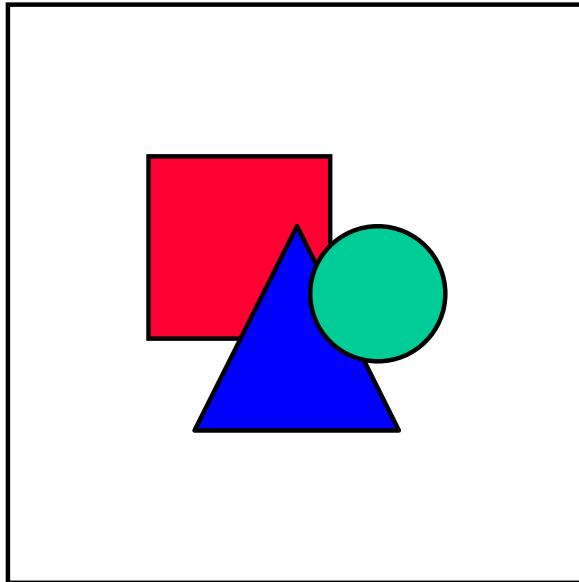


Supplementary submission to the House of
Representatives Standing Committee on Legal
and Constitutional Affairs
on its inquiry into
the enforcement of copyright in Australia

March 2000

INTRODUCTION : ATTORNEY-GENERAL'S DEPARTMENT SUBMISSION TO HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS INQUIRY INTO THE ENFORCEMENT OF
COPYRIGHT



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March 2000

Ms Catherine Cornish
Secretary
House of Representatives Standing Committee on Legal
and Constitutional Affairs Committees
Parliament House
CANBERRA ACT 2600

Dear Ms Cornish

INQUIRY INTO THE ENFORCEMENT OF COPYRIGHT IN AUSTRALIA

When this Department appeared before the Committee on 12 August 1999 it undertook to provide the Committee with further information concerning the adoption of statutory damage schemes in Canada and in a European civil law country.

2. We wish to thank the then Secretary of the Committee for agreeing to wait until now for this information. It is noted that work on the reference on copyright enforcement was suspended while the Committee inquired into and reported on the *Copyright Amendment (Digital Agenda) Bill 1999*. The Government expects to respond to that report shortly.

3. Information about the statutory damages provisions for infringement of copyright in Canada and Slovenia is enclosed.
4. The enclosed material includes parts of the Copyright Act of Canada, in particular, section 38 of that Act dealing with statutory damages. Extracts are also provided from the parliamentary debate on Bill C-32 which amended the Canadian Copyright Act to include the statutory damages scheme. Also enclosed is the report of the Canadian Senate Standing Committee on Transport and Communications on Bill C-32 which contains one paragraph addressing the statutory damages provision.
5. In effect, s.38 of the Canadian Copyright Act provides the plaintiff with the option of electing for statutory damages and then empowers the judge to award those damages on the basis of a determination about the culpability of the conduct but with a minimum (\$200) and a maximum (\$500) amount per article involved. I note that the criminal law policy of the Australian Government has moved away from the imposition of penalties based on an amount per article in favour of an overall assessment of the culpability of the conduct.
6. The Slovenian material consists of a paper presented to the 1999 ALAI Berlin Congress by Dr Tranpuz of the Copyright Agency of Slovenia outlining that country's new copyright legislation. Part XIV of the paper deals specifically with civil punitive damages.
7. In comparing the above schemes, you will note that they deal differently with an innocent infringement. Under Slovenian copyright law, punitive damages may be sought only if the defendant has acted with intent or gross negligence while under Canadian law the court has a discretion to lower the amount of statutory damages to \$200 but may not totally excuse the infringement.
8. Turning to setting the amount of statutory damages, the Slovenian law provides for punitive damages calculated at triple the applicable licence fee and non-punitive damages (a single licence fee) while the Canadian sets an express penalty range for infringements.
9. The Canadian approach is more arbitrary than the Slovenian one in terms of valuation of the property involved. However, both approaches have a level of arbitrariness about them since the licence fee approach may overvalue the copyright material or may simply be extremely difficult to determine and therefore necessitate the selection of a value that constitutes an educated guess of the value - or possibly a figure which, when multiplied, provides the kind of monetary compensation deemed appropriate by a judge when assessing the overall culpability of the conduct.

Supplementary submission

11. In its original submission the Department indicated that it wished to return to the Committee with a further submission once it had had the opportunity of hearing the evidence of a range of other parties.

12. While the terms of reference of the Committee are broad-ranging, much of the attention in many of the submissions focus on concerns related to the operation of the Copyright Act. As that is the area of primary responsibility of this Department in relation to copyright enforcement the following comments are confined to that and related issues.

13. This, however, should not be taken as meaning that the Department resiles from the comments previously made that IP awareness and education may be as, if not more, significant in stemming the sale and commercial exploitation of pirated software. This focus on education (and IP management) is also expressed by the Department of Communications, Information Technology and the Arts (DCITA). At paragraph 26 of its submission to the Committee DCITA states:

“The Department recognises that the copyright industries in Australia have a strong claim about the impact that infringement has and could have on the levels of growth. . . . Importantly, however, the Department considers that there are a number of strategies that could be employed by the copyright industries to address infringement. These include raising the awareness of the consequences of intellectual property infringement by the copyright industries to both consumers and competitors with industry sectors and the increased adoption of intellectual property management systems.”

