



October 7, 1999

The Honorable Kevin Andrews, M.P.
Chairman, Legal and Constitutional Affairs Committee
House of Representatives
Canberra, A.C.T. 2600
AUSTRALIA

RE: Copyright Amendment (Digital Agenda) Bill, 1999

Dear Mr. Chairman:

On behalf of the International Intellectual Property Alliance ("IIPA"), I am pleased to submit the following comments on the Copyright Amendment (Digital Agenda) Bill, 1999 ("the Bill"). At the outset, I wish to thank you and your fellow Committee members for accepting our submission at this time on this complex and important legislation.

About IIPA and This Submission

IIPA is a coalition of seven trade associations representing the U.S. copyright-based industries -- including the computer software, audio-visual, music, sound recording, and book publishing industries -- in bilateral and multilateral efforts to improve international protection of copyrighted works. (A list of our member associations is attached.) Both directly and through our member associations, IIPA has a long history of involvement in the development of copyright law and enforcement policy in Australia, including the submission of detailed comments on the discussion paper on "Copyright Reform and the Digital Agenda" in 1997, and on the Exposure Draft of the digital agenda legislation earlier this year. IIPA and its member associations participated actively in the work of the December 1996 WIPO Diplomatic Conference, and we strongly support the ratification and implementation in Australian law, as well as in the national laws of as many countries as possible, of the two new treaties that resulted: the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

While the Australian affiliates or international bodies of some of our member associations have also submitted comments focusing on aspects of the Bill that are of particular

interest to them, IIPA appreciates this chance to provide reactions to the Bill from the perspective of the copyright-based industries as a whole. Our review of the complex legislative proposals contained in the Bill is necessarily preliminary, and we would welcome the opportunity to expand upon these observations and to discuss our views with Committee members at an appropriate future time.

Summary of the Submission

IIPA applauds the Australian Government for its comprehensive and thoughtful initiative to modernize the Copyright Act 1968 for the digital age. Measured against the accepted world standard in these matters, the WCT and WPPT, the Bill goes far toward achieving compliance, especially with regard to the recognition of a broad, technology-neutral exclusive right of communication to the public, and the provisions protecting the integrity of rights management information. However, in several crucial areas, the Bill falls far short of fulfilling Australia's WCT and WPPT obligations. In particular, the prohibitions regarding circumvention of effective technological protection measures require substantial strengthening, including broader coverage, clearer definitions, the closing of huge enforcement loopholes, and the improvement of civil remedies. The recognition of a novel exception to the most fundamental right of copyright owners – the exclusive right of reproduction – for “temporary reproductions,” which IIPA considers conceptually ill-advised, must at a minimum be narrowed substantially if it is to pass muster under well-established international norms. Similarly, we urge that the issue of copyright liability for carriers and carriage service providers should be handled through appropriately tailored limitations on remedies for infringement, rather than through the potentially broad immunities created by the Bill. The Bill's treatment of exceptions for fair dealing, libraries and archives, and educational institutions do not always seem to take into account that, in terms of the foreseeable market impact of the exceptions, “digital is different,” and that therefore the balance of interests between copyright owners and users may need to be struck differently. Finally, while the Bill's treatment of retransmission and of the vestiges of the broadcasting right is essentially forward-looking, we recommend further improvements.

I. Technological protection measures

One of the most fundamental conceptual breakthroughs reflected in the WIPO Treaties is the recognition of the importance of technology in the protection and management of the rights of copyright owners in the digital environment. This recognition is embodied in one of the most important requirements of the WCT (Article 11) and WPPT (Article 18): adequate and effective prohibitions against the circumvention of technological protection measures employed by right holders in respect of their works and sound recordings.

