

Criminal Sanctions Against Infringement

- 4.1 In its submission, the Commonwealth Director of Public Prosecutions (DPP) stated in relation to copyright infringement:

There is a gap between the expectations of victims and bodies representing industries affected, and the ability to bring prosecutions and the effectiveness of criminal sanctions under the present arrangements.¹

In the course of its inquiry, the Committee appreciated just how wide is the gap in expectations between what is, and what should be, provided for by way of punishments and deterrents in relation to copyright infringement. Copyright owners were united in calling for the law to have a greater deterrent effect. In this chapter, the Committee will consider the current sanctions in the *Copyright Act 1968* (Copyright Act) and ways to make them more effective.

Penalties and sentencing

- 4.2 The DPP reported that in 1997–98 there were seven convictions recorded for copyright infringements, and six in 1998–99.² The penalties imposed ranged from non-conviction bonds to fines of up to \$4 800. Under subsection 132(6A) of the Copyright Act, the maximum possible penalty for infringement is \$60 500 or 5 years' imprisonment in respect of individuals, and \$302 500 in respect of corporations.³

1 Commonwealth Director of Public Prosecutions (DPP), *Submissions*, p. S498.

2 DPP, *Submissions*, p. S491. The figure for 1998–99 is from 1 July 1998 to 4 June 1999.

3 See also subsection 4B(3) of the *Crimes Act 1914*.

- 4.3 The Commercial Crime Agency of the NSW Police Service (NSW Police) argued that the current penalties are insufficient and do not adequately reflect the criminality involved in copyright infringement.⁴ It compared the maximum penalty for infringement with that for the offence of making a false instrument,⁵ which it considered to be similar; the latter offence carries a penalty of 10 years' imprisonment. The Committee notes that the penalty for theft of property under the *Crimes Act 1914* is seven years' imprisonment.⁶ In its view, the penalty of five years' imprisonment for infringement is insufficient.
- 4.4 In their submission, Mattel Pty Ltd, the Australian Toy Association and Hasbro Australia Ltd (Mattel et al) regarded the penalties as adequate, but objected that the sentences that are imposed are too low to have a deterrent effect.⁷ The Australian Federal Police (AFP) also submitted that while the penalties provided for in the Act are adequate, the actual sentences handed down are often relatively low.⁸ The Motion Picture Association (MPA) submitted that in the film industry, the average fine imposed is around \$1 000 per offence with many persons having no conviction recorded or receiving a good behaviour bond.⁹
- 4.5 The Business Software Association of Australia (BSAA) made the same objection. They surveyed the penalties imposed in a number of cases overseas, and concluded that sentences for copyright infringement in many foreign jurisdictions are much harsher.¹⁰ All the witnesses suggested that the sentences awarded by Australian courts neither serve as effective deterrents nor reflect the effort and resources required to secure convictions. However, the Attorney-General's Department (AGD) stated that it was not aware of any cases in which the penalties have been challenged, or would be challengeable, as manifestly inadequate.¹¹
- 4.6 The Committee accepts that the sentences imposed for copyright infringement are low, in comparison both to other property offences, and to international practice. The Committee shares Mattel et al's concern that low sentences send the wrong message to the community about

4 Commercial Crime Agency of the NSW Police Service (NSW Police), *Submissions*, p. S527.

5 See section 300 of the *Crimes Act 1900* (NSW).

6 Section 71 of the *Crimes Act 1914*.

7 Mattel Pty Ltd, the Australian Toy Association and Hasbro Australia Ltd (Mattel et al), *Submissions*, p. S680.

8 Australian Federal Police, *Submissions*, p. S361.

9 Motion Picture Association (MPA), *Submissions*, p. S275.

10 Business Software Association of Australia (BSAA), *Submissions*, pp. S342–343.

11 Attorney-General's Department (AGD), *Submissions*, p. S750.

infringement.¹² Mattel et al urged the introduction of mandatory guidelines for sentencing in infringement trials.¹³ The Australian Information Industry Association also recommended guidelines, though not mandatory ones.¹⁴

- 4.7 The Committee agrees that sentencing guidelines would be a useful tool in changing judicial attitudes to infringement. The Committee, recognising the importance of allowing room for judicial discretion, is not in favour of stipulating mandatory or minimum sentences. The Committee notes that the High Court has indicated that sentencing guidelines may assist in reducing the disparity that results from the sentencing of federal offenders in different jurisdictions.¹⁵
- 4.8 The Committee also hopes that the adoption of guidelines would result in generally higher penalties. In the Committee's view the guidelines should specify the circumstances in which a court should consider awarding a custodial sentence. The Committee also recognises that prosecutors have a duty to present sufficient evidence to convince the court that heavier penalties are warranted in appropriate cases. Such evidence could include the involvement of organised crime.
- 4.9 The Committee notes that the Chief Justice of New South Wales has recently overseen the introduction of 'guideline judgments' in the Supreme Court of New South Wales. In a 'guideline judgment', a full bench of the Court of Criminal Appeal promulgates guidelines for the sentencing of offenders in like cases. To date, the Supreme Court has issued guideline judgments in relation to a number of crimes including driving causing death and armed robbery.¹⁶ The Committee considers that 'guideline judgments' could be usefully developed in relation to copyright offences. In the Committee's view, it is appropriate that guideline judgments for copyright offences be developed by the Federal Court of Australia.

Recommendation 5

- 4.10 **The Committee recommends that the Attorney-General bring to the attention of the Chief Justice of the Federal Court of Australia the**

12 Mr McDonald, Mattel et al, *Transcript*, p. 349.

13 Mattel et al, *Submissions*, pp. S680–681.

14 Australian Information Industry Association, *Submissions*, p. S525.

15 *Postiglione v R* (1996) 189 CLR 295 at 336–337.

16 *Rv Jurisic* [1998] NSWSC 597; *R v Henry Barber Tran Silver Tsoukatos Yrogrou Jenkins* [1999] NSWCCA 111.

system of ‘guideline judgments’ instituted in the Supreme Court of New South Wales, with a view to developing guideline judgments in relation to copyright offences.

- 4.11 In the opinion of the Committee, the development of sentencing guidelines by the judiciary should be complemented by a strengthening of the offence provisions contained in the Copyright Act. The Committee considers that this two-pronged approach is the most effective way to curb the criminal infringement of copyright.
- 4.12 Beach Collections suggested that the Copyright Act should contain increased penalties for repeat offenders.¹⁷ The Committee notes that the *Copyright Amendment Act 1986*¹⁸ provided for increased penalties in the case of second and subsequent offences. This provision was removed by the *Copyright Amendment Act (No 2) 1998* which does not distinguish between first and repeat offences. The Copyright Act now leaves it to the discretion of the sentencing judge to impose a heavier penalty in respect of repeat offences. Evidence to the Committee has demonstrated the need for penalties for copyright offences to have a greater deterrent effect. For this reason, the Committee recommends the re-introduction of increased penalties for repeat offenders.

Recommendation 6

- 4.13 **The Committee recommends that the *Copyright Act 1968* be amended so as to provide increased penalties for persons convicted of subsequent offences.**
- 4.14 The Australian Film and Video Security Office (AFVSO) argued that the current wording of subsection 132(6A) is not as clear as previous versions. In particular, it is not clear whether, when infringing copies of a number of different works are involved, one or multiple offences are committed.¹⁹ Having considered the Explanatory Memorandum and the Second Reading Speech on the Bill,²⁰ the Committee agrees that the question

17 Beach Collections, *Submissions*, p. S66.

18 Section 16.

19 Mr Howes, Australian Film and Video Security Office, *Transcript*, p. 148.

20 The Copyright Amendment Bill (No 2) 1997; Second Reading Speech Hon Daryl Williams, AM QC MP, 20 November 1997, *Debates*, p. 10971.

remains open. The Committee agrees with AGD that the Copyright Act should be amended so as to clarify the position.²¹

- 4.15 In the Committee's view, it is appropriate to regard infringement of copyright in works (or other subject matter) on an individual basis, in recognition of the effort that has been expended to create each work. It follows that infringement of copyright in a number of works should result in a number of counts of the offence of infringement.
- 4.16 The Committee further considers that each type of unauthorised dealing with an individual work (or other subject matter) should constitute a separate count of infringement. For example, possessing a device for making infringing copies of a work (in contravention of subsection 132(3)) and then making infringing copies of that work for sale (in contravention of subsection 132(1)) would amount to two counts of infringement.

Recommendation 7

- 4.17 **The Committee recommends that section 132 of the *Copyright Act 1968* be amended so as to clarify that in circumstances where more than one work or other subject matter are involved, the section applies to each work or other subject matter severally.**

The Committee further recommends that subsection 132(6A) of the *Copyright Act 1968* be amended so as to clarify that in respect of each work or other subject matter, a person commits a separate offence when he or she contravenes each of subsections 132(1), (2), (2A), (3), (5) and (5AA).

Proof of ownership

- 4.18 The primary offence provision in the Copyright Act is section 132,²² which proscribes the importation of, and commercial dealing in, infringing material. More precisely, in a prosecution under section 132, the following elements must be proved:
- subsistence of copyright;

21 AGD, *Submissions*, p. S750.

22 AGD, *Submissions*, p. S411.

- that the article in question is an infringing copy (This is traditionally done by proving that the copy was made without the copyright owner's consent, which in turn entails proving ownership of copyright and that the owner did not license the copy.);
- the making, importing or dealing with infringing copies for commercial purposes, or possessing them for the purpose of doing so; and
- that the defendant knew or ought reasonably to have known that the article in question is an infringing copy.²³

- 4.19 From the analysis of a copyright prosecution given above, it will be seen that the purpose of proving ownership of copyright is to show that the copy in question was made without the owner's consent. Copyright owners argued that the pivotal issue in copyright offences is the defendant's state of mind in relation to consent. In other words, where a person manufactures or commercially deals with material that they know (either in actuality or constructively) is subject to copyright, the sole determinant of criminal liability should be whether the person knows, or is reckless as to whether, their manufacture or dealing requires the consent of the copyright owner.²⁴
- 4.20 In the approach described in the preceding paragraph, the identity of the copyright owner is irrelevant and there is, therefore, no need to prove who owns the copyright.²⁵ AGD expressed concern that the approach unfairly disadvantages a defendant, since it is always possible that the material alleged to be infringed was already in the public domain.²⁶ For this reason the prosecution should be required to prove ownership. The Committee agrees with this conclusion, although in its view, the task of proving ownership should not be as intractable as it is at present.
- 4.21 Ownership of copyright, together with the other elements of the offence, must be proved using admissible evidence. The DPP submitted that for this reason, copyright prosecutions can be difficult, highly technical and expensive.²⁷ Of all the matters requiring proof, ownership of copyright is the most difficult.²⁸ In its submission the DPP discussed two prosecutions which were either wholly or partly unsuccessful because it could not be

23 AGD, *Submissions*, p. S412; DPP, *Submissions*, p. S492.

24 AGD, *Submissions*, p. S761.

25 Music Industry Piracy Investigations (MIPI), *Submissions*, p. S181.

26 AGD, *Submissions*, p. S761.

27 DPP, *Submissions*, p. S491.

28 Mr Thornton, DPP, *Transcript*, p. 90.

proven that the victim owned the copyright.²⁹ MPA described a prosecution in which it was put to considerable effort and expense in proving ownership before the defendant changed his plea to guilty.³⁰

- 4.22 Many submissions concentrated on ways to ease the difficulty through providing evidential assistance to the prosecution. All the forms of evidential assistance that were suggested to the Committee have the effect of placing, to varying degrees, an onus of proof on the defendant. It is this issue that the Committee will consider first.

Reversing the onus of proof

- 4.23 AGD opposed a presumption of ownership on a variety of grounds.³¹ Foremost amongst them was that reversing the onus of proof undermines the presumption of innocence. It does this by violating the cardinal principle of criminal law that the prosecution carries the onus of proving all the elements of an offence. Mr Paul Sugden agreed, adding that a change in the onus of proof is incompatible with the adversarial system.³² AGD further submitted:

It is Commonwealth criminal policy that the onus of proof should only be placed on a defendant if two preconditions are met:

- the matters to be proved are peculiarly within the knowledge of the defendant; *and*
- the matters are difficult and costly for the prosecution to prove beyond a reasonable doubt.³³

- 4.24 The evidence establishes that the second criterion is satisfied. Yet AGD argued that the difficulty of proving an element of the offence does not, of itself, justify reversing the onus of proof. It is unjust and unreasonable to reverse the onus if it is also difficult for the defendant to disprove that the copies in question are infringing copies.³⁴ The DPP stated that in its experience, defendants often have ready means of discharging the onus. This they can do by showing that they have an entitlement to use

29 *Lollback v Yuong* (unreported, NSW Local Court, 8 February 1996); *Holder v Searle* (1988) 44 IPR 1.

30 MPA, Exhibits

31 AGD, *Submissions*, pp. S436–437.

32 Mr Paul Sugden, *Submissions*, p. S37.

33 AGD, *Submissions*, p. S436.

34 AGD, *Submissions*, p. S437.

copyright—in other words, by producing a licence.³⁵ A valid licence will refute the contention that the copies in question are infringing copies.

- 4.25 AGD also expressed concern that reversing the onus of proof may facilitate prosecutions to such an extent that criminal laws could be routinely used to resolve what are inherently commercial disputes.³⁶ The Committee does not share AGD's concern that the criminal law will be abused in this way. In the forms of assistance suggested to the Committee, the onus of proof is only reversed once the prosecution has established a prima facie case of ownership. The Committee considers this precondition for the reversal of the onus a sufficient safeguard against abuse.
- 4.26 The Committee concludes that in a prosecution for copyright infringement, it is appropriate for the defendant at some stage to bear the onus of proving that the copies in question are not infringing copies. This is because the difficulty of proving ownership of copyright unreasonably exceeds that of proving an entitlement to use copyright. In addition, the reversal of proof only applies to one of the four elements of the offence. For these reasons, the Committee does not consider reversing the onus of proof inconsistent with Commonwealth criminal law policy.
- 4.27 Two forms of assistance for the prosecution in proving ownership—two ways of establishing a prima facie case—were suggested to the Committee. The first is the implementation of a voluntary registration system. For the reasons canvassed in Chapter 3, the Committee has decided against this approach. The second form of assistance takes the form of a rebuttable presumption of ownership. The Committee will consider this below.

Presumption of ownership

- 4.28 In considering reversing the onus of proof, the question that arises is what should activate the reversal? Two possible triggers were suggested in evidence. First, the prosecution could aver (or assert) ownership by a particular person. Alternatively, where the name of the author is indicated on the work, that person (the author) could be presumed to own the copyright.
- 4.29 The MPA, the BSAA and the Australian Visual Software Distributors Association (AVSDA) all supported the first trigger for the reversal.³⁷ The

35 Mr Thornton, DPP, *Transcript*, p. 88.

36 AGD, *Submissions*, p. S436.

37 Mr Baker & Mr Alexander, MPA, *Transcript*, pp. 138 and 144; BSAA, *Submissions*, p. S347; Mr Dwyer, Australian Visual Software Distributors Association (AVSDA), *Transcript*, p. 310.

BSAA submitted that an affidavit filed on behalf of the copyright owner asserting ownership of copyright should be sufficient prima facie proof of ownership. AVSDA elaborated on this proposition, by specifying exactly what should be asserted in the affidavit. Their suggested form for the affidavit is modelled on section 121 of the *Copyright Ordinance* (Hong Kong).³⁸ The affidavit would include details such as the date and place of first publication, and the names of the author and owner of the work. A true copy of the work would be exhibited to the affidavit.