14. In its to the Committee, the Motion Picture Association compared the Department’s submission to the inquiry and public pronouncements made in the USA to suggest the Department’s approach erred on the negative. Without labouring the obvious point that the contexts of the statements quoted were very different, we wish to put on the record the clear concern of the Attorney-General’s Department that Australia should provide an optimal level of enforcement of copyright through an appropriate allocation of resources both public and private; respecting the terms of reference of the inquiry to have regard to the rights of defendant’s and accused persons and the priorities of the Government generally.

15. It is in that context that the Department continues to urge the Committee to consider all proposals having regard to both the exercise by owners of vigilance in the protection of their property rights and the need to ensure that laws and arrangements for copyright

enforcement do not inappropriately subject individuals to criminal sanction, place unfair evidential burdens on defendants, or subject persons ostensibly trading in a lawful manner to potentially arbitrary seizure of their property.

16. In relation to the first issue referred to in the above paragraph - the resources devoted to copyright enforcement by owners - we are unable to offer the Committee any information about the level of resources devoted by copyright owners to the surveillance of the market and in pursuit of infringement. Clearly it is in the commercial interests of the copyright owners, particularly those in the industries most subject to copyright piracy, to reduce such piracy to the lowest possible extent but there is at least some information with the Committee that there is little being done in some areas (eg, DCITA Submission, paragraph 38; DCITA also acknowledges, as do we, that considerable efforts are being made by some industries to combat piracy). It would seem therefore that it would be useful to the Committee to have some guide as to the present resources devoted by copyright owners in this area so as to be able to form a judgement whether that level is adequate.

17. The submissions indicate that there are a number of matters where copyright owners face difficulties of enforcement that could be assisted by changes of law and practice. A number of specific matters were pointed to in the submissions that are said to hinder adequate enforcement of copyright. We now make some comments on these *seriatim*.

Lack of specific offences of possession of infringing copyright material for a commercial purpose.

18. This is a concern raised by the computer software industry in particular, relating to the making and use by businesses of infringing copies of application software such as word-processing and CAD packages.

19. The increasing delivery of software over the Internet suggests some action is necessary to better protect software owners from such unauthorised use. Technological protection measures will clearly have a part to play but legislative changes may help.

20. At one point in the hearings it was suggested that the UK *Copyright, Designs and Patents Act 1988* (UK CDPA) included provisions of the type requested. The UK legislation (s.107(1)(c)) provides, *inter alia*, that:

“A person commits an offence who, without the licence of the copyright owner - possesses in the course of a business with a view to committing any act infringing the copyright; an article

which is, and which he knows or has reason to believe is, an infringing copy of a copyright work.”

21. There are a multitude of circumstances under which a business could be using copies, or additional copies of software, without a deliberate intent to make and/or use infringing copies. Presumably that is the reason for the UK CDPA including the words “with a view to committing any act infringing the copyright”. These words provide a form of safeguard (cf, UK CDPA s. 23(A)).

22. However, without a specific prohibition on use for a commercial purpose of an unauthorised copy *per se*, there is a question whether mere use within a commercial organisation would offend any of the current prohibitions in the Australian Copyright Act (ie, the person could not be shown to have the article with a view to infringing). Moreover, the reference to “an article” appears to deprive such a formulation of efficacy against use/possession of unauthorised software obtained electronically.

23. It is therefore our view that any provision to give effect to such a suggestion as proposed would need to contain safeguards for unintentional or mistaken infringements and focus on the knowledge of the user about the copyright status of the work or other subject-matter being used for a commercial purpose and on requiring proof of an intention of the relevant person/corporation to use the copy without authority in the course of a business. It would also be necessary to show that the infringing copy was so used or intended for such use.

Concerns that the penalties for offences are inadequate or that judges are not imposing sufficiently significant sentences.

24. The Government has recently increased the level of penalties under the Copyright Act and it is difficult to envisage that these penalties which are already in excess of normal Commonwealth penalties so far as the relationship of monetary penalties to prison sentences are concerned, (cf: *Crimes Act* (Cwth) s.4B) will be further increased.

25. The level of sentences meted out by the judiciary is, subject to the statutory maximums, a matter of judicial discretion, having regard to all the circumstances. The Department is not aware of any evidence that the penalties applied have been challenged or, indeed, would be challengeable, as manifestly inadequate.

26. To the extent that the actual penalty to be applied is unclear, that is, that there is uncertainty whether the maximum relates to the whole of the range of different offences, or to each of the different counts of possession or sale or reproduction or importation, the Department agrees that it is desirable that there be clarity.

Difficulty in taking action against street vendors selling pirated and/or counterfeit merchandise.

27. In relation to this conduct, it was said by Tress Cocks and Maddox (Submission 14 and oral evidence 6 September 1999) that such conduct, was widespread and organised, and that use of ‘John Doe’ orders was only of limited usefulness.