The Bill's proposed amendments on this topic include some commendable features, and reflect some important improvements over the proposals in the Exposure Draft. However, IIPA believes that these amendments still fall considerably short of fully implementing these key provisions of the WCT and WPPT in Australian law. Substantial changes will be needed to achieve this goal. In summary, the changes needed to achieve full implementation would:

- Extend legal prohibitions to the use of circumvention devices and services in at least some circumstances, not just to trafficking in them;
- Protect both technologies that are used to control access to protected works and other subject matter, and those that prevent or inhibit reproduction or the exercise of other exclusive rights;
- Define circumvention devices down to the component level, and recognize evidence based on the circumstances under which a device is designed or produced, and how it is marketed, in determining whether a particular device meets the definition;
- Plug the yawning gaps in proposed enforcement provisions that provide pirates a clear roadmap for evading the strictures of the new prohibitions;
- Give all injured parties the right to initiate civil enforcement of the anti-circumvention prohibitions, and improve civil remedies.

A. Coverage of Acts and Devices

The most positive feature of the proposed amendments is that they focus on the prohibition of trafficking in circumvention devices and services, in apparent recognition of the fact that an enforcement regime focused solely on the act of circumvention cannot possibly meet the test of adequacy and effectiveness. Indeed, in items 98 (for civil enforcement) and 100 (for criminal enforcement) of the Bill, proposed new subsections 116A(1)(b) (civil) and 132(5B) and (5C) (criminal) comprehensively catalog the acts of manufacture, sale, distribution and importation of circumvention devices, and provision of circumvention services, which are prohibited. However, nowhere is the use of such devices and services specifically outlawed. This omission is problematic and should be corrected, especially with regard to use of circumvention devices or services in commercial contexts (e.g., disabling of access controls on software products so that business end-users can make unauthorized uses of the products). While the primary focus on acts of trafficking is commendable, that focus must not be exclusive, if Australia hopes to make its enforcement regime in this area adequate and effective.

B. Definitional Problems

With regard to circumvention devices and services, the definitional provisions of the Bill need to be clarified and expanded in order to meet the requisites of the WIPO Treaties (WCT Article 11, WPPT Article 18). The effective technological measures that adherents to the Treaties must protect are not limited to those that prevent or inhibit the infringement of copyright. The protected measures include all those “that restrict acts in respect of” copyrighted materials. This includes the act of gaining access to the material, whether or not achieving such access also requires the exercise of an exclusive right belonging to the copyright owner. In other words, in order to fulfill the Treaties’ requirements, both access controls (measures that prevent or manage access to protected material) and so-called “copy controls” (measures that prevent or manage the exercise of exclusive rights with respect to protected material, including but not limited to the reproduction right) must be adequately and effectively protected against circumvention.

In this regard, the key definition of “effective technological protection measure” proposed by the Bill falls short of the mark. Item 8 of the Bill would add the following definition to subsection 10(1):

effective technological protection measure means a device or product, or a component incorporated into a process, that is designed to prevent or inhibit the infringement of copyright subsisting in a work or other subject-matter if, in the ordinary course of its operation, access to the work or other subject-matter protected by the measure is available solely by use of an access code or process (including decryption, unscrambling or other transformation of the work or other subject-matter) with the authority of the owner or licensee of the copyright in a work or other subject-matter.

The first part of this definition describes a “copy control” or similar measure designed to prevent infringement and to manage the exercise of one or more exclusive rights over a work or other protected subject matter. It appears to exclude access controls from the definition of “effective technological protection measure.” Access controls, such as (for example) encryption or password protection, may have the effect of “preventing or inhibiting the infringement of copyright,” but they are not “designed” for that purpose. Instead, they are designed to control access to the protected material, rather than how the material is used once access is obtained. As noted above, adherents to the WIPO Treaties must provide adequate and effective protection against the circumvention of access controls used in connection with works and sound recordings. The proposed definition fails to do this.