- 4.30 The MPA reported that a consultant recently commissioned by the New Zealand Ministry of Commerce to report on the theft of intellectual property recommended that provision be made for presumptions of existence and ownership in criminal proceedings. The presumptions would arise as a result of affidavit evidence led by the prosecution.³⁹ The Australian Copyright Council (ACC) pointed out that the Copyright Amendment Bill 1992 (the Bill) proposed to introduce a similar procedure in civil proceedings in relation to sound recordings.⁴⁰ Proposed section 126A (item 11 of the Bill) is attached as Appendix D to this Report.
- 4.31 The significant difference between the affidavit contemplated by proposed section 126A and that used in the Hong Kong procedure is that the former requires the chain of title to be outlined. Proposed subsection 126A(4) requires the deponent to list all the persons through whom he or she claims to have the assignment or exclusive licence to the sound recording. Thus proposed section 126A requires more detail than the affidavit suggested by AVSDA.
- 4.32 The Committee notes that the Copyright Law Review Committee (CLRC) considered proposed section 126A of the Bill in Part 2 of its report on *Simplification of the Copyright Act 1968*.⁴¹ The CLRC stated:

The Committee considers that the reversal of the 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 to ownership. The Committee is of the view that the owners of copyright must

38 AVSDA, *Submissions*, p. S631.

39 MPA, Exhibit, AJ Park & Son for the New Zealand Ministry of Commerce, *The Theft of Intellectual Property Piracy and Counterfeiting*, July 1998, para. U2.6.

40 ACC, *Submissions*, p. S483; see section 126A of the Copyright Amendment Bill 1992.

41 Copyright Law Review Committee (CLRC), *Simplification of the Copyright Act, Part 2: Categorisation of Subject Matter and Exclusive Rights and Other Issues*, paras 7.154–7.163.

properly document their claim to title and not be permitted to rely on assertion.⁴²

- 4.33 With respect to the CLRC, the Committee fails to appreciate the particular problem caused by the operation of the presumption of ownership in relation to material in the digital environment. Material in electronic form is more ephemeral and mobile than that in print form. Nevertheless, the Committee does not consider this a persuasive reason for not applying the presumption of ownership to all types of copyright material.
- 4.34 The second trigger for the reversal of ownership is a label or mark on the work indicating the maker and date of first publication. The maker would then be presumed to be the owner. This trigger is similar to those contained in existing sections 126–130 and 131 of the Copyright Act, which apply in civil proceedings to works, published editions, sound recordings and films respectively. The trigger is also used in Canada in criminal proceedings: see section 34 of the *Copyright Act (Canada)*. MPA reported that the Irish government is proposing to introduce the trigger in both civil and criminal proceedings.⁴³ The AVSDA, ACC and the BSAA argued that the reversal of proof in criminal proceedings could be triggered by a label or mark.⁴⁴
- 4.35 The Committee prefers the first trigger (an affidavit) over the second (a label or mark on the material) to raise the presumption of ownership, and consequently, to reverse the onus of proof. This is because, as noted in Chapter 2, marks and labels on copies of copyright material can themselves be counterfeited.⁴⁵ An affidavit, on the other hand, is more reliable evidence because it is sworn by an individual with the relevant knowledge. It also—especially one that complies with proposed section 126A—provides more detailed information in relation to the copyright. In the Committee's view, an affidavit is a more effective means of proof on which to base a rebuttable presumption of ownership of copyright.
- 4.36 The affidavit envisaged by the Committee would have a prescribed form similar to proposed section 126A of the Bill. If the prosecution were to tender such an affidavit, then the copyright owner would be presumed to be as claimed in the affidavit, unless the defendant proved otherwise. As explained above, the use of the affidavit avoids the need to prove the chain of title, which is deposited to in the affidavit itself.

42 CLRC, *op. cit.*, paras 7.161 and 7.162.

43 MPA, *Submissions*, p. S282.

44 BSAA, *Submissions*, p. S347; Mr Dwyer, AVSDA, *Transcript*, p. 310.

45 Mr McDonald, Mattel et al, *Transcript*, p. 353.

4.37 In order to provide the presumption of ownership with some force, the Committee considers that the Court should have a discretion to award penalty costs against a defendant if they seek to challenge the chain of title, as deposed to in the affidavit, and fail. Conversely, the Court should, in its discretion, be able to award penalty costs against the person who swore the affidavit if the defendant successfully proves that the chain of title deposed to in the affidavit is false.