28. Two possible solutions were advanced at hearings before the Committee on 6 September 1999. First, it was put forward by representatives of the NSW Police that the Copyright Act contain a provision along the lines of s. 527C of the *NSW Crimes Act*, allowing seizure by police of material reasonably suspected of being stolen or otherwise unlawfully obtained. Second, a provision enabling a limited form of seizure of pirated goods and subsequent disposal, along the lines of ss. 100 and 114 of the UK CDPA was advanced by Tress Cooks and Maddox as being an effective model.

29. Both provisions make considerable inroads into the rights of citizens.

30. The inclusion of such a broad-ranging power in the Copyright Act as in the NSW Crimes Act does not seem to be justified. The difficulty lies in the determination of “reasonable suspicion”. How is this “reasonable suspicion” to be formed? Can the mere assertion of copyright ownership and a similar assertion that particular goods are infringing copies be an adequate basis for the deprivation of what otherwise appears to be another person’s property? Certainly, these may be matters for a court to adjudicate such a provision but places a particularly heavy onus on police and the IP owner community to reach such a view fairly and reasonably, perhaps with very limited intrinsic or extrinsic evidence and would have the effect of reversing or altering the usual burden of proof of this element of an infringement action.

31. If such an approach were nevertheless considered to be appropriate by the Committee, it should, in our opinion, provide clear guidance concerning the types of matters to be taken into account, such as packaging, labelling, documentation, and demeanour of the vendors, as well as the information necessary from a person claiming to own the copyright.

32. A provision along the lines of s. 100 of the UK CDPA goes considerably further than the *NSW Crimes Act* provision since it empowers private persons, under limited circumstances, to seize goods in the possession of others. The provision requires certain matters to be stipulated by regulation. The Department is not aware of the terms of these regulations if any.

33. The UK provision has not, it appears, resulted in expressions of concerns about its effect. Nevertheless, it seems an extreme response and to lack adequate safeguards against potential abuse.

34. The attractiveness of the provision in giving an effective standing authorisation for the seizure of potentially infringing material is weakened by its apparent reliance on subterfuge. That is, it provides a framework which although it does not authorise the non-consensual removal of goods out of the hands of a vendor, it appears to do so. Such an approach seems inappropriate for Commonwealth legislation.

Copyright owners have claimed there are problems with the expenses of civil actions and their lack of deterrent effect.

35. The enforcement of copyright clearly traverses a wide field. Books may be photocopied or scanned and made available on electronic networks. Digital technology is making copying easier and cheaper and allowing all forms of hitherto separate media to be rapidly transformed and transhipped. Artistic works screen printed on clothing and in many other forms are also able to be protected from copying under copyright law.

36. We note the expressions of concern to the Committee relating to the difficulties of proving infringement.

37. The submission by Beach Collections (Submission 16) is illustrative.

“It is too costly to initiate and continue with litigation and the outcomes are inadequate. It would be financially prohibitive for us to pursue the people making unauthorised copies of our product. In addition, since all our partners are involved in the production, manufacture, sale and distribution of our product, it would be a tremendous burden on our business to pursue these people throughout Australian and elsewhere.

The onus of proving copyright breaches is weighted heavily towards the plaintiff, when in fact, the defendant is the person causing the dispute.

The process is too legalistic and the requirements to prove an item is copied requires expert evidence which is not available.”

(page s.65) (See also Arts Law Centre of Australia (Sub 20) page s103)

38. This complaint is one that applies to virtually any litigation. To the extent that it applies to copyright litigation specifically, it revolves around the problem of proving copying. This can indeed be a difficult matter especially where the product copied is one that differs only marginally from the original items. Technology is also making it easier for pirated copies to be disguised so that the detection of unauthorised copies is more difficult. No doubt this exacerbates the expense and difficulty of copyright infringement proceedings.

39. The question must be asked whether the difficulties referred to in these submissions exceed those that are essentially common to all matters the subject of litigation in Australia.

40. The Department, nevertheless, accepts that civil actions for copyright infringement are often expensive and that this creates a deterrent to the taking of civil infringement proceedings, particularly in matters involving relatively small numbers of copies.

41. There appear to be a variety of approaches to resolving this problem. None, however, are directed to reducing the evidentiary burden of proving copying and the Department agrees that it would not be correct to seek to do so. The first is to increase the cost to defendants of an adverse finding by permitting the award of damages in the form of a penalty. The Act already provides this at one level in S.115(4). That subsection provides that where an infringement is established and the court is satisfied it is proper to do so, having regard to the flagrancy of the breach, the benefit to the defendant and all other relevant matters, the Court may award additional damages.

42. In practice, some submitters have suggested that there is a reluctance to award such additional damages on the part of the Courts.

43. Other models are the Canadian and Slovenian legislation to which reference has already been made in this submission. The Canadian legislation has the virtue, from the perspective of the plaintiff, of removing an inquiry into the actual damage suffered and causing the Court to evaluate, within a range from a specified minimum to a specified maximum, its view of the culpability of the infringement.

