrad Consumer Electronics*, the House of Lords held that the manufacturer of tape recorders that allowed rapid copying (and advertised them in terms likely to encourage home copying of copyrighted music) had not authorised any resulting third party infringement, because, even though it conferred the *power* to copy, it did not grant the *right* to copy.⁵⁶ Under this interpretation, the clearer it is that the defendant is facilitating infringing behaviour (rather than granting legal permission to copy), the less likely it is that they are authorising infringement.⁵⁷ This position is considerably narrower than that taken in Australia. Though

⁵³ Discussion Paper, 3.

⁵⁴ Kimberlee Weatherall, Submission to the Joint Standing Committee on Treaties/Senate Standing Committee on Foreign Affairs, Defence and Trade References, *Korea-Australia Free Trade Agreement* (13 June 2014), 8-11 <<http://works.bepress.com/kimweatherall/29/>>.

⁵⁵ *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013, 1054 (Lord Templeman, with whom the other members of the House of Lords agreed) ('*CBS v Amstrad*'), approving *Falcon v Famous Players Film Company* [1926] 2 KB 474, 499 (Atkin LJ). See also Kevin Garnett et al, *Copinger and Skone James on Copyright* (15th ed, Sweet & Maxwell, London, 2005), 450 [7-132].

⁵⁶ *CBS v Amstrad*, 1054.

⁵⁷ Christina Angelopolous, 'Beyond the Safe Harbours: Harmonising Substantive Intermediary Liability for Copyright Infringement in Europe' [2013] 3 *Intellectual Property Quarterly* 253-274, 256-257.

some lower courts have subsequently sought to broaden the definition, the House of Lords authority remains good law.⁵⁸

In Canada, the leading authority is *CCH Canadian v Law Society of Upper Canada*.⁵⁹ The facts closely matched those in *Moorhouse*, with plaintiff publishers arguing that, by providing photocopying machines alongside their copyrighted works, a law library had authorised any resulting third party infringement. The Supreme Court of Canada rejected the argument in strong terms, finding that, even if infringement had occurred, the library had too little control over the actions of the direct infringers to justify the imposition of liability.⁶⁰ In making that finding, the Canadian court criticised the approach that had been taken the Australian High Court in *Moorhouse*, finding that it 'shift[ed] the balance in copyright too far in favour of the owner's rights and unnecessarily interfere[d] with the proper use of copyrighted works for the good of society as a whole'.⁶¹ There is no suggestion that Australia's High Court in *iiNet* overturned *Moorhouse*, or that it would be decided differently under our existing law. Accordingly, the Australian law remains considerably broader than the Canadian equivalent.

New Zealand's authorisation doctrine has rarely been tested, and 'scant' authorities leave it unclear whether the Australian or UK approaches might be preferred.⁶²

Unlike its Commonwealth counterparts, the US's secondary liability law is not based on authorisation. Instead, its common law has evolved to recognise three separate ways in which secondary liability might arise: where a defendant has vicariously engaged in infringement, contributed to it, or induced it. Vicarious liability arises where a defendant has the 'right and ability' to supervise the third party's copyright infringement, and a direct financial interest in its occurrence,⁶³ while contributory liability requires the defendant, with knowledge of the third party infringement, to have 'induced, caused or materially contributed' to it.⁶⁴ Both doctrines have been interpreted as requiring a significant degree of direct and immediate control over the third party infringement.⁶⁵ Vicarious liability requires a close 'monitoring and supervisory relationship between the defendant and actual infringer'.⁶⁶ Contributory liability's knowledge element, where the product or service is capable of substantial non-infringing uses, can be satisfied only by actual knowledge held at a time the defendant was contributing to the third party infringement or could do

⁵⁸ Some lower courts have more recently sought to read the law more broadly to capture blameworthy defendants in circumstances where there is no grant or purported grant to do the act complained of – see, eg, *Twentieth Century Fox Film Corporation v Newzbin Ltd* [2010] EWHC 608 (Ch) and *Dramatico Entertainment Ltd & Ors v British Sky Broadcasting Ltd* [2012] EWHC 268 (Ch). These examples appear to be contrary to existing precedent. See discussion in Christina Angelopolous, 'Beyond the Safe Harbours: Harmonising Substantive Intermediary Liability for Copyright Infringement in Europe' [2013] 3 *Intellectual Property Quarterly* 253-274, 256-257.

⁵⁹ [2004] 1 SCR 339.

⁶⁰ *Ibid*, 363-364 [45].

⁶¹ *Ibid*, 362 [41].

⁶² See discussion in Susy Frankel, *Intellectual Property in New Zealand* (LexisNexis, 2nd ed, 2011), 282-287

⁶³ *Gershwin Publishing Corp v Columbia Artists Management, Inc*, 443 F 2d 1159, 1162 (2d Cir 1971).

⁶⁴ *Ibid*, cited with approval in *Sony Corporation of America v Universal City Studios, Inc*, 464 US 417, 487 (1984); *Metro-Goldwyn-Mayer Studios Inc v Grokster, Ltd*, 545 US 913, 930 (2005) ('*Grokster*').

⁶⁵ The decision in which the Ninth Circuit set out these interpretations was overturned on ultimate appeal to the Supreme Court on the grounds of inducement liability. However, the findings in relation to the operation of contributory and vicarious liability were undisturbed.

⁶⁶ –*Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd*, 380 F 3d 1154, 1165 (9th Cir 2004).

something to prevent it.⁶⁷ In the early 2000s, P2P software providers effectively bypassed the law by designing their technologies to eliminate that liability-attracting control. Confident of avoiding liability, they then encouraged their users to put them to infringing use.⁶⁸ The US Supreme Court responded by introducing a third doctrine, inducement, of which control is not an element. It applies where a defendant provides a device or service 'with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement.'⁶⁹ The creation of the third doctrine was driven by the need to capture situations where defendants have only indirect or attenuated powers to prevent third party infringement, but where their involvement is nonetheless such to justify liability. As *Sharman* (discussed above) demonstrates, Australia's existing authorisation law already has the built-in flexibility to respond to such situations; the more intimately the defendant is involved in the infringement, the less power it needs to have to prevent it to justify a finding of liability. Thus, the reach of Australia's authorisation law already approximates the combined scope of the three US doctrines.⁷⁰

This analysis demonstrates that the Australian law is already as broad as (or broader than) overseas equivalents. The breadth of the existing law is further highlighted by the practical point that Australia is the only jurisdiction in which an ISP has been sued for mere failure to pass on unsubstantiated infringement allegations. The current proposal to extend Australia's authorisation law still further would impose new obligations on all sectors beyond those required of their competitors overseas. Those obligations may even extend to new general obligations to monitor and/or filter their customers' behaviour; something which has been expressly rejected in the EU via multiple judgments of the Court of Justice of the European Union as being contrary to the fundamental rights of intermediaries and users.⁷¹ That would also seemingly go beyond that required under safe harbour law, which in Australia, as in its US progenitor, expressly imposes no duty to monitor.⁷² They would certainly place rights holders, including many large foreign companies, in an extremely favourable position in their commercial dealings with Australian intermediaries and consumers.

What about graduated responses?

In several jurisdictions around the world, ISPs are required by law to play a greater role in online copyright enforcement.⁷³ However, in no country are these obligations imposed via extensions to the general law governing secondary infringement. The various schemes apply only to ISPs. They do not impose additional obligations on other intermediaries, and thus avoid imposing the kind of additional burdens on other intermediaries that would result if the current proposal were to be enacted. Furthermore, they are statutory in nature. Each one clearly sets out the relevant parties' rights and obligations, and they incorporate various checks and balances to manage the competing interests. (The handful of voluntary schemes operating

⁶⁷ *Ibid*, 1162-1163.

⁶⁸ The complete history of this phenomenon is explored in Rebecca Giblin, *Code Wars* (Edward Elgar, 2011).

⁶⁹ *Grokster*, 936-37.

⁷⁰ See also comparison of Australian and US secondary liability law in Jane Ginsburg and Sam Ricketson, 'Separating Sony sheep from Grokster (and Kazaa) goats: Reckoning future business plans of copyright-dependent technology entrepreneurs' (2008) 19(1) *Australian Intellectual Property Journal* 10-42, especially 12-20.

⁷¹ *Scarlet Extended SA v Societe belge des auteurs, compositeurs et editeurs SCRL (SABAM)*, C-70/10, EU:C:2011:771; *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*, C-360/10, EU:C:2012:85.

⁷² *Copyright Act*, s 116AH(2); 17 USC 512(m)(1).

⁷³ See generally Rebecca Giblin, 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law & the Arts* 147-209.

without such oversight, by agreement between some ISPs and some rights holders, are readily distinguishable from the current proposal in that they are not compelled to do so by the threat of liability.) By contrast, the current proposal is not only not limited to ISPs, but leaves an extraordinary amount of heavy lifting to the common law.

Conclusions

Australia's secondary liability law is already as broad as or broader than those of its overseas counterparts, and is fully compliant with its international obligations. Expanding it further still would create unprecedented new liability for Australia's institutions, requiring them to take more proactive steps to prevent infringement and pressuring them to enter into private enforcement deals with major rights holders. The way in which the proposal is drafted would use a 'one size fits all' approach contrary to a century of authority stating the necessity of determining liability with reference to the individual facts of each case. It would also give copyright owners considerably broader rights against Australian individuals and institutions than those suffering economic loss because of torts committed in other contexts, without any justification of why they should receive such special treatment. Elevating rights holders into that position of power would result in arrangements that may have insufficient regard for the rights and interests of intermediaries and users. The proposed amendments would likely result in persistent rightholder lobbying for new regulations that go further and do more, perpetuating uncertainty about the scope of intermediaries' obligations and liability. Australian intermediaries and institutions, including libraries, schools, universities, cloud providers and search engines, would also be obliged to rely on 'safe harbours' to manage their liability. That would likely result in more user account terminations, but, even then, would not fully shelter intermediaries from their increased regulatory burdens. Requiring Australian intermediaries to do more than their overseas counterparts makes Australia less competitive, and a less attractive place for investment. All of this would be imposed with little clear idea about the benefits that the changes would be likely to effectuate.

If new obligations are to be imposed on intermediaries to proactively assist rightholders in copyright enforcement activities, these should be imposed independently of the authorisation framework. By more accurately targeting the intermediaries best placed to limit infringement, the Government could eliminate much of the collateral damage that would occur as a result of a too-wide expansion. A targeted scheme that is the subject of full debate and consultation would more clearly identify the new responsibilities to be imposed and the costs and benefits that would result, reduce uncertainty, and ensure the incorporation of checks and balances to appropriately balance the various competing interests.

About the author

Dr Rebecca Giblin is an Australian legal academic who has published widely on Australian and international law relating to secondary liability for copyright infringement, including a book, *Code Wars* (Edward Elgar, 2011). She is also an expert on international public and private graduated responses and the author of 'Evaluating Graduated Response' (2014) 37 *Columbia Journal of Law & the Arts* 147-209, the most extensive evaluation of global graduated responses that has been carried out anywhere in the world to date. That study examines each graduated response scheme operating around the world as of late 2013 and evaluates the evidence about the extent to which they each reduce infringement, increase legitimate markets, and promote learning and culture by encouraging the creation and dissemination of a wide variety of creative materials. She is a Senior Lecturer at Monash University Law School, affiliated Faculty member of the Berkeley Centre for Law & Technology, and a former Kernochan Visiting International IP Scholar at Columbia Law School. Dr Giblin has been a Board Director of the Australian Digital Alliance since 2012.

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Appendix 1

List of cases reviewed for the purpose of footnote 29 and accompanying text:

1. *RCA Corporation v John Fairfax & Sons Ltd* [1981] 1 NSWLR 251
2. *Copyright Agency Ltd v Haines* [1982] 1 NSWLR 182
3. *WEA International Inc v Hanimex Corporation Ltd* (1987) 17 FCR 274
4. *Australasian Performing Right Association Ltd v Jain* (1990) 26 FCR 53
5. *Nationwide News Pty Ltd v Copyright Agency Ltd* (1996) 65 FCR 399
6. *Fasold v Roberts* (1997) 70 FCR 489
7. *Henley Arch Pty Ltd v Clarendon Homes (Aust) Pty Ltd* (1998) 41 IPR 443
8. *Tolmark Homes Pty Ltd v Paul* (1999) 46 IPR 321
9. *Zomba Production Music (Australia) Pty Ltd v Roadhouse Productions Pty Ltd (in liq)* (2001) 190 ALR 288
10. *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 210 ALR 244
11. *Microsoft Corporation v Ezy Loans Pty Ltd* (2004) 63 IPR 54
12. *Nominet UK v Diverse Internet Pty Ltd* (2004) 63 IPR 543
13. *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1
14. *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380
15. *Barrett Property Group Pty Ltd v Metricon Homes Pty Ltd* (2007) 74 IPR 52
16. *TVBO Production Ltd v Australia Sky Net Pty Ltd* (2009) 82 IPR 502
17. *Deckers Outdoor Corporation Inc v Farley (No 5)* (2009) 262 ALR 53
18. *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd* (2011) 191 FCR 444
19. *Roadshow Films Pty Ltd v iiNet Ltd (No 2)* (2012) 248 CLR 42
20. *Tamawood Ltd v Habitare Developments Pty Ltd (admins apptd) (recs and mgrs apptd) (No 3)* (2013) 101 IPR 225
21. *Volunteer Eco Students Abroad Pty Ltd (as trustee for the Volunteer Eco Students Abroad Unit Trust) v Reach Out Volunteers Pty Ltd* (2013) 102 IPR 161
22. *Seafolly Pty Ltd v Fewstone Pty Ltd* (2014) 106 IPR 85