

INQUIRY INTO THE ENFORCEMENT OF COPYRIGHT IN AUSTRALIA

Submission by Motion Picture Association

1. OVERVIEW

- 1.1 Rights in the nature of copyright can be very valuable property. This property right is given to copyright owners under the *Copyright Act* and is reinforced by international treaties to give both Australian and overseas owners rights in other jurisdictions.
- 1.2 The law protects property in copyright, just as it protects other property, from misappropriation. The public policy arguments in favour of the State protecting property are so old and so obvious as to not need restatement.
- 1.3 It follows from this that the protection given must be through effective measures of enforcement. If unreasonable hurdles are placed in the path of those wishing to enforce their property rights - whether they be law enforcement agencies or the owners of the property - then the public policy goals of protection will not be met.
- 1.4 This policy objective in relation to copyright is reflected in Article 41 of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), to which Australia became a signatory on 1 January 1995, which provides, among other things, that:

- '1. *Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.*
2. *Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.'*

- 1.5 Enforcement of copyright law in Australia in relation to cinematograph films at present suffers from the considerable obstacle of the need to provide extensive evidence to enable proof of ownership of copyright in the films if prosecutions or civil proceedings are to be successful. This is both difficult and time consuming.
- 1.6 Unfortunately there is a small group of people who are aware of the difficulties of enforcement if they choose to put the owners of copyright in films to proof of that ownership. These people use this technique to their advantage. The difficulty of proof in this area is largely due to the vast numbers of records involved and the cost of providing that evidence.
- 1.7 It is therefore appropriate that where it is reasonably likely that copyright vests in the person named on the film as copyright owner, that person should not be put to proof of copyright unless there is substantial admissible evidence for suggesting that the person named is not, in fact, the copyright owner.
- 1.8 The Motion Picture Association ('MPA') urges the Committee to recommend amendments to the *Copyright Act* which will give owners of copyright, and law enforcement agencies, a greater ability to protect property in films. The ways in which this may be achieved are set out in Part 8 of this submission.

2. INTRODUCTION

2.1 The submission has been prepared by the MPA.

2.2 The MPA is the Association which represents the major film studios in the United States. Its members are:

Buena Vista International, Inc.

Metro-Goldwyn-Mayer Inc.

Paramount Pictures Corporation

Sony Pictures Entertainment, Inc.

Twentieth Century Fox International Corporation

Universal International Films, Inc.

Warner Bros.

2.3 One of the major roles of the MPA is to prevent the unauthorised use of its members' cinematographic films throughout the world, whether through unauthorised copying or importation or otherwise.

2.4 The MPA welcomes the present inquiry by the House of Representatives Standing Committee on Legal and Constitutional Affairs. Over a number of years the MPA has experienced significant difficulties in Australia in enforcing copyright in films because of the evidentiary requirements which are placed on the copyright owners and the expense and difficulty of meeting those requirements.

2.5 In Australia the agent of the MPA is the Australasian Film and Video Security Office ('AFVSO'). In its role of enforcing copyright in Australia, it has adopted a policy of 'Prevention before Detection'. It therefore engages in extensive campaigns of education in an effort to prevent infringements occurring, whether deliberately or inadvertently. These education campaigns are quite varied, and in the past have involved professional publicity companies, and press and radio enquiries. The AFVSO has also distributed information and warning notices to retailers using mailing lists, notices in trade journals and hand delivery.

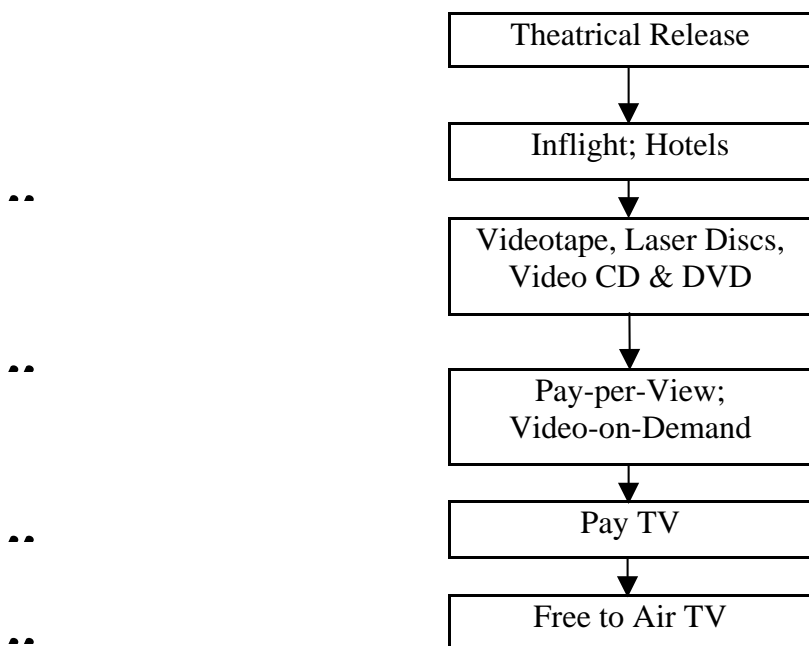
- 2.6 If infringement of copyright in films is suspected, a letter of warning is written to the infringer drawing to its attention the relevant provisions of the *Copyright Act*.
- 2.7 However there still remains a dedicated body of people who obtain and exploit infringing copies of films in order to obtain commercial advantage, and who remain persistent in their piracy. This is at the expense of the many hundreds of distributors of legitimate products in Australia. It also is detrimental to government revenue, as it is rare for pirates to pay taxes.