44. Depending on the value of the articles copied this has the likely impact of providing a greater monetary deterrent than the current provisions, even where the Court has no

evidence before it of the level of culpability. The Slovenian provision applies a formula for determining the penalty that, in some respects, is less arbitrary than the Canadian approach. By focussing on compensation, however, it may detract from the usefulness of the provision since proof of damage is often difficult in copyright infringement cases. Moreover, the 2 times or 3 times multiple may be regarded as an insufficient incentive (or deterrent) to encourage the greater use of civil actions.

Concerns about the unauthorised reception of cable and broadcast TV and the supply and servicing of decoders to enable same

45. This is a matter that has been and is being dealt with in the context of the Government's consideration of the *Copyright Amendment (Digital Agenda) Bill 1999*.

Concern that the application of the penalty provisions are unclear.

46. The concern here, expressed in 1 or 2 of the submissions, has been that the form of the penalty in S.132 does not make it abundantly clear whether the maximum penalties stipulated is a maximum applicable to each separate offence or is a maximum applicable to any single, related, act. Although the concern about lack of clarity seems to be misplaced, the Department believes that there is benefit in ensuring that no doubts exist as to the application of the stipulated maximum penalties.

Difficulties in proving subsistence and ownership of copyright in defended cases concerned with civil and criminal cases of infringement.

47. As the Department has understood it, the concern expressed in relation to this matter is the difficulty and expense of providing admissible evidence proving the subsistence (existence) and relevant ownership of the copyright at the time of the alleged commission of the offence.

48. In relation to this issue generally Mr Paul Sugden (Submission 9 page s37-38) made this comment:

“The suggestion in the terms of reference that there be a change in the burden of proof is not compatible with the adversarial system and the common law presumption innocent until proven guilty. Making *sui generis* laws on the burden of proof for one area of the law is not a generally acceptable process. The preferable issue would be the clarification of the evidential proof requirements. The current burden still provides a mechanism against abuse and as with all legal issues it is a balancing issue of the rights of the copyright owner against the rights of the individual

accused. The industry, perspective has often (in fashion and building and furniture) [*sic*], been expressed that the accused should be guilty the moment he or she is found with an infringing article. Such an approach negates the rights and balances that our system gives to an accused. The danger of changing the burden of proof in one area allows later arguments that there should be changes in other areas of law and the unity, clarity and certainty of general rights are eroded.”
[Some minor typographic changes have been made to this emailed comment.]

49. Music Industry Piracy Investigations (Submission 26) appears to suggest that the law requires amendment because of the approach taken by judges and magistrates to the current provisions.

Civil Proceedings

50. Statutory presumptions relating to subsistence and ownership apply in civil but not criminal matters. These are used in order to overcome what might otherwise constitute considerable barriers to the bringing of such actions. Prior to this inquiry the Department had not received any criticism of these provisions but a number of criticisms (principally by MIPI and the MPA) have been raised in the course of the inquiry.

51. In relation to the civil proceedings, the MIPI submission (submission 26) states that the provision in s126 of the Act, of a presumption of the subsistence of copyright and ownership by the person so claiming, is unhelpful because the “invariable practice of those infringing copyright is to put the subsistence and ownership of copyright squarely in issue.”

52. This statement appears to ignore the fact that many cases of copyright infringement do not put ownership and subsistence in issue and result in the provision being an effective means of bringing some greater efficiency to such cases.

53. Nevertheless, it is accepted that the provision provides no real assistance where subsistence and ownership are challenged.

54. In relation to sound recordings, MIPI (page s.175) challenges the usefulness of the provision made in s.130 of the Act, which shifts the onus of proof in relation to certain statements made on a label or mark on a sound recording. MIPI states that such statements are not made on sound recordings. Rather, the name of the copyright owner and the date of publication are generally included. The section does not, therefore greatly assist in establishing subsistence and ownership.

55. As MIPI notes, there is “no necessary correlation between the maker of a recording and the owner of copyright, other than that the maker is presumed to be the owner unless there is an agreement to the contrary. In relation to older recordings, the ownership of these recordings has typically changed hands on more than one occasion and the identity of the maker provides no proof (and often no indication at all) as to the actual or likely owner of copyright at present” (MIPI Submission page s.176).

56. This aspect of the MIPI Submission squarely raises the dilemma that, as traded property, a copyright might have passed through a number of hands before the alleged infringement occurred. Where the question of consent to a right pertaining to the copyright arises, it is therefore of the utmost importance that the law does not impose a presumption of ownership that amounts to a pure fiction. Damages should not be payable to a person merely because someone is unable to disprove that that person is the owner.

57. MIPI suggested that s.130 *could be amended so that the presumptions in that section accord with established practice in the record industry.*

58. The difficulty with this suggestion is that pointed out by MIPI itself. There is no necessary identity between the maker and the owner. However, in accordance with international standards, S.97 provides that, *inter alia*, subject to agreement to the contrary, the maker of a sound recording is the first owner. Since title derives from the first owner it is impossible to amend s.130 in the form desired.

59. Except for Viscopy, noted below, the Department has not identified any other specific suggestions for amendment of the presumptions in ss.126-130.

60. On the more general point of the manner in which presumptions are applied, comparisons with other essentially common law jurisdictions, as noted in the Department’s initial submission, have not proved greatly helpful. The Motion Picture Association (MPA) (Submission 30) pointed out that some countries such as Canada and the USA maintain registration regimes from which *prima facie* evidence of copyright subsistence and ownership could be based. It is noteworthy that, despite apparently strong presumptions in section 34.1 of the Canadian Copyright Act, the MPA (page s.280) noted in its evidence that:

“Where no copyright registration of a work exists in Canada, the evidence of the subsistence and ownership of copyright in a work must be established by *viva voce* evidence from representatives of the copyright owner. Through a combination of relevant documentary evidence and evidence

satisfying the presumptions in s.34 of the Act, the owner of the copyright in a work can establish both the ownership and subsistence of copyright in Canada.”

61. The MPA notes the intention of the Irish Government to introduce presumptions of subsistence and ownership in criminal proceedings but that it had not done so at the time of making the submission.

62. Viscopy (Submission 17) suggested that to overcome the difficulty of proving subsistence and ownership the Government ought to resurrect in a generalised form, a provision in the lapsed Copyright Amendment Bill 1992. That Bill proposed to add a new s.126A to the Act.

63. The proposed S.126A was in the following terms:

“ 126A(1) In an action brought under this Part in relation to a sound recording, copyright is presumed to be subsist in the sound recordings if:

(a) the plaintiff files an affidavit:

- (i) stating that the record embodying the sound recording or its container bore a label or mark specifying the date and place of first publication of the sound recording; and
- (ii) specifying that date and place; and

(b) the date and place of first publication specified in the affidavit are such as, if proved, would support the subsistence of copyright in the sound recording on the day on which the action is instituted,

(2) If the subsistence of copyright is presumed under subsection (1), the plaintiff is presumed to be entitled to bring an action under this Part in relation to the sound recording if the affidavit filed by the plaintiff asserts:

(a) that the plaintiff is the maker of the sound recording and is specified on the label or container of the record embodying the sound recording as the maker of the sound recording; and

(b) that the plaintiff has not assigned the copyright in the sound recording.

(3) If the plaintiff is not the maker of the sound recording, the plaintiff is presumed to be entitled to bring the action under this Part in relation to the sound recording if the affidavit filed by the plaintiff:

(a) asserts that the plaintiff is entitled to bring the action as assignee or exclusive licensee of the copyright in the sound recording;

- (i) from the maker; or
- (ii) from a person other than the maker; or

(b) asserts that the plaintiff is entitled to bring the action as the owner of the copyright under section s.97(3).

(4) An affidavit filed by the plaintiff under paragraph 3(a) must list all the persons through whom the plaintiff claims to have the assignment or exclusive licence of the copyright in the sound recording.

(5) The presumptions under subsections (1), (2) and (3) operate unless the contrary is established.”

64. The CLRC recommended in its *Computer Software Protection* report that a provision similar to S126A be introduced in relation to proof of subsistence and ownership of copyright in computer programs (Referred to at paragraph 98 of Business Software Alliance submission, No. 34).

65. The CLRC noted in its report on *Simplification of the Copyright Act (Part 2)* that the proposal to adopt such a section and extend it to all materials in computer readable format received support from the Law Council, Telstra Corporation and the Australian Copyright Council. Nevertheless, so far as that proposition was concerned, the CLRC rejected it.

“ The Committee appreciates that owners of Copyright can have problems in establishing their right to the title, particularly of foreign Copyright material. However, ss125-131 of the Act already provide for a number of presumptions relating to subsistence and ownership of copyright. Section 134A allows for evidence of such material to be given by affidavit. The Committee considers that the reversal of onus of proof in relation to subsistence and ownership could lead to problems, particularly in the digital environment. Ownership could be asserted over material that is no longer available, but it would be up to an alleged infringer to refute the claim of ownership.” (Paragraphs 7.160 and 7.161)

The Committee is of the view that owners of copyright must properly document their claim to title and not be permitted to rely on assertion.”

66. The Committee made no recommendation in relation to its previous recommendation concerning computer software.

67. Interestingly, as MIPI point out, under order 33 rule 3 of the Federal Court rules, a judge may dispense with the strict rules of evidence when facts or issues are not *bone fide* in dispute. MIPI goes on to note that it is often difficult to persuade a court that subsistence and ownership matters are not *bone fide* in dispute. MIPI notes that the mere failure to lead evidence by the defendant is rarely enough. The copyright owner is often required to prove that the infringer knew or strongly suspected the assertions to be true.

68. The CLRC did not comment directly on the proposition that provisions along the lines of s.126A might be enacted for specific subject matter. The CLRC Report on *Simplification of the Copyright Act* is somewhat ambiguous as to whether it maintained the view expressed in the *Computer Software Report* that such a provision should be applied to computer software.

69. It, nevertheless, did not appear to have a strong objection of principle to the recommendation of the use of a provision along the lines of proposed s.126A in its application to specific subject matter. While it may not be ideal to adopt a differential approach to evidentiary issues for different classes of copyright subject-matter, such an approach, targeting the main areas of software, sound recordings and cinematographic film, might go a long way towards resolving the majority of matters involving dispute about ownership and subsistence issues. The question raised by the CLRC concerning the digital environment remains also as a possibly difficult issue. It should be noted that the Government is still considering its response to the CLRC Simplification Report.