Recommendation 8

4.38 **The Committee recommends that the *Copyright Act 1968* be amended so as to introduce a presumption as to ownership of copyright substantially similar to that contained in proposed section 126A of the Copyright Amendment Bill 1992. The presumption would apply in prosecutions for offences under section 132 of the Copyright Act.**

In addition, the Court should have a discretion to award penalty costs:

- **against the defendant if they seek to challenge the chain of title as deposed to in the prosecution's affidavit and fail; and**
- **against the person who swore the prosecution's affidavit, if the defendant succeeds in proving that the chain of title deposed to in the affidavit is false.**

Knowledge requirement

4.39 The mental element of infringement offences (section 132) is that the defendant knew, or ought reasonably to have known, that the article in question was made without the consent of the copyright owner. Music Industry Piracy Investigations (MIPI) submitted that this is often difficult to prove because the prosecution can rarely show actual knowledge and must prove constructive knowledge.⁴⁶ This means that it must attempt to prove, beyond a reasonable doubt, that in all the circumstances the defendant ought to have known that the material infringed copyright.

46 MIPI, *Submissions*, p. S180.

- 4.40 AGD, on the other hand, was concerned to allow a defendant the fullest opportunity to challenge the allegation of culpable knowledge.⁴⁷ It suggested that the Copyright Act should specify the circumstances in which a defendant cannot be taken to have constructive knowledge of the infringing nature of their conduct. Thus, a defendant could not have reasonably known the infringing nature of their conduct if they, for example, made reasonable inquiries as to the copyright status of the material, or believed on reasonable grounds that they were authorised to deal with the material.
- 4.41 The Committee notes that as AGD pointed out, these 'defences' to constructive knowledge are already available to a defendant.⁴⁸ In the Committee's view, the courts are not so willing to infer constructive knowledge that the defences need to be spelt out in the Copyright Act, in order for defendants to avoid possible injustice. Indeed, the Committee's concern is that if the defences were so spelt out, the mental element of infringement offences would be even more difficult for the prosecution to establish. For this reason, the Committee does not accept AGD's proposed amendment in relation to section 132.

New offences

Advertising infringing copies

- 4.42 A number of witnesses proposed additional criminal offences in order to help combat criminal infringement. The term 'criminal infringement' is used to refer to infringing conduct that takes place in the context of trade.⁴⁹ It is at such conduct that the offence provisions of the Copyright Act are directed. One such provision is section 133A, which makes it a criminal offence to advertise the supply of copies of a computer program if the person knew, or ought reasonably to have known, that the copies are or will be infringing copies. The ACC suggested extending section 133A so that it applies to all types of copyright material, not just computer programs.⁵⁰ The Committee considers that extending the section in this way will help reduce the trade in pirated goods.

47 AGD, *Submissions*, p. S761.

48 Ibid.

49 AGD, *Submissions*, p. S432.

50 ACC, *Submissions*, p. S482.

Recommendation 9

- 4.43 **The Committee recommends that the Copyright Act 1968 be amended so that section 133A applies also to literary, dramatic, musical and artistic works, cinematographic films, television broadcasts and published editions of works.**

End user piracy

- 4.44 The BSAA submitted that 'end user piracy', which is unique to software, should be a criminal offence. As explained at paragraph 2.7, end user piracy entails making more copies, or allowing more users, of a piece of software than an organisation has licences for. The BSAA stated that the United States of America, the United Kingdom (UK) and many European countries have provisions which make end user piracy a criminal offence.⁵¹ It also suggested that the absence of such a provision in the Copyright Act places Australia in breach of its obligation to prevent piracy on a commercial scale, contained in Article 61 of the World Trade Organisation *Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPS).⁵²
- 4.45 In view of the problem presented by end user piracy, and international practice, the Committee considers it desirable to introduce an offence relating to end user piracy. In order to deter end user piracy, legal sanctions must be directed at the use of the infringing software, rather than its manufacture, distribution or sale.⁵³ For example, the *Copyright, Designs and Patents Act 1988* (UK) targets the possession of infringing articles in the course of a business. Section 107(1)(c) of that Act provides:
- 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.
- 4.46 The ACC submitted that this provision be introduced into the Copyright Act.⁵⁴ AGD expressed some reservations about this course of action, not all of which were clear to the Committee. It questioned whether such a

51 Mr Gonsalves, BSAA, *Transcript*, p. 181.

52 BSAA, *Submissions*, p. S340.

53 BSAA, *Submissions*, p. S333.

54 ACC, *Submissions*, p. S482.

provision would be workable in Australia, given that the Copyright Act does not prohibit the actual use of infringing copies for commercial purposes. They also stressed the need for any such provision to safeguard unintentional and mistaken infringements, and for the provision to focus on the use of the infringing copy in the course of business.⁵⁵

- 4.47 The Committee considers that primary responsibility for end user piracy should lie with those who supply the users within an organisation with infringing software. The Committee notes that in its 1994 report *Computer Software Protection*, the CLRC recommended amending the Copyright Act so that an employer will be guilty of an offence where he or she is found in possession of an article which he or she knew, or ought to have reasonably known, is an infringing copy of a work.⁵⁶ The government is yet to respond to the CLRC's report.
- 4.48 The Committee agrees with the CLRC that employers should be vicariously liable for infringing copies of computer software that are used by their employees, where the employer has actual notice of the existence of such infringing copies. The Committee affirms paragraphs 2.71(a) and 16.35 of the CLRC's report in so far as they relate to computer programs. In the Committee's view, however, responsibility for the use of unauthorised copies should lie with the person to whom the software has been licensed.

Recommendation 10

- 4.49 **The Committee recommends that the *Copyright Act 1968* be amended so that a licensee will be guilty of an offence where an employee or agent of that licensee is found in possession of a computer program, of which the licensee had actual notice, and which the licensee knew, or ought reasonably to have known, is an infringing copy of the licensed computer program.**

Possession of infringing copies

- 4.50 Several copyright owners were in favour of creating a stolen goods-in-custody type of offence (infringing copies-in-custody) which, they argued, would be useful in enforcing copyright in the marketplace. Mattel et al

55 AGD, *Submissions*, p. S749.

56 CLRC, *Computer Software Protection*, 1994, para 2.71(a).

submitted that the proposed offence should be modelled on section 26 of the *Summary Offences Act 1966* (Vic). That section makes it an offence to possess, without a satisfactory excuse, property which is reasonably suspected of being stolen.⁵⁷ Thus, it would be an offence to possess, without satisfactory excuse, copies of copyright material which are reasonably suspected of being infringing copies.

- 4.51 In evidence to the Committee, NSW Police also suggested introducing an infringing copy-in-custody offence. It referred to section 527C of the *Crimes Act 1900* (NSW), which is the equivalent of the Victorian provision.⁵⁸ The BSAA also supported such an offence.⁵⁹ The proposed offence would be a summary offence, and therefore triable in local courts. This is seen as an advantage because proceedings are quicker and less formal than in the superior courts.⁶⁰ At the public hearing on 6 September 1999 the Committee noted the need to limit the scope of the offence because it is dealt with summarily.⁶¹ This could be achieved by limiting the value of the goods in respect of which a prosecution could be brought.
- 4.52 AGD opposed an infringing copy-in-custody offence because it intrudes considerably upon the rights of citizens.⁶² It argued that the difficulty with such an offence is in determining what constitutes a reasonable suspicion. AGD urged that if such an offence were to be introduced, clear guidelines should be provided concerning the factors to be taken into account when determining reasonable suspicion.⁶³
- 4.53 The Committee accepts that an infringing copies-in-custody offence would be effective in helping to combat bootlegging operations and other sales of counterfeited goods. In the Committee's view, the drafting of guidelines concerning the determination of reasonable suspicion should be left to the Australian Federal Police, in consultation with representatives from the clothing and merchandising industries. The Committee does not envisage that the proposed offence would be used to prosecute ordinary citizens who possess infringing copies. The offence is targeted at those who commercially deal in counterfeit material.

57 Mattel et al, *Submissions*, pp. 679–680.

58 Sgt Shepherd, NSW Police, *Transcript*, p. 166.

59 Mr Gonsalves, BSAA, *Transcript*, p. 179.

60 Sgt Shepherd, NSW Police, *Transcript*, p. 167.

61 Chairman, *Transcript*, p. 167.

62 AGD, *Submissions*, p. S750.

63 AGD, *Submissions*, p. S751.

Recommendation 11

- 4.54 The Committee recommends that the *Copyright Act 1968* be amended so as to provide:
- a summary offence, for being in possession of copies of copyright material up to a certain value, that are reasonably suspected of being infringing copies; and
 - a defence to a prosecution for the offence, if the defendant satisfies the court that she or he had no reasonable grounds for suspecting the copies to be infringing copies.

Criminal sanction or civil remedy?

- 4.55 The next Chapter deals with the civil remedies that are available for copyright infringement. Before turning to consider civil action, it is appropriate to consider comments about the interrelationship between civil remedies and criminal sanctions for copyright infringement. Some infringements give rise to criminal, in addition to civil, liability.⁶⁴
- 4.56 In its submission, the AFP argued that the most appropriate way of dealing with the greater proportion of copyright infringements is through civil, rather than criminal, proceedings.⁶⁵ One of the reasons advanced in support of this argument is that a frequent motivation of complainants is pecuniary satisfaction rather than criminal conviction. Yet a number of witnesses emphasised to the Committee that what they most desired in relation to infringement in their industry was to send a strong deterrent message to infringers.⁶⁶ The BSAA submitted:
- Our experience shows that civil litigation alone is not a sufficient deterrent against software piracy. Software pirates often regard the risk of civil proceedings being taken as merely a cost of doing business.⁶⁷
- 4.57 In evidence to the Committee, MPA gave an example which similarly shows that civil action does not have any deterrent effect in the film industry. An infringer continued trading for three years while he was

64 AGD, *Submissions*, p. S432.

65 AFP, *Submissions*, p. S362.

66 BSAA, *Submissions*, p. S344.

67 Ibid.

pursued civilly. Yet when criminal action was taken against him, he and other infringers in his area ceased trading within two days.⁶⁸

- 4.58 The Committee appreciates that to some extent, attitudes towards the use of criminal sanctions reflect views as to where the responsibility for copyright enforcement lies, as discussed in Chapter 3. As has been explained, the Committee views copyright enforcement a joint responsibility between law enforcement agencies and industry members. Notwithstanding this view, the Committee wishes to acknowledge the importance of the existence and enforcement of criminal sanctions for infringement.

Private prosecutions

- 4.59 An aspect of the enforcement of criminal sanctions for copyright infringement is the possible role for private prosecutions. AGD pointed out that the right to bring a private prosecution is a common law right of great antiquity.⁶⁹ It may be that where law enforcement agencies are unwilling to instigate proceedings, copyright owners could bring their own prosecutions.⁷⁰ AGD reported, and the Australian Performing Rights Association together with the Australian Mechanical Copyright Owners Association confirmed, that private prosecutions are brought successfully in copyright matters in the United Kingdom.⁷¹ Although available in Australia,⁷² AGD reported that to its knowledge, none have been brought to date.⁷³
- 4.60 AGD identified a number of difficulties with the use of private prosecutions.⁷⁴ First, copyright owners lack access to the investigative machinery of the police. While the Committee agrees that copyright owners lack the powers of the police, it does not agree that copyright owners lack investigative machinery. In Chapter 3 reference was made to industry policing bodies and the important role they play in copyright enforcement. The second difficulty raised by AGD is the risk of an action for malicious prosecution. The Committee accepts that this is a risk to which a private prosecutor exposes themselves. Nevertheless, the Committee considers that private prosecutions may be a possibility in some cases of

68 Mr Howes, AFVSO, *Transcript*, p. 148.

69 AGD, *Submissions*, p. S450.

70 This is possible pursuant to section 13 of the *Crimes Act 1914*.

71 Ms Faulkner, Australian Performing Rights Association and the Australian Mechanical Copyright Owners Association, *Transcript*, p. 244.

72 See section 13 of the *Crimes Act 1914*.

73 AGD, *Submissions*, p. S450–451.

74 AGD, *Submissions*, p. S451.

infringement, and would wish to encourage copyright owners to bring them. In Chapter 5 (paragraphs 5.7-5.8) the Committee refers to the *Copyright, Designs and Patents Act 1988* (UK) that provides a civil power of seizure.