3. BACKGROUND

Windows system of film release

- 3.1 Cinematograph films are distributed in Australia through cinema exhibition, video laser discs, digital versatile discs and video cassettes. They are also distributed for exhibition on free-to-air television, pay television, airlines and other venues. The distribution of these films is subject to licensing agreements entered into by the distributors and the owners of copyright in the individual cinematograph films.
- 3.2 Throughout the world, including Australia, film release takes place in a staged process, known as the 'windows system', which provides for motion pictures to be released in different formats in sequential order. The hold back period will vary from film to film and country to country. The process starts with theatrical release, which is followed by a hold back period, called a 'window', before the film is released on home video (video cassette, laser disc, and other video formats). After this 'window' for home video, there is typically another 'window' before release on pay TV. This is followed by another 'window' for free to air TV.

Sequence of Windows



- 3.3 The windows system is designed to assist the businesses of theatres, video outlets, pay TV operators and broadcasters and bring about appropriate returns in each format, and to maximise their revenues from each medium in which the film is distributed. The sequential order is similar in each country but release dates vary.

Why films are released at different times in different countries

- 3.4 The 'windows' system also operates on a global level (the 'world wide window release system'), with films being released at different times in different countries. This windows system commences from the day a film is first published, wherever the first release may occur.
- 3.5 The cinematograph film industry is unique in requiring this 'window' protection for the staged release of cinematograph films through the world. This staged release is different to, say, the music industry which has a one release system, namely, the worldwide release of a product on or about the same day.
- 3.6 Some countries (for example France), have statutory provisions to protect some participants in the distribution of films, such as cinemas, by requiring specific fixed windows before the film may be released in a later format, such as video. Australia has no such legislative provisions. The MPA believes that the appropriate window for each picture is best determined by the distributor on a picture-by-picture basis, in response to market forces. It is important that the distributor be able to protect its films in order to ensure the most appropriate distribution in each media.
- 3.7 In Australia, the only protection against unauthorised importation and/or distribution of the various formats of cinematograph films arises under the provisions of the *Copyright Act*. The use of the Act to protect the copyright owner's rights is subject to some serious limitations which are referred to in Parts 4 and 5 of this submission.
- 3.8 It is not economically or physically viable to release audiovisual works theatrically, or in other media, in all countries at the same time. This is a result of various factors, such as the availability of theatrical screens, the structure and production costs of local

film/video duplication, and the most opportune time to commence exhibition, such as holiday periods. After the theatrical release in each country, each medium has an exclusive period ('window') in which to obtain revenue from that form of distribution.

- 3.9 While licensed video distributors are bound by the sequential release patterns, parallel importers, who act without the authority of the copyright owner, are not. Video versions of an audiovisual work distributed by parallel importers without the authorisation of the copyright owner actually may precede the release of the work in the local cinema circuit or violate the assigned release dates that video outlets which do not parallel import have committed to honour (ie pre-release video piracy). The activities of parallel importers, who may benefit from the advertising efforts of the local distribution, disrupt the window schedule and reduce the potential theatrical or video revenue of copyright owners.
- 3.10 There are approximately 3,006 distributors of videos in Australia and 188 exhibitors of cinematograph films operating from 325 cinema sites and 28 drive-in sites. The industry provides employment opportunities for approximately 17,484 people¹. The industry has a turnover of approximately \$395 million per annum. Parallel importers and distributors of pirate products have a significant adverse effect on the industry through destroying the windows system and affecting the revenue of those who rely upon it.
- 3.11 It is important to understand that the cost of films in any format is very similar in the United States, Britain and Australia. Therefore there is little, if any, financial benefit to consumers in being able to access parallel imports. The only benefit is being able to see a film before it has been released in Australia. Set out below is an example of comparative retail prices in various countries in South East Asia, the United States, United Kingdom and Australia.

¹ Figures derived from ABS statistics appearing at <http://www.abs.gov.au/websitedbs/>

Average Sell Through Prices in \$US for April 1999			
Country	VHS	LD	DVD
Australia	13.53	22.30	20.00
Hong Kong	16.50	N/A	30.00
Singapore	11.00-17.00	28.50	23.00-29.00
Japan	25.00	38.00	28.50-39.50
Thailand	9.10	60.00	32.00-36.00
United States	12.85	40.00	24.95
United Kingdom	15.50	N/A	28.87
New Zealand	13.35	N/A	21.35

(Source: Motion Picture Association Survey, May 1999)

- 3.12 It is of significant assistance to enforcement in Australia that parallel imports are not permitted to be imported. It has been found in other jurisdictions where parallel imports are permitted that the importation of pirated products increases dramatically. This is because product can be imported from a variety of countries making it difficult to determine whether the product is a legitimate product or an unauthorised copy. Where product sold in Australia can only be reproduced in Australia, the markings on the copy will usually indicate the source of the copy from which it can be quickly ascertained whether the copy was made under licence.

Nature of infringement experienced in Australia

- 3.13 Video cassette duplication and distribution commenced in Australia around 1980-81. As the industry developed so did the unauthorised copying of the video medium, which in those days consisted of half inch video cassette tapes.

- 3.14 This unauthorised copying was carried out by householders using two video cassette recorders in what was termed back-to-back copying. However, frequently multiple

copying was carried out by video retailers or unscrupulous commercial duplication businesses. In addition, the professional printing of labels and advertising inserts disguised many of the cassettes as being genuine articles. During 1985-86, the manufacturing and distribution of such counterfeit material was through a number of organised groups in Sydney and Melbourne.

3.15 Another form of infringement during the 1980s and in particular 1988-89, was a trend to import video cassettes from other countries. This consisted of two types of product:

- (a) copies made illegally from cinema screens and generally imported from Asia; and
- (b) genuine cassettes imported from Britain prior to release in Australia (parallel imports).

3.16 In 1989, a new format for video viewing was introduced. This was known as the Laser Disc video ('LD') and legitimate distribution increased with consumer demand during the early 1990s. This distribution was formerly in the PAL broadcasting format which is the traditional medium for Australia, Britain and parts of Europe. However, as playing and viewing hardware became more readily available in the American NTSC broadcasting format, the Australian licensees also commenced distribution in that medium.

3.17 As a result of the world wide window release system, the NTSC format for video viewing in America was, and still is, usually released about the same time or shortly after releases in Australian cinemas. This precedes Australia's video release by 3 to 6 months. This has led to an industry in which Laser Discs are imported without authority and are then either distributed through retailers or used as 'masters' from which to duplicate video cassette copies in the PAL format - thus competing with legitimate cinema screenings and the later video release. These unauthorised LDs were also used for public screening purposes within clubs and hotels, without the authority of the Australian distributor.

- 3.18 As technology improved, other viewing formats emerged, two in particular having an impact in Australia. These were video compact discs ('VCDs') and digital versatile discs ('DVDs').
- 3.19 The VCD format was first used by pirates. It has subsequently been used by MPA members after the practice spread. Legal licences for duplication and distribution in this format are only given in a few Asian territories. Unfortunately, this also brought about a large number of unauthorised duplication factories and copies appeared in their millions throughout Asia. For the past two years, this product has been imported into Australia at an increasing rate and sophisticated local factories producing infringing copies have been found. For example, in December 1998 an illegal duplication factory in Cabramatta was found to have 12 computers, 40 VCRs, several CD 'burners' (CD copying machines) and 2 photocopiers and ancillary equipment. This equipment valued at approximately \$200,000 was seized following a police raid.
- 3.20 'Digital Versatile Discs', sometimes known as 'DVDs' are the latest technology. Distribution commenced in Australia in late 1997. It is fortunate that pirate (that is, counterfeit) copies of DVDs are not yet appearing in the market place. However, an increasing problem is that imports from the USA are being offered for sale prior to Australian release. The sale is usually conducted through retailers either over the counter or increasingly via the Internet.

Extent of infringement experienced in Australia

- 3.21 The extent of copyright infringement in cinematograph products varies from quarter to quarter. In the quarter ending 12 March 1999 the total of infringing items in various formats seized was 11,458, with an approximate value of \$687,000. This compared with seizures in the first quarter of 1997 of 2,064 items, with an approximate value of \$123,000.

- 3.22 It is also interesting to compare the nature of infringement experienced in different formats. In the market for Laser Discs, initially the adverse effects of the unauthorised importation of NTSC Laser Discs were not felt by the local industry, though it was clear that the possible future effects might include:
- (a) reduced cinema attendance;
 - (b) reduced legitimate sale/hire business; and
 - (c) use of NTSC Laser Discs as masters for cassette copies, compounding the effect of (a) and (b).
- 3.23 As time progressed the use of imported Laser Discs as 'masters' for cassette copies became an increasing problem. The attractions of laser technology were that it provided a near perfect master to copy from and that the video copy was then available 3-6 months prior to legitimate release. At the time of introduction of NTSC LDs in 1989 there was an almost instant increase in video cassette piracy. Between 1989 and 1990 there was a reported 57% increase in piracy. This continued until 1993 and although remaining constant, was still a problem issue. During one particular raid, police found a master copy of '*Jumanji*' being copied to a bank of 19 cassette recorders at the time the police entered the premises. Although all property was seized, newly made copies were again discovered the next day. This indicated the high level of profits which were to be made coupled with a complete disregard for the law protecting copyright.
- 3.24 Illegal copies of film in VCD format first started to appear in Australia about three years ago. The film images were copied from legitimate video products or from cinema screenings and stolen reels. Originally, the distribution was concentrated within Asian communities in Australian capital cities. However, more recently distribution has spread to other communities and the availability of illegally copied VCDs is increasing throughout Australia at an alarming rate.
- 3.25 Inspection of the premises of some copyright infringers has shown that many films are available in illegal VCD format at the same time or even prior to local cinema releases.

- 3.26 During the first three months of 1999 there were 6665 illegal VCDs seized during police raids. In comparison, only 3864 were seized during the whole of 1998. The Department of Customs has indicated that there are many thousands of illegal VCDs entering the country. Many are described as simply CDs or blank CDs and escaping closer scrutiny due to the lifting of music CD import legislation.
- 3.27 Similarly, 2717 DVDs (unauthorised imports rather than unauthorised (pirate) copies) were seized in the first three months of 1999 compared to 547 for the whole of 1998. This of course reflects only a small portion of the product available but is an indication of the increasing problem.

Organised criminal gangs

- 3.28 In 1985-86 there were organised groups involved in video counterfeiting operations. They were identified and dealt with, though it is doubtful if they could be categorised in the term of 'organised crime' as it is understood today.
- 3.29 Later piracy operations were alleged to be linked to the laundering of drug money and all available evidence was referred to the appropriate authorities.
- 3.30 From about 1987 there have been indications that organised crime is involved in large scale piracy operations in Asia, though particular hard evidence of this involving Australian groups is not available to us.

Effect on Australian businesses

- 3.31 Legitimate retailers in Australia are complaining vehemently that retailers dealing in the unauthorised imports are cheating them out of local business. One of the largest video retail chain groups has virtually threatened to join the illegal activity unless effective action is taken against them.

- 3.32 The use of legitimate video material for unauthorised non theatrical public performance purposes is and has been a problem for a number of years. The industry takes appropriate remedial steps from time to time.
- 3.33 The use of infringing cassettes, LDs, VCDs and DVDs is, however, a more serious matter which could have a drastic adverse effect upon the smaller cinemas throughout Australia. This material is being used upon coach lines, within schools, hotels, motels, correctional institutions, mining camps and other group gathering situations.

4. OUTLINE OF THE PRESENT PROVISIONS OF THE *COPYRIGHT ACT*

Piracy and parallel importation

4.1 Where a cinematograph film is copied without the permission of the copyright owner, it is a form of direct copyright infringement (sometimes referred to as 'piracy'), and falls within the scope of clause 101 of the *Copyright Act*. This clause provides:

'Subject to this Act, a copyright subsisting by virtue of this Part is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorises the doing in Australia of any act comprised in the copyright'.

4.2 A separate form of infringement results from parallel importation. This can also cause significant damage to the rights of the copyright owner and is dealt with in section 102 of the *Copyright Act* which provides, relevantly, that:

'...a copyright subsisting by virtue of Part IV of the Act is infringed by a person who, without the licence of the owner of the copyright, imports an article into Australia for the purpose of:

- (a) *selling, letting for hire, or by way of trade offering or exposing for sale or hire, the article;*
- (b) *distributing the article:*
 - (i) *for the purpose of trade; or*
 - (ii) *for any other purpose to an extent that it will affect prejudicially the owner of the copyright; or*
- (c) *by way of trade exhibiting the article in public;*

if the importer knew, or ought reasonably to have known, that the making of the article would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright.'

- 4.3 A related provision is section 103 which deals with indirect infringement through sale, hire and exhibition which, in so far as is relevant, provides:

'...a copyright subsisting by virtue of this Part is infringed by a person who, in Australia, and without the licence of the owner of the copyright:

(a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or

(b) by way of trade exhibits an article in public;

if the person knew, or ought reasonably to have known, that the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright.'

- 4.4 Part V of the Act sets out the action which may be taken and remedies available for infringement of copyright, including:

(a) under sections 115 and 116 (civil proceedings); and

(b) under section 132 (criminal proceedings).

- 4.5 The Act also sets out certain presumptions as to subsistence and ownership of copyright. However, these only apply in relation to civil actions.

- 4.6 The presumptions in civil proceedings which concern cinematograph films are as follows:

'126 *In an action brought by virtue of this Part:*

- (a) *copyright shall be presumed to subsist in the work or other subject-matter to which the action relates if the defendant does not put in issue the question whether the copyright subsists in the work or subject-matter; and*
- (b) *where the subsistence of the copyright is established - **the plaintiff shall be presumed to be the owner** of the copyright if he or she claims to be the owner of the copyright and the defendant does not put in issue the question of his or her ownership.*

131 *Where the name of a person appeared on copies of a cinematograph film as made available to the public in such a way as to imply that the person was the maker of the film, and, in the case of a person other than a body corporate, that name was his or her true name or name by which he or she was commonly known, **that person shall**, in an action brought by virtue of this Part, **be presumed**, unless the contrary is established, **to be the maker of the film** and to have made the film in circumstances to which s98(3) does not apply.' [emphasis is added]*

4.7 There are no corresponding presumptions in relation to criminal prosecution for infringement.

4.8 Furthermore, the civil presumption in section 126 only applies in circumstances where the defendant does not put that matter in issue. This means that where a defendant chooses to put copyright in issue, the plaintiff is required to prove ownership of copyright. To put copyright in issue, there is no requirement that the defendant present any evidence that the presumed existence and ownership of copyright in the work at issue are not as presumed. Indeed there is no requirement that the defendant present any evidence on these matters at all, even though this requires the submission of extensive and complex evidence by the plaintiff.

- 4.9 It is this requirement that places the unfair burden on copyright owners, and its practical effect is discussed in Part 6 of this submission.

5. CIVIL PROCEEDINGS v CRIMINAL PROCEEDINGS

- 5.1 Where copyright infringement occurs it is possible for the copyright owner to take civil proceedings to:
- (a) restrain further breach of copyright by injunction; and
 - (b) receive damages or an account of profits from the infringer.
- 5.2 Before proceedings are commenced, it is usual to issue a warning letter or a letter of demand seeking undertakings.
- 5.3 Civil litigation traditionally has a lesser deterrent effect on individuals and to other offenders than does the threat of criminal sanction. This is also true in the area of copyright, but only to the extent that it is possible to secure criminal convictions. In the current legislative climate, that ability and thus the deterrent effect of such sanctions is severely undermined.
- 5.4 Many preliminaries to litigation commence with solicitors making demands to 'cease, desist and deliver up'. Such action by necessity is related to titles upon which evidence of infringement has already been obtained and will usually relate to perhaps ten or twelve titles out of perhaps hundreds in the suspect's possession. In 99% of cases the proposed defendant will give an undertaking in respect of the named items, but will not be bound in relation to any product not mentioned. Compliance with the demands in these civil cases is at a relatively low cost to the retailer and involves no other risk, becoming only a minor 'cost of doing business' to the pirate, which is more than compensated by the profits to the retailer from the illegal activity. The seeking of undertakings, therefore, can go on indefinitely. An example, is the case of Mr Luckins which is discussed at **paragraphs 6.1 - 6.3** of this submission.
- 5.5 Copyright owners are particularly concerned that infringement will be rampant once it becomes clear to potential infringers just how difficult it is for criminal action to succeed against them.

- 5.6 The *Luckins* proceedings took three years of Federal Court proceedings, during which time the respondent's business continued with all titles other than those the subject of the action.
- 5.7 Generally speaking, we believe that those involved in the illegal distribution of infringing film material allow for court actions as a business overhead. It is only the stigma of a criminal conviction or threat of imprisonment that provides the long term deterrent aspect.
- 5.8 The MPA, through the AFVSO, collects evidence which assists in the commencement of criminal prosecutions. Such proceedings are not undertaken without this considerable assistance.
- 5.9 The costs of maintaining the surveillance activities of the AFVSO are very high. However, the MPA believes that unless constant surveillance is undertaken, with associated evidence gathering, there will be no deterrent to infringing copyright. It also believes that these surveillance activities should be accompanied by criminal sanctions, where appropriate, to underline the need to abide by the provisions of the *Copyright Act*.