70. The Department notes that there have been a number of other proposals in relation to civil proceedings.

removal of the knowledge requirement from the provisions of ss. 102 and 103 (MIPI)

71. In its submission MIPI appears to contend that once the facts are established (ie, of importation or of subsequent commercial distribution) that this ought to be sufficient for the proof of infringement and for civil actions in relation to these activities and that no specific knowledge requirement should be necessary.

72. Such a suggestion ignores the difficulty in the trade environment of having perfect knowledge of copyright. Persons who copy or broadcast or adapt copyright material are engaging in activity where copyright is generally a central aspect of that conduct. The situation is different for trade and commercial sale and distribution. In these cases many goods will have no copyright associated with them and in other cases the copyright may not be apparent. There would be manifest unfairness and an inappropriate impediment to ordinary trade to fix traders and importers with civil liability without a knowledge requirement on their part.

73. *A further suggestion was that so far as obtaining an injunction is concerned, a plaintiff could be relieved of the burden of proving ownership. The plaintiff would need to*

establish the subsistence of copyright and the infringer would have the obligation to establish license or authority.

74. In relation to this suggestion it would be necessary to work through carefully whether the exercise of the injunctive power could be exercised on behalf of a plaintiff who has not demonstrated to the court that they have a proprietary interest. Would the removal of the requirement for proof of ownership deny a court the necessary evidence in determining whether or not an infringement had taken place? It also raises issues about what would or could be done with items held in stock.

Copyright owners should have secured creditor status.

75. There does not appear to be any reason why copyright owners should be placed in a more advantageous position than any other class of creditors of an insolvent person or corporation.

Federal Court Order 33 Rule 3 applications should succeed where there is independent corroborative evidence.

76. This is a matter for the courts.

Criminal proceedings

77. Such an approach as the possible introduction of provisions along the lines of proposed s.126A does not dispose of the objections and concerns of copyright owners and prosecutors in relation to criminal actions since these presumptions are currently restricted to civil actions namely to 'an action under this Part'.

78. Three matters have been argued before the Committee as providing an adequate basis for an adjustment of the current requirements for strict proof in criminal matters.

1. Where the circumstances specified in the presumptions which are applied in cases involving civil actions (see S.126-130 of the Copyright Act) including such things as the appearance of the name of the record company on the label of a record, are present.

2. Where there is a registration of copyright of the copyright material the subject of the enforcement action in a jurisdiction providing for copyright registration - specifically the USA and Canada.
3. Where the extrinsic evidence is strongly suggestive that the copies in the hands of the alleged offender, are not copies made with the authorisation of the owner of the right. (Common examples of this situation are where copies are seized bearing poorly reproduced labels and poor quality artistic material or are sold in packaging that is commonly associated with the sale of blank media.)

79. The solutions proposed have, as we have understood the evidence, been:

1. to apply the presumptions in ss126-130 to criminal proceedings - subject to some amendment;
2. to allow certain assertions to be made conclusive in the absence of challenge by a defendant within a legislatively-determined period and in accordance with the legislatively determined procedure (the Hong Kong model)
3. suggestions that the defendant should bear the evidential onus of disproving or raising a reasonable question as to the apparent subsistence and ownership of the person claimed by the prosecution/plaintiff, to be the owner;
4. recognition of subsistence and ownership of copyright based on a foreign registration. (eg, MPA submission 30)
5. that a defendant ought to lose the right to put the subsistence and ownership of copyright in issue, in the absence of themselves adducing evidence, if they had been the subject of a warning involving a claim to copyright ownership by the person or body claimed to be the owner in the criminal proceedings.
6. the introduction of a registration system into Australia which would be the basis for *prima facie* presumptions of subsistence and ownership in criminal proceedings.

80. In the end, it is our view that the creation of certain statutory presumptions as to the subsistence and ownership of copyright (differing from those in sections 126 to 130) may

provide the fairest manner of easing some of the practical hurdles for a prosecution to overcome in bringing an infringement action without imposing an improper or impossible burden on defendants . It is now true to say that there is virtually complete coverage of all the major trading nations in the relevant multilateral agreements. Thus, it is becoming increasingly irrelevant where a film was produced or the nationality of an author. The prospect of the cases concerned with material created prior to 1969, and therefore subject to the transitional provisions of the Act, concerning subsistence of copyright under the 1912 or the 1905 Copyright Acts, is remote. In other words, it would be the unusual case where copyright did not subsist. In this context, a provision along the lines of proposed s.126A(1) in relation to subsistence might be seen as a reasonable response to promoting efficiency of proceedings without denying procedural fairness and the opportunity of justice to an accused.

81. Ownership is more problematic. Ownership may be divided in almost any way and limited in any way. The proposals on ownership to be presumed purely by assertion appear to require that the Court accept a presumption that might well not be true in order to obtain the relevant assertion that no consent was given. This, despite its attractiveness to copyright owners, is, in our view, unsatisfactory because of its unfair impact on potential defendants and its inconsistency with the general laws of evidence which are intended to ensure the accuracy of facts admitted into evidence.

82. Another approach might be to consider whether, in criminal matters, ownership is relevant. Ownership, in a criminal action for breach of copyright is only relevant to the issue of absence of consent (ie, that there was not a consent to the reproduction or sale or importation of the copy in question) but not to the issue of whether there is 'standing' to sue.

83. Currently, and traditionally, the approach to prosecutions has been to prove who is the owner in order to demonstrate a lack of consent and negate all other possibilities of a consent having been given. Thus, the default position has been that the lack of consent has not been proven unless there is an owner or exclusive licensee to so testify.

84. The view of at least some copyright owners is that the criminal culpability of a person dealing commercially with copyright is in fact their relevant state of mind. Where a person commercially deals with, or produces, a copy of a copyright article with knowledge (actual or implied) that the article is subject to copyright and where the person knows he/she is not authorised to deal in that way with the copyright or is reckless as to whether he/she is

authorised actually or ostensibly so to deal it is argued that this alone ought to constitute a sufficient basis for a conviction.

85. However, in a world where there is always the prospect that copyright material has been released as public domain, or subsequently has been so released or that it is, or was, shareware, this may again tip the burden too far to the side of the defendant. The prosecution should retain a sufficient obligation to establish the necessary facts sufficient for a conviction if uncontradicted.

86. On the other hand, there are significant difficulties in proving ownership in criminal as in civil matters, and the argument that a person operating in the commercial world should not be excused merely because of that difficulty and expense has some force, especially if it is provided that a mistake, a lack of knowledge or otherwise a genuine effort to conduct business legitimately can be taken into account in denying the criminal nature of the conduct.

87. What is proposed in paragraph 86 is essentially to place the knowledge of the accused as to the nature of their conduct more clearly against the context of the use that is alleged to infringe so as to afford the accused the fullest opportunity of challenging the evidence of culpable knowledge. The defences mentioned in that paragraph are, in effect, already available to a person accused of copyright infringement. In any prosecution it must be proved that the accused had the requisite knowledge of the nature of their conduct as infringing. The form of the requirement in the Act is that the “person knows, or ought reasonably to know, the article to be an infringing copy of the work”. The courts have understood words of a similar nature to require not only a knowledge of the general notion of copyright but also that the person accused of infringement, (not merely the hypothetical reasonable person) ought, on the facts known to them, reasonably have known that the article or conduct was infringing (see, for example, *Raben Footwear v Polygram* cited at footnote 9 of our initial submission). It is therefore open to an accused person, in rebutting evidence of their knowledge of the conduct as infringing to lead evidence indicating that they were genuinely mistaken as to the status of the goods or that they could not reasonably have known the infringing status of the article in question.

88. In more recent times the Senate Standing Committee for the Scrutiny of Bills has objected generally to the above form of wording for offences in Commonwealth legislation since such words might be interpreted as requiring only a ‘reasonable person’ test. Although in practice that concern has not eventuated in relation to Copyright Act matters,

the wording might appropriately be adjusted to state more directly that it is the state of mind of the particular accused that is at issue and at the same time clarifying that while the onus remains on the prosecution to prove the requisite state of mind, a defendant can bring evidence of mistake or reasonable inquiry as to the status of the relevant copyright material in seeking to establish that that onus has not been discharged. If this were pursued it would also be consistent with changes proposed to take place in consequence of the commencement of the *Criminal Code Act (Cwth) 1995*. Under the Code, although not prescriptive, the fault elements in an offence are proposed to be classified as being either ‘intention, knowledge, recklessness or negligence. In our view the notion of ‘recklessness’ best describes the element of ‘reasonable knowledge’ in the relevant offence provisions in s.132 of the Act. The Code provides for the meaning of ‘recklessness’ as follows:

- (1) A person is reckless with respect to a circumstance if:
 - (a) he or she is aware of a substantial risk that the circumstance exists or will exist; and
 - (b) having regard to the circumstances known to him or her, it is unjustifiable to take the risk.
- (2) 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.
- (3) The question whether taking a risk is unjustifiable is one of fact.
- (4) If recklessness is a fault element for a physical element of an offence, proof of intention, knowledge or recklessness will satisfy that fault element.

89. Consequently, the words ‘knows, or ought reasonably to know, would be replaced by ‘knows or is reckless as to whether’ the copy is an infringing copy and additional provisions might spell out further that, without affecting the prosecution’s responsibility to prove recklessness beyond reasonable doubt, a defence to proceedings for infringement would be available if the person alleged to have infringed can establish that they had reasonable cause to believe that their action would not constitute an infringement of copyright, for example, because they made inquiries as to the copyright status of the goods in question that were reasonable in the circumstances, or because, on reasonable grounds, they believed they were authorised to deal with the copies in the manner alleged to infringe.

90. Together with such protections for defendants, the wording of proposed s.126A requires an assertion of what might be called “the chain of title” of the plaintiff. This places an obligation on the prosecution to check the validity of the claims before making such an assertion. As such, while not ideal, it may offer the best means of balancing the obligations so as to assist copyright owners without placing an impossibly onerous and unfair burden on the accused.

