Law Council of Australia

Business Law Section

Intellectual Property Committee

Submission to The House of Representatives Standing Committee on Legal and Constitutional Affairs

Review of Technological Protection Measures Exception

This submission has been prepared by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IP Committee**) in response to the Standing Committee's letter dated 25 August 2005.

1. Introduction

The IP Committee notes that the Australia-United Stated Free Trade Agreement (**FTA**) permits the creation of *ad hoc* exceptions to the liability of a person who 'knowingly, or having reasonable grounds to know, circumvents without authority any effective technological measure that controls access to a protected work, performance, or phonogram, or other subject matter'.[1] These *ad hoc* exceptions augment seven expressly-stated exceptions,[2] and can be created for:

> non-infringing uses of a work, performance, or phonogram in a particular class of works, performances, or phonograms, when an actual or likely adverse impact on those non-infringing uses is credibly demonstrated in a legislative or administrative review or proceeding; provided that any such review or proceeding is conducted at least once every four years from the date of conclusion of such review or proceeding.[3]

Both the express and *ad hoc* exceptions may apply 'only to the extent that they do not impair the adequacy of legal protection or the effectiveness of legal remedies against the circumvention of effective technological protection measures'.[4]

These provisions are found within the regime established by article 17.4.7 of the FTA, which (when implemented) will require the reform of Part V, Division 2A of the Copyright Act 1968. It is apparent that the Review now being conducted by the Standing Committee is that required by the FTA as a necessary pre-cursor to the creation of any additional *ad hoc* exceptions to access control circumvention liability.

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[1] FTA articles 17.4.7(a)(i) and 17.4.7(e)(viii).
[2] FTA article 17.4.7(e)(i)-(vii).
[3] FTA article 17.4.7(e)(viii).
[4] FTA article 17.4.7(f).

The FTA requires a definition of such *ad hoc* exceptions by reference to two separate aspects: (i) non-infringing use, and (ii) particular class of subject matter. Accordingly, any *ad hoc* exception complying with the terms of the FTA would appear to require limitation by reference to both non-infringing use and particular class of subject matter.

Under the FTA regime, the primary criterion for the creation of any *ad hoc* exception is credible demonstration of the likely adverse impact legal protection of access controls against circumvention on non-infringing uses. In order for *ad hoc* exceptions to be established under this regime, more than mere rhetoric would be required. A credible demonstration of the likely adverse impact of the new liability appears to require some concrete evidence of how current non-infringing activities would be directly impacted by access control circumvention liability in relation to a definable class of copyright subject matter.

The IP Committee is not in a position to provide a 'credible demonstration' of any such adverse impacts. It can, however, offer five observations on matters that may be of some assistance to the Standing Committee's deliberations: comparable *ad hoc* exceptions made under US law; the relationship with the supply exceptions; the issue of fair dealing; the underlying connection to copyright; and legal protection of regional coding.

2. US Law

FTA article 17.4.7 broadly replicates §1201(a) of the US Copyright Act 1976. Therefore it is instructive to consider the outcomes of the reviews already conducted under §1201(a) by the US Copyright Office in 2000 and 2003 to establish comparable *ad hoc* access control circumvention exceptions.[5] These are conveniently summarised in a recent paper by Professor Jane Ginsburg:

> Two rulemakings have now been conducted, and the following classes of works declared:
>
> > "Compilations consisting of lists of websites blocked by filtering software applications" (first and second rulemakings);
> >
> > "Literary works, including software and databases, protected by access control mechanisms that fail to permit access because of malfunction, damage or obsolescence" (first rulemaking);
> >
> > "Computer programs protected by dongles that prevent access due to malfunction or damage and which are obsolete" (second rulemaking);
> >
> > "Computer programs and video games distributed in formats that have become obsolete and which require the original media or hardware as a condition of access" (second rulemaking);

[5] Exemption to the Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 65 FR 64556, 64561 (27 October 2000) (codified at 37 CFR 201); Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 68 FR 62,011 (31 October 2003) (codified at 37 CFR 201).

> "Literary works distributed in e-book format when all existing e-book editions of the work (including digital text editions made available by authorized entities) contain access controls that prevent the enabling of the e-book's read-aloud function and that prevent the enabling of screen readers to render the text into a 'specialized format'" (second rulemaking).[6]

Ginsburg observes: 'The characteristic most of these categories share is obsolescence or malfunction: the work was made available in formats no longer generally in use or which are defective, and circumvention is necessary to access the work.'[7]

The IP Committee notes that the broad outcomes arrived at in the US Copyright Office reviews provide the Standing Committee with helpful guidance as to types of non-infringing uses and classes of subject matter which have been excepted under the comparable procedure in US law.

3. Relationship with exceptions for the supply of circumvention devices/services

Under FTA article 17.4.7 exceptions which apply solely to access control circumvention liability (such as any *ad hoc* exceptions determined under this Review) do not apply in relation to liability arising from the supply of circumvention devices or services.[8]

Furthermore Australian authority currently suggests that an exception upon which a person may rely can not be relied upon by someone acting on behalf of that person. Thus a media-monitor which copied an article on behalf of a customer could not rely upon the fair dealing exception which would have rendered lawful that customer's own making of a copy of the article for research or study.[9] No principle of vicarious immunity has been held to apply in such cases.

Current Australian copyright law, if applied in this context, suggests that someone circumventing for another would not be able to avail him or herself of that other's entitlement to an access control circumvention exception. As such, an outcome may arise in which an exception may apply that can not be used.

For example, the FTA expressly provides that an access control may be circumvented to disable the unauthorised monitoring of a natural person's online activities. In other words, certain acts of access control circumvention are lawful

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[6] Jane C Ginsburg, "Legal Protection of Technological Measures Protecting Works of Authorship: International Obligations and the US Experience" (August 2005). Columbia Public Law Research paper No. 05-93 http://ssrn.com/abstract=785945, 22-23.

[7] Ibid 23.

[8] FTA article 17.4.7(f).

[9] *De Garis v Neville Jeffress Pidler* (1990) 37 FCR 99, at [28]: 'The relevant purpose required by s.40(1) is that of [the media monitor], not that of its customer. That is to say, even if a customer were engaged in research, this would not assist [the media monitor].'

for the purpose of self-help privacy protection.[10] However, also under the FTA there is no exception for the supply of a circumvention device or service for this purpose.[11] A natural person, who lacks the technical competence to actually undertake the circumvention herself and who wishes to take advantage of this privacy exception, can not lawfully obtain circumvention services for this purpose. Therefore, she may not be practically able to take advantage of the exception.

Similarly, any possible *ad hoc* exception[12] (such as one relating to malfunctioning or obsolete access controls) could have no counterpart for the supply of a circumvention device or service for that purpose.[13] Again, limiting strictly the scope of the exception to only one who actually undertakes the circumvention means that the sphere of its operation is limited to those who posses the technical competence to circumvent.

These are outcomes which should be avoided in public law. Sound policy demands that a person's freedom to take advantage of an exception from liability should not be determined by whether that person actually has (or can employ) the technical human capital to circumvent.

It seems preferable that any exception created for access control circumvention liability should permit the undertaking of activities within the exception by third parties acting for another person, so long as there is compliance with a type of 'signed declaration' system similar to that which currently applies under section 116A(3) of the Copyright Act 1968. Under such a system a person may lawfully circumvent an access control for another person in circumstances where:

(1) If that other person had circumvented the access control, that person's circumvention would have fallen within an exception, and

(2) That other person provides to the person undertaking the circumvention a signed declaration identifying, *inter alia*, the relevant exception.

In this way the Copyright Act 1968 should create a limited form of vicarious immunity in relation to the supply of circumvention services to those who may themselves lawfully circumvent an access control.

It seems that some form of vicarious immunity must be understood to exist within the *ad hoc* exceptions in US law. The final exempted class of works in the 2003 US review was explained by the US Copyright Office on the basis that a blind person's use of a read-aloud function of an e-book was a non-infringing use, and that therefore an exemption was warranted for literary works distributed in e-book

[10] FTA article 17.4.7(e)(v).
[11] FTA article 17.4.7(f).
[12] FTA article 17.4.7(e)(viii).
[13] FTA article 17.4.7(f).

format where all versions have disabled the read-aloud function.[14] It must be assumed that there is no expectation in the US that blind persons are to actually undertake the circumvention in order to take advantage of the exception. At least in such a case, the exception must operate so that a blind person could arrange for another person to lawfully circumvent the access control on his or her behalf.

In making this suggestion the IP Committee is mindful that under the terms of the FTA regime exceptions may apply 'only to the extent that they do not impair the adequacy of legal protection or the effectiveness of legal remedies against the circumvention of effective technological protection measures'.[15] It would be a matter for the Standing Committee (and ultimately the Commonwealth Parliament) to determine whether the requirement of a signed declaration or other requirements place sufficient fetter on the scope of the suggested vicarious immunity to not unduly impair the adequacy of legal protection of technological measures.

4. Fair Dealing

It is unlikely that circumvention in order to make a fair dealing of copyright subject matter protected by the access control could comprise an exception under the terms of the FTA regime.

Such a broad exception appears to be plainly at odds with the drafting of the FTA regime in which *ad hoc* exceptions are to apply in quite confined circumstances, limited by both non-infringing use and particular subject matter class, and require the 'credible demonstration' of adverse impact already discussed. Moreover, it is very difficult to conceive of the creation of a broad exception for the circumvention of access controls for making a fair dealing of all the subject matter protected by such controls, which would not impair the adequacy of legal protection of technological measures.

However, broader issues of relationship to copyright (including fair dealing) may be relevant to the framing of circumvention liability, which is discussed in the section below.

5. Connection to rights in copyright

It might be noted that a separate issue is the extent to which primary liability should require a nexus to exist between the protection of a technological measure and an exercise of a right attached to copyright. This is relevant to the separate matter of drafting and judicial interpretation of what access controls will comprise an 'effective technological protection measure' as required by FTA article 17.4.7(b). While strictly speaking this appears to be outside the scope of

[14] Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 68 FR 62,011 at 62,014 (31 October 2003).
[15] FTA article 17.4.7(f).

this Review, some observations might provide useful context for the Standing Committee. It is also a matter that may be of relevance to the Standing Committee in considering the issue of issue of regional coding.

Authority exists in the US under § 1201(a) to the effect that if the uses that an access control prevents are not related to the exclusive rights of copyright, then the access control is not one that the regime can recognise or protect. This authority has emerged in cases where access controls have been used to prevent competition in the field of non-copyright goods or services such as printer ink cartridges (*Lexmark v Static Controls Corp*[16]), automatic garage doors (*Chamberlain Group v Skylink Technologies*[17]) and computer equipment repair (*Storage Tech v Custom Hardware*[18]). Although computer programs, which are copyright subject matter, controlled the functioning of the devices protected by access controls in all cases, in no case was the access control being circumvented in order to infringe copyright in those programs.

In other US cases where the access controls have restricted more traditional exercises of copyright subject matter, courts have rejected any 'fair use' limitation of access control protection. Thus, the United States Court of Appeals for the Second Circuit in *Universal City Studios v Corley* stated:

> [The appellants] examples of the fair uses that they believe others will be prevented from making all involve copying in a digital format those portions of a DVD movie amenable to fair use, a copying that would enable the fair user to manipulate the digitally copied portions. One example is that of a school child who wishes to copy images from a DVD movie to insert into the student's documentary film. We know of no authority for the proposition that fair use, as protected by the Copyright Act, much less the Constitution, guarantees copying by the optimum method or in the identical format of the original.[19]

This approach has been followed in other US cases.[20]

The IP Committee believes that this dichotomous treatment in US to the issue of primary circumvention liability and connection to copyright reflects sound public policy. Liability for circumvention should not provide incentive for the use of access controls for the collateral reason of restricting competition in markets for non-copyright goods or services. Equally liability should not be limited by reference to broad and nebulous copyright exceptions which would undermine the legal protection of technological measures.

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[16] 387 F3d 522 (6th Cir 2004).
[17] 381 F3d 1178 (Fed Cir 2004).
[18] 2005 US App LEXIS 18131 (Fed Cir Aug 24, 2005).
[19] 273 F.3d 429 (2001) at 459
[20] *321 Studios v MGM Studios*, 307 F Supp 2d 1085 (ND Cal 2004) and *United States v Elcom*, 203 F Supp 2d 1111 (ND Cal 2002).

6. Regional coding

The sixth activity the Standing Committee flags in its letter relates to the 'regional coding of digital technologies'.

To the extent that regional access controls are placed on copies of films produced for exhibition in cinemas or television, presently under the Copyright Act 1968 parallel importation control can be exercised in relation to copies of such films. Regional coding in such cases merely reflects in a technological form the legal right to exercise territorial segregation in respect of the film copyright.

Issues relating to such parallel importation controls have been (and no doubt will continue to be) hotly debated. The IP Committee does not wish to reopen that debate here. It simply makes the observation that the underlying issue is not the regional coding of film. Regional coding merely helps a film copyright owner to exercise its current rights under the Copyright Act 1968. To this extent, a regional access control provides an inhibition upon a person who may wish to import into Australia without the consent of the copyright owner authorised copies of films lawfully purchased elsewhere. It effects this inhibition by making the DVD unplayable on consumer electronic devices sold in Australia. The underlying issue is whether the possibility of parallel importation control for film should exist in the Copyright Act at all. Consideration of regional coding should occur in the context of that broader issue and not as an isolated matter

Outside of copies of such films, the issue is different. Interactive video games, sound recordings, computer programs, and electronic literary or music items lawfully made in a Berne or relevant WTO member country (**'importables'**) may be imported without infringing Australian copyright. The recent and emphatic preference of public policy has been to abolish parallel importation controls in the Copyright Act, with only film and printed book protection remaining. Therefore it does seem somewhat perverse that regional access control protection could apply to deny the use within Australia of items the parallel importation of which have so recently been made lawful.

Such parallel importation controls do not exist in the US. As Ginsburg notes in relation to regional coding:

> Both the "first sale" (or "exhaustion") doctrine [citing US Copyright Act 1976, §109(a)] and the confinement of the performance right to public performances, however, suggest that the copyright owner's exclusive rights do not extend to determining the geographical zones in which members of the public may privately view copies lawfully made. Applying section 1201(a) to protect against circumvention of access measures that limit those copies to playback devices licensed for a given territory thus results in a scope of protection not otherwise available under the copyright act.[21]

[21] Ginsburg above note 6, 19.

However, as Ginsburg also notes, one first-instance court has granted preliminary relief to restrain the circumvention of a regional access control on video game discs.[22]

It may be that this issue is best dealt with not in the context of exceptions to liability, but the way in which liability is properly characterised. It might be that a regional access control which does no more than control access (and not related to copying or some other exercise of copyright within Australia) and which is applied to an importable, should not be treated as an access control capable of legal protection, on the basis that it is unrelated to any exercise of a right in copyright.

This outcome seems to be in harmony with the US jurisprudence relating to use of access controls for non-copyright objectives discussed above in section 5. Moreover, the definition of "effective technological measure" in article 17.4.7(b) of the FTA relies upon concepts of "protected work" and "protected subject matter". Principles of treaty interpretation require a contextual and purposive approach to reading treaty terms.[23] Here, an outcome can be arrived at in relation to these terms which require a technological measure to be related to at least one exclusive right attached to protected subject matter. A regional access control on an importable is not so related.

7. Conclusion

The IP Committee has attempted to keep this submission short and directed to the issues which it hopes will be of most assistance to the Standing Committee's Review. This is a new and emerging branch of copyright law, and one in which the FTA has obliged Australia to adopt the US paradigm. However, in so doing there does appear some scope for Australian public policy to be brought to bear in shaping Australian law. If there are any matters arising from this submission which the Standing Committee wishes to have clarified or amplified, the Law Council would be pleased to assist.

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[22] *Sony v Gamemasters*, 87 FSupp 2d 976 (ND Cal 1999).
[23] Vienna Convention article 31(1).