6. EXAMPLES OF HOW AUSTRALIAN LAW CURRENTLY OPERATES

Civil Proceedings - *Columbia Pictures Industries Inc and Anor v Luckins*

- 6.1 In 1995, civil proceedings were commenced against Stephen Luckins for infringing copyright in various films by importing the films into Australia in the form of laser discs without the authority of the copyright owner, Columbia Pictures Industries, Inc. When the matter came before the Court, Mr Luckins put the issue of copyright ownership in question. This meant that Columbia Pictures was required to prove it owned copyright in the relevant titles. Assembling the material and preparing the necessary affidavit evidence took many hours and was at a considerable cost. When the affidavit proving ownership was eventually filed, Mr Luckins decided to enter into consent orders restraining his conduct.
- 6.2 The issue of damages and costs was then litigated. Damages, including additional damages of \$38,000 were awarded against Mr Luckins and costs were awarded against him on an indemnity basis. (See *Columbia Pictures Industries, Inc. v Luckins* (1996) 34 IPR 504.) However, Mr Luckins then declared himself bankrupt and no money was ever recovered. The applicants' costs in the proceedings were in the vicinity of \$120,000.
- 6.3 During the whole of the proceedings, Mr Luckins continued to sell infringing products which were not the subject of the proceedings. After the proceedings were complete it would appear he 'worked for' another business which was selling infringing products.

Criminal Proceedings - *Holder v Searle*

- 6.4 In or about 1996 AFVSO discovered that Bradley Searle was importing laser video discs of cinematograph films without the authority of the copyright owner. Warning letters were written to Mr Searle and his company, but these were ignored. Raids were then conducted on Mr Searle's premises and a large quantity of infringing products were seized.

- 6.5 The Director of Public Prosecutions then commenced proceedings against Mr Searle and his company in respect of 49 titles which were owned by various members of the MPA. Charges in relation to 38 titles were withdrawn before the matter proceeded to trial.
- 6.6 At the trial the defence did not admit that the persons claiming copyright owned copyright in the various films. As a result of this, each film copyright owner had to produce evidence proving copyright in the relevant titles.
- 6.7 As a result of the judge finding a number of technical deficiencies in the affidavits, the Prosecution was only able to proceed on 11 titles. Of these titles, only two were held to establish ownership of copyright by the relevant copyright owner. The technical deficiencies related to whether the person giving evidence in relation to the business records of the relevant company was qualified to give that evidence. The judge took a very narrow view of the provisions of the *Evidence Act* in this regard. The finding in favour of Mr Searle was made even though there was no suggestion that the MPA companies did not own the copyrights as alleged. It is manifest that they held and continue to hold those rights and that they continue to license and distribute many of these titles around the world.
- 6.8 Both the Prosecution and the defendant in the proceedings were represented by senior and junior counsel. The costs of the proceedings for the Prosecution was approximately \$70,000. This does not include the considerable costs in time and labour which were expended by the copyright owners in preparing affidavits.
- 6.9 The decision of the Federal Court in the proceedings is published at [1997] 1158 FCA (23 September 1997).

Evidentiary difficulties and burden of proof

- 6.10 The production of a cinematograph film is a complex enterprise involving many individuals and businesses in activities which usually stretch over several years and take

place in many locations. As a result, the chain of title for a film can be particularly complex.

- 6.11 The rights involved in a film may include, among others, rights for:
- X the authors of a prior book or story;
 - X the authors of the film script;
 - X the authors of music, both pre-existing and original, often from many owners;
 - X multiple actors;
 - X individual producers;
 - X the director;
 - X set and scene designers;
 - X creators of works of fine art, such as paintings, posters, or sculptures;
 - X costume designers; and
 - X choreographers.
- 6.12 The production company is the 'maker' of the film, within the meaning of the *Copyright Act*. It engages the authors, actors, writers, designers, production crews, directors and many others who work on the film and obtains from them the necessary rights to use their work in the film.
- 6.13 The identity of the production company will depend upon many factors. It may be a major studio, a separate entity which produces films for distribution by others or an entity specifically formed to produce a single film. At times, local legal or logistical requirements will influence the identity of the production company. For example, a production in Australia usually needs to be by an Australian company because of legal, taxation, immigration, financing and industrial relations requirements.
- 6.14 The production company will obtain assignments or licenses from the owners of copyrighted material used in the film. The rights involved and the manner in which they are obtained for the production of the film will vary for each film. For example, the production company may buy the screen rights for a book or screenplay. Or it may

engage writers to develop a script. In either case, it will seek the assignment or license of copyright in the book and the script to the production company.

- 6.15 In a great many cases, rights may pass through a number of companies which are located in varying countries. At times, a project may be started, partially developed and then stopped and sold to another company. This process may be repeated several times before filming is started. When production commences, many individuals and companies will be involved and the production will be the subject of hundreds of agreements.
- 6.16 To establish the identity of the maker of a film in any proceedings, the person giving evidence must view the records to establish the identity of the production company. These records may be held at the various different locations where the film was produced. Given the complexity of motion picture production, the records for any particular film are voluminous. As each studio makes many films in a year, it can be readily appreciated that maintaining and tracking these records is no easy task.
- 6.17 Having established the name of the maker of the film and the current copyright owner it is necessary to prove:
- X when the film was produced (to establish if copyright still subsists in the film); and
 - X when and where the film was released (to show date and place of first publication).
- 6.18 The production company may assign copyright in the film on completion to a major studio or to some other entity. Alternatively, the production company or its assignee may retain the copyright in the film, choosing instead either to license worldwide distribution rights for the film to another company or to license multiple companies with the distribution rights for several areas (even for individual countries). These distributors will in turn enter into various distribution agreements for the film in different media and in different territories.

- 6.19 For example, the distribution rights for cinema exhibition are likely to be administered under a different entity than the distribution rights for video distribution. The rights will be administered by different entities in different countries. The rights to duplicate the film in a particular format (e.g. film, videotape, laser disc and digital versatile disc) may be separate from the rights to distribute the same format and both duplication and distribution may be the subject of separate agreements in each country. In this regard it is noted that in the case of pirated product it is necessary to prove that the pirate copy was not an authorised reproduction. This must be done through evidence from the person authorised to make reproductions or from an expert who can identify the unauthorised duplicate.
- 6.20 An example of the matters which need to be established under the provisions of the present *Copyright Act* are set out in the affidavit of Daphne Gronich, Senior Vice President, Legal Affairs and Assistant Secretary of Twentieth Century Fox Film Corporation (see **Annexure A**). Proof of these issues is achieved through reference to the business records of the relevant copyright owner. In the proceedings *Holder v Searle*, Daphne Gronich and other employees in the legal department of Twentieth Century Fox Film Corporation were required to provide evidence of ownership in relation to only one film, 'Bye Bye Love' among the many films at issue in that case. It is estimated that it took approximately 150 hours of employee time to assemble the necessary material. In fact, proof in relation to this film was comparatively easy, as the chain of title was less complex than usual.
- 6.21 Ms Gronich is responsible for the intellectual property agreements entered into by that company as well as being responsible for the keeping of all records. Film studios are organized in many different ways and their business records may be held in the custody of different people for reasons of business necessity. For example, licensing and production arrangements usually are conducted by different sections of a studio. Indeed, licensing for different media (film, video, television, etc.) each are often handled by a different division within the studio. This requires that numerous different people give evidence in relation to different matters to provide a complete description of the distribution of the film.

- 6.22 When the affidavits were filed in the proceedings of *Holder v Searle* a number were ruled inadmissible because it was held that the person giving evidence on affidavit was not the person responsible for the custody of the records. The judge in these proceedings took a highly technical view of the law in relation to the admissibility of business records. In large corporations such as the film studios, records often are maintained by more than one department and many different individuals may have shared responsibility for maintaining those records.
- 6.23 The above cases show that the difficulty of proving copyright can encourage infringers to put owners to proof of copyright ownership in the hope they can defeat the proceedings on some technical defect. This is precisely what Mr Searle did in the proceedings against him. Anecdotal material suggests he may not have been slow to boast to other people in the 'infringing business' of his success.

Level of fines

- 6.24 The MPA considers that the present penalties are adequate. The previous penalties of \$1,500 per article plus two years for a first offence and five for a second sometimes resulted in fines of up to \$60,000. On the other hand, more often than not, exceptionally low penalties are imposed.
- 6.25 The penalty system has recently been changed to allow for a fine of \$60,500 per offence for individuals and/or five years imprisonment. Therefore, a company can be fined up to \$302,500. Certainly, the film industry would have no argument against this if the courts did in fact award penalties reflecting these provisions. However, generally this is not the case and there are many examples to substantiate this. The average fine imposed is around \$300 per article (around \$1,000 per offence) with many persons either having no conviction recorded or receiving good behaviour bonds. For example, Mr Searle only received a good behaviour bond.
- 6.26 The other matter of concern goes to interpretation. The Act refers to a penalty per 'offence'. While we take the view that an offence is committed in respect of each act of copying, some magistrates take the view an offence relates to all acts of copying. Thus,

where a person unlawfully reproduces 20 different videos 100 times, we consider there are 20 offences. The Courts however on occasions have taken the view it is only one offence. It is considered this should be clarified in the legislation.

Administration of enforcement

- 6.27 Since its formation in 1982, the AFVSO has received many thousands of complaints alleging infringing activity within the video industry.
- 6.28 The AFVSO has an operating policy of education and deterrent activity before enforcement. A positive result of this approach is that, of the many thousands of complaints investigated throughout Australia, it has only been necessary to refer approximately 300 for criminal prosecution. The remainder have been settled by warnings and civil litigation 'cease and desist' demands. It is therefore only persistent offenders who are dealing in large quantities of material who are referred for criminal action.
- 6.29 During 1985-86 video piracy reached a peak in Australia which represented between 20-25% of the legitimate market. In 1986 amendments were introduced to the *Copyright Act* and the AFVSO gained evidence of organised video counterfeiting operations which were referred to the Australian Federal Police in Sydney.
- 6.30 The MPA believes that the successful criminal prosecution of offenders in such operations greatly assisted in deterring other would-be offenders around that time.
- 6.31 However, these early successes were followed by a general reluctance on the part of the Federal Police to take on such matters. During the early 1990s there were many problems caused by a general lack of knowledge by Federal Police as to intellectual property issues. This ranged from police advising members of the public that copyright was not a police matter, to giving incorrect advice to State Police. There also seems to be a general lack of resources for dealing with intellectual property enquiries.

- 6.32 Little progress has been made by the Federal Police since that time, who have made it quite clear that pursuing copyright infringement has a low priority in the allocation of its resources.

7. COPYRIGHT LAW IN NEW ZEALAND, US, CANADA, UK AND IRELAND

Copyright law in New Zealand

7.1 New Zealand law contained restrictions on parallel imports up until May 1998, at which time legislation was introduced to remove those restrictions. While it is still relatively soon after the legislative amendments, it is feared that freeing up parallel imports has a collateral effect of making it more difficult to detect pirated copies of copyright material. In particular, it is taking far more time and resources to check that product is legitimate product. It has also been found that small retailers are inclined to accept any product as legitimate, regardless of source.

7.2 In respect of direct infringements, the New Zealand *Copyright Act* provides certain presumptions as to ownership of copyright in civil proceedings including the presumption that where copies of a film is issued to the public bearing a statement:

- (a) that a name of person was the author or director of the film or;
- (b) that a named person was the owner of copyright in the film at the date of issue of the copies; or
- (c) that the film was first published in a specified year or in a specified country,

the statement shall be admissible as evidence of the facts stated and shall be presumed to be correct until the contrary is proved. However, unlike the Australian position, the proof of the existence and ownership of copyright is 'readily established under the rules of evidence' in that jurisdiction². This has not prevented Counsel for defendants probing in cross-examination to try to cloud the issue of copyright ownership.

² Report prepared for New Zealand Government Ministry of Commerce by AJ Park & Son, Intellectual Property Lawyers, 'Theft of Intellectual Property - Piracy & Counterfeiting', 1998, paragraph H57

7.3 In criminal prosecutions for infringement, as in Australian law, there is no presumption of ownership by labelling. Copyright owners must prove the existence and ownership of copyright in any prosecution. It is observed in New Zealand that there have been very few convictions under the *Copyright Act* in relation to pirate copies and counterfeit goods³. The penalties which have been imposed have been relatively small fines, of an amount said to be far below the actual value of the goods which have been counterfeited. This has led to a situation in which prosecutions are being brought under taxation and crimes legislation, rather than the *Copyright Act*, so that some redress can be sought. Clearly this approach is unsatisfactory and not something one would wish to be adopted in Australia.

7.4 These deficiencies have prompted recommendations being made to the New Zealand government to amend the law to include:

- (a) *'presumptions of the existence and ownership of copyright in criminal offences for copyright infringement'*; and
- (b) *'...placing the onus on the defendant to show that the defendant did not know or had no reason to believe that the copying or copies were unauthorised.'*⁴

Copyright law in Canada

7.5 In civil and criminal proceedings under Canadian copyright law, there is a presumption of copyright in favour of the person whose name appears on the cinematograph film as the maker (section 34.1(2)(c) of the *Copyright Act*). Canadian law also sets out a presumption of ownership in the person named in the Copyright Register.

7.6 In Canada, which has been a member of the Berne Convention since the Convention was established, copyright exists solely pursuant to the provisions and requirements of

³ Above note 2 at paragraph H21 to H23

⁴ Above note 2 at U2

the Canadian Act⁵. While there is no need to undertake any formalities such as registration of copyright in a work (copyright arises automatically on the creation of a work, subject to the usual Berne Convention requirements, such as the author meeting the nationality requirements under the Canadian Act), the Canadian Act provides for a voluntary copyright registration system⁶. Registration provides the owner of the copyright with a number of evidentiary presumptions.

- 7.7 Subsection 53(1) of the Canadian Act provides that 'the Register of Copyrights is evidence of the particulars entered in it, and a copy of the entry in the Register is evidence of the particulars of the entry if it is certified by the Commissioner of Patents, the Registrar of Copyrights, or an officer, clerk or employee of the Copyright Office as a true copy'. Subsection 53(2) provides that 'a certificate of registration of copyright is evidence that the copyright subsists and that the person registered is the owner of the copyright'.
- 7.8 Subsection 53(3) provides that 'a certified copy or certificate appearing to have been issued under this Section is admissible in all courts without proof of the signature or official character of the person appearing to have signed it.'
- 7.9 The usual practice in Canada is to file a certified copy of a copyright registration of a work to establish the subsistence of copyright in that work and the owner thereof. The copyright Register is invariably updated by filings subsequent to the issue of the original registration to record assignments and/or licences of the copyright in a work. Such entries in the copyright Register are also admissible pursuant to section 53 of the Act.
- 7.10 Subsection 34.1(1) of the Act creates a rebuttable presumption that copyright subsists and that the author is the owner of the copyright. The opposing party has the opportunity to rebut this presumption. Subsection 34.1(1) provides that:

⁵ Section 99 of the Act provides in relevant part 'No person is entitled to copyright otherwise than under and in accordance with this Act. . .'

⁶ Copyright registration in Canada has existed since at least January 1, 1924.

In any proceeding for infringement of copyright in which the defendant puts in issue either the existence of the copyright or the title of the plaintiff thereto:

- (a) copyright shall be presumed, unless the contrary is proved, to subsist in the work, performer's performance, sound recording or communications signal, as the case may be; and*
- (b) the author, performer, maker or broadcaster, as the case may be, shall, unless the contrary is proved, be presumed to be the owner of the copyright.'*

7.11 Further, subsection 34.1(2)(a) provides that where either the existence or ownership of copyright is at issue and no assignment or licence has been registered, where a name on a copy of the work purporting to be that of the author or maker is:

'printed or otherwise indicated thereon in the usual manner, the person whose name is so printed or indicated shall, unless the contrary is proved, be presumed to be the author, performer, maker or broadcaster.'

7.12 Subsection 34.1(2)(b) provides that the author or maker, as the case may be, is presumed to be the owner of the copyright in the work. Specifically related to films, section 34.1(2)(c) provides that in the case of a cinematographic work, where:

'a name purporting to be that of the maker of the cinematographic work appears in the usual manner, the person so named shall, unless the contrary is proved, be presumed to be the maker of the cinematographic work.'

7.13 Reading section 34.1(2)(b) in conjunction with section 53(2), (the registration presumption referred to above), courts have held that the registration presumption supersedes that of section 34.1(1)(b). Accordingly, registration is to be preferred to merely indicating authorship on a copy of the work. Since a certificate of registration constitutes rebuttable evidence, it is open to the party to contest the validity of a copyright registration in the same manner as it is possible to rebut the presumptions in

section 34.1(1) by cogent evidence. The standard of proof to be met by a defendant who challenges the presumption is proof on the balance of probabilities.

- 7.14 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 any relevant documentary evidence and evidence satisfying the presumptions in section 34 of the Act, the owner of the copyright in a work can establish both the ownership and subsistence of copyright in Canada.

Copyright law in United States

- 7.15 In the United States a system of registration also exists and there is again a presumption of ownership in the person whose name appears on the Register. Such provisions have the effect of reversing the onus of proof in copyright infringement proceedings.

Copyright law in United Kingdom

- 7.16 In the United Kingdom there is no presumption of ownership in criminal proceedings. However, enquiries have revealed that as a matter of practice, ownership has not been put into question in criminal proceedings.

Copyright law in Ireland

- 7.17 Irish copyright law, like Australian law, currently has presumptions only for civil, and not for criminal copyright actions.
- 7.18 Under threat from the US government to take Ireland before a WTO dispute resolution panel, Ireland agreed to make changes to resolve its 'presumptions problem', among other things. These changes were sought because of severe difficulties of proof in Irish copyright enforcement cases in which defendants presented endless challenges to copyright despite open admissions of piracy.

7.19 Two of the changes were to have been:

- (a) the inclusion of presumptions in all cases 'until the contrary is proved'; and
- (b) enhanced criminal penalties.

These were to have been made immediately in emergency legislation, while the balance of the changes were to have been made in a full amendment of the Irish copyright law later in the year. To the disappointment of copyright owners and despite the fact that new presumptions were to have applied to both criminal and civil actions, the emergency bill called only for civil presumptions.

7.20 In Ireland the law is likely to be amended in the near future and, in accordance with Article 134 of the present draft legislation, will include a provision under which there is to be a presumption of ownership in favour of a plaintiff in both civil and criminal proceedings. A copy of section 134 of the proposed **Bill** is attached at **Annexure B**.

8. PROPOSAL FOR AUSTRALIA

- 8.1 There are three different approaches which could be adopted in order to overcome the difficulties being experienced by copyright owners in their attempts to enforce the provisions of the *Copyright Act*.
- 8.2 The first is to give statutory recognition to copyright registers in Canada and the United States by including provisions similar to those contained in the Canadian Act, to which reference is made at **paragraphs 7.6 - 7.15**.
- 8.3 Although contrary to the usual practice in Australia, this could benefit Australian and international film producers should they wish to avail themselves of the registration provisions in those countries. Such a provision would provide greater protection for the vast majority of films shown in Australia, whether those films were produced in Australia, the United States or Canada.
- 8.4 The second alternative is to amend section 126 of the *Copyright Act* to provide that:
- (a) a presumption of ownership and subsistence extend to both civil and criminal proceedings; and
 - (b) a person who puts ownership or subsistence of copyright in issue must provide evidence which would give a Court reasonable grounds to require the owner to provide proof of those issues.
- 8.5 In regard to this, the MPA wishes to make clear it does not regard a costs penalty, where copyright is successfully proved after being put to proof, as being sufficient, as 'serious' infringers are usually careful to organise their affairs to ensure that costs are not recovered.

- 8.6 The third alternative is to make the presumption set out in **paragraph 8.4** definitive, by providing that if the defendant has been warned that he or she is engaging in unlawful activity and continues to do so after that warning, the defendant may not put the question in issue under section 126.
- 8.7 The proposal has been criticised on the basis that it would effectively make lawful an innocent infringement, to which some copyright owners would object. The way of overcoming this objection would be to provide further that the presumption would only apply (subject to the defence referred to above) if the alleged infringer had first been put on notice that his or her acts were infringing and they had continued to infringe after such warning.
- 8.8 It is this last proposal which the MPA submits provides the most equitable solution.
- 8.9 In addition to amendments to the *Copyright Act*, the MPA believes a committee should be established under the auspices of the Attorney General's Department which contains representatives of the industry which keeps the enforcement of copyright under review. The committee should also include a representative of the Federal Police.
- 8.10 The committee should be able to review actions of the Federal Police, including the circumstances in which they decline to take proceedings. The MPA believes the establishment of the committee would underline the importance of enforcement under the *Copyright Act* and provide a platform for dialogue between the Australian Federal Police and the copyright industry.

9. CONCLUSION

- 9.1 Criminal law policy usually dictates that in any criminal proceedings the prosecution is required to prove beyond reasonable doubt each element of the offence. However, this 'rule' needs to be considered in the light of all the factors so that it does not result in tipping the scales so far in favour of the accused that the law provides no deterrent to would-be copyright infringers.
- 9.2 There is rarely any genuine dispute about the subsistence and ownership of copyright in films. The experience in the MPA case in Australia has shown that the films themselves generally identify the owner of the copyright and defendants in infringement actions rarely, if ever, assert that anyone else is the owner, but merely insist on putting the prosecutor to proof (for example in the case of *Holder v Searle*).
- 9.3 Infringement of cinematograph copyright is an ongoing problem in Australia, and copyright owners face enormous cost and difficulty in attempting to protect their intellectual property. A particular concern is that the amount of infringement taking place is increasing steadily. This suggests that the present system fails to adequately comply with Article 41 of the TRIPS Agreement and falls far short of the needs of copyright owners.
- 9.4 It follows from an analysis of copyright regulation in other countries that Australia is lagging in the field of protection of intellectual property in films.
- 9.5 The MPA submits that the Committee should recommend amendment of the *Copyright Act* in one of the ways suggested in **Part 8** of this submission, and the establishment of a Copyright Enforcement Committee.

Mike Connors
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MOTION PICTURE ASSOCIATION

17 June 1999

**INQUIRY INTO THE ENFORCEMENT OF
COPYRIGHT IN AUSTRALIA**

**Submission by
Motion Picture Association**