91. Presumptions about copyright of the kind set out in proposed s.126A would not be framed as special or artificial rules to assist in securing convictions in criminal cases. The presumptions would relate to copyright subsistence generally, and would simply carry through into any criminal proceedings. This is important, because it will remove existing obstacles to successful prosecutions without requiring a defendant to deal with an artificial notion of copyright in a criminal proceeding that is less rigorous than under the general law.

92. *The second solution proposed was to provide a procedural requirement for the defendant to challenge subsistence or ownership within a specified time or under certain conditions.*

93. This proposal is based upon the approach used in Hong Kong together with the idea of placing certain procedural restrictions on defendants or the accused and proposing some other procedural bar such as that suggested above that the Copyright Act could be amended to make the presumption of subsistence and ownership definitive if an alleged infringer has first been put on notice “that his or her acts were infringing”. (MPA, Submission 30)

94. This latter proposal is a variation of a proposal for registration and the Hong Kong approach of requiring affidavits. The compliance with formalities in this case is met by the notice to the alleged infringer. Such an approach could only be utilised if the putative defendant were to be advised of the consequences or his or her failure to challenge the assertions or to fail to alter their behaviour so as to ensure that there is some fairness in the transaction. Moreover, it again permits a plaintiff the benefit of assertion of matters that should be known and ascertainable by the plaintiff/prosecution and requires the defendant to prove a negative when all the relevant information would appear to be in the knowledge of the person claiming copyright ownership. This is effectively a reversal of the onus of proof and, in the form proposed remains, in our view, unfair.

95. This proposal may also suffer from a serious practical limitation. While it might provide the trigger for action in relation to the titles the subject of the notice, all a putative defendant would need to do to avoid the application of the provision would be to switch out of the relevant title(s) the subject of the notice and stock others. With a small number of different corporate entities it might not be too difficult to avoid the effects of such a provision.

96. The third proposal noted above was that *defendants be required to particularise reasons for their denial of a plaintiff's assertions of subsistence or ownership (MIPI / MPA) or defendant's be required to give security for costs on that issue (MIPI).*

97. The former suggestion amounts to a substantial shifting of the onus of proof for which the only reason that is offered is that such proof is difficult for the plaintiff and the requirement for proof can be (and is being) 'abused'. In its absolute form this suggestion places all the responsibility on a defendant to provide evidence to the court. The plaintiff can rely on assertion. The defendant must find some evidence somewhere that casts doubt on the existence of copyright or the relevant ownership of the copyright by the plaintiff at the relevant time. Even if it can be argued that the current evidential requirements are biased too far against plaintiff under certain circumstances, this suggestion would seem to place the burden too strongly on defendants. If, however, this suggestion is placed in a context where the plaintiff or prosecution must do more than merely assert subsistence and ownership, then the objection might be removed.

98. The latter recommendation by MIPI which proposes that the defendant be required to give security for costs appears to demonstrate a lack of confidence in the Court. The Federal Court already has power to order the payment of security for costs if the judge believes that there is a real risk that the defendant will dissipate assets or otherwise be unable to pay an adverse judgement. This is a difficult order to obtain because judges are naturally reluctant to impose a burden on defendants that may be such as to foreclose consideration of the substantive issues. That is also the danger with this proposal. It threatens to place such a barrier against defendants in challenging subsistence and ownership issues as to effectively foreclose the issue on the merits.

99. *A fourth alternative offered to the Committee was to give statutory recognition to copyright registration in Canada and the USA.*

100. This has a superficial attractiveness.

101. However, recognition of copyright registration of a few select countries risks breaching the TRIPs Art 4 requirement of providing most favoured nation status to all WTO members, Some countries procedures for registration may not be as reliable as Canada and the USA.

102. More fundamentally, registration itself constitutes no more than an assertion of ownership and a date of creation. Presumably Canada and the USA have reached the view that their systems are such that there is little prospect of fraudulent registrations. However, it is noteworthy that neither jurisdiction recognises the registration of any other country as proof of ownership. Such confidence is guaranteed and vested with procedural effect only in relation to registration undertaken within its own jurisdiction.

103. Secondly, it is our view that allowing one group of plaintiffs a procedural advantage not available to others (particularly when that advantage is granted on the basis of a formal process in another jurisdiction) does not afford equitable treatment.

104. On the *proposal for copyright registration in Australia*, the 6th of the matters identified above, the Department suggests that is a much larger issue that raises issues extending far beyond enforcement, and as such, ought not to be pursued if less far-reaching solutions to the specific difficulties are available.

105. All of the proposed so-called solutions to the difficulty of proving subsistence and ownership of foreign copyrights suffer from some form of defect or difficulty.

106. The inquiry has thrown up concerns about the operation of the current presumptions in ss.126-130 in relation to civil proceedings and the even greater difficulties in relation to criminal matters.

107. The proposed amendments from the 1992 Copyright Amendment Bill, to add a new s.126A, appear to come closest to resolving the concerns of copyright owners. At the same time those amendments would not involve the establishment as a fact, something that may not be true or place an impossible burden on defendants to rebut.

108. The Copyright Law Review Committee, however, expressed reservations about the general application of such a provision, suggesting that it might lead to injustice if applied to all digital copyright material.

Yours sincerely

Peter Ford
First Assistant Secretary