This is not the only problem with the proposed definition of “effective technological protection measure.” While it covers only “copy controls,” and not access controls, it does not even apply to all “copy controls,” but only to those that work in a certain way. To be covered, “copy controls” must control “access to the work or other subject-matter” through “use of an access code or process (including decryption, unscrambling, or other transformation of the work or other subject matter).” Many copy control technologies do not work this way. They do not control access to the protected material, but instead inhibit what the party with access may do with it (e.g., they inhibit his ability to reproduce the material, by degrading the quality of copies). Access control technologies, by contrast, usually work this way, but that fact is irrelevant because access control technologies cannot, by the first part of the definition, be treated as “effective technological protection measures.”

In short, this definition risks creating a null set: access control technologies are excluded from coverage, but only measures that employ access control approaches can be treated as effective. A practical example of the problem is found within the text of the Bill itself. Proposed section 49(5A) (item 54) allows a library to make electronic copies of published works available online within library premises, but only “ in such a manner that users cannot, by using any equipment supplied by the library or archives, make an electronic reproduction of the ... work, or communicate the ... work.” Presumably a technological protection measure would be incorporated in the library’s equipment in order to implement this limitation. Such a measure would meet the first part of the definition of “effective technological protection measure,” since

it is “designed to prevent or inhibit the infringement of copyright [i.e., exercise of the reproduction right, in part, and of the communication right].” But it probably could not meet the second part: a measure could fulfill the requirements (and achieve the policy goals) of proposed section 49(5A) even if the library patron were able to obtain access to the work without an access code, and even if the work were not encrypted. In this circumstance, as the definition is currently drafted, the technology used to fulfill these requirements would not be considered an “effective technological protection measure,” and thus this technology would be open to circumvention without legal consequences.

To avoid this and other unacceptable outcomes, including the real possibility that the definition will be read to describe a null set, the definition should be revised so that it clearly covers both access control technologies and copy control technologies (as well as those that inhibit the unauthorized exercise of exclusive rights other than reproduction, e.g., the public communication right). The following definition would achieve this goal:

‘effective technological protection measure’ means any technology, device or component that, in the normal course of its operation, controls access to a protected work, sound recording, or other subject matter, or protects any copyright as provided by this Act.

Furthermore, the proposed definitions of “circumvention device” and “circumvention service” are also problematic, because they turn solely upon the question of whether the product has more than a limited commercially significant purpose or use other than to circumvent. While this is, of course, an important criterion in determining whether trafficking in a particular device or service should be prohibited, other relevant tests are overlooked. Thus, a multipurpose device that was explicitly designed or that is blatantly marketed for circumvention purposes is not in the prohibited category under these amendments if it has other commercially significant purposes or uses. This omission furnishes pirates with a recipe for avoiding the prohibitions: one is free to design a “black box” device, and even to market it as such, so long as one packages it with enough other functions to get over the hurdle of “limited commercially significant purpose or use.” The failure to specify that an offending circumvention device may consist solely of a component or part in a larger device aggravates this problem. (Of course, it should not be required to design a component or part to respond affirmatively to any particular technological protection measure in order to avoid liability.)

These problems could be surmounted by expanding the definitions of “circumvention device” and “circumvention service” to include additional alternative criteria, besides the “limited commercially significant purpose or use” test. A device or service that is promoted, advertised or marketed for the purpose of circumvention of any effective technological protection measure, or that is primarily designed, produced, adapted or (in the case of a service) performed for the purpose of enabling or facilitating the circumvention of any effective technological protection measure, should be caught by this definition. For the avoidance of doubt, but not for purposes of creating a defense, it could also be clarified that the legislation does not require an affirmative response to such measures, nor does it require that the design of, or the design and selection of parts and components for, a consumer electronics,

telecommunications or computing product provide for a response to any particular technological protection measure.

C. Enforcement Issues

The Bill's provisions on enforcement of the anti-circumvention prohibitions are considerably improved in many respects from those appearing in the Exposure Draft. However, one new feature of these provisions creates a gaping loophole that threatens to undermine the adequacy and effectiveness of the anti-circumvention legal regime as a whole.

Proposed section 116A(3) and (A)(4) exempt altogether from the civil prohibitions against trafficking in circumvention devices or services virtually any transaction assertedly carried out for a "permitted purpose." Proposed section 116A(7) defines a "permitted purpose" as follows:

For the purposes of this section, a circumvention device or a circumvention service is taken to be used for a permitted purpose only if:

- (a) the device or service is used for the purpose of doing an act comprised in the copyright in a work or other subject-matter; and
- (b) the doing of the act is not an infringement of the copyright in the work or other subject-matter under section 47D, 47E, 47F, 49, 50, 183 or Part VB.

Proposed section 132(5G)-(5K) creates a similar exemption from criminal liability.

Simply put, these exclusions gut the anti-circumvention prohibitions of the Bill. They allow any party to evade liability for trafficking in circumvention devices or services by simply asserting that it is doing so only for the purpose of carrying out acts of reproduction, communication, or other exclusive rights that fall within the scope of the cited sections (essentially, as permitted for library, educational, or governmental purposes, or, in the case of computer programs, to achieve interoperability, correct errors, or test security). That assertion can take the form of a declaration signed by the purchaser of a circumvention device or the recipient of a circumvention service, or can be proffered by the manufacturer or importer of a circumvention device at any time, even months or years after the occurrence of the conduct in question. Under the Bill, the mere existence of such a declaration (or, in criminal cases, even the existence of "evidence that suggests a reasonable possibility that" such a declaration might once have existed, see proposed section 132(5K)) is enough to trump all other evidence of a violation of the statute, and to render the anti-circumvention prohibitions completely inapplicable. These provisions thus provide a clear road map for evasion of the stricture against trafficking in circumvention devices or services: so long as his customer signs a form containing the appropriate magic words, the trafficker gets off scot free.

At this point, it must be reiterated that the obligation of adherents to the WIPO Treaties is not limited to prohibiting dealing in circumvention devices and services that are used to commit copyright infringements. Access control technologies, for example, may not prevent copyright infringements, but dealing in devices designed to circumvent them must be outlawed in order to

fulfill the Treaties' requirements. In this regard, curing the problems discussed above with regard to the definition of "effective technological protection measure" would help considerably in narrowing the scope of the "permitted purpose" absolute defense. By its terms, proposed section 116A(7)(a), defining "permitted purpose," applies only to devices or services that enable "doing an act comprised in the copyright," i.e., that defeat copy control protections or similar measures that prevent or inhibit the exercise of exclusive rights. The "permitted purpose" immunity appears to be inapplicable when the device or service involved enables the circumvention of access control technologies, because the condition contained in proposed section 116A(7)(a) is not satisfied.

However, the "permitted purpose" immunity renders Australia's proposed anti-circumvention regime inadequate and ineffective, even if the defense applies only to "copy controls" and other measures that govern the exercise of exclusive rights. Enactment of this provision would legitimize the creation of a market in circumvention devices and services, so long as they are marketed for the stated purpose of activities falling within the listed copyright exceptions, and are initially provided to persons who state their intent to carry out such activities. Creating such a market is entirely inconsistent with the obligation to provide adequate and effective legal protections against circumvention devices and services. A market for purported or self-identified librarians, faculty, students, and government employees, already substantial in size, would quickly mutate and expand, as those customers passed their circumvention devices and services on to other parties, protected from any liability by the fig leaf of a boilerplate declaration. These assertions of "permitted purpose" would be impossible to verify and police, and the evolution of this "permitted purposes market" into a black market in such devices and services for outright piracy would be predictable and swift in coming.

It is telling that the Bill provides absolutely no penalty for making a false declaration of "permitted purpose." Indeed, such a penalty would be hard to justify, since the conduct at issue is not illegal, thanks to the failure of the Bill to outlaw the act of circumvention (see discussion above). Utterly unconstrained by any legal incentive to conform their conduct to the terms of a declaration they have signed, probably without even reading, many people will inevitably succumb to the temptation to use a circumvention device or service for purposes not falling within (or falling far outside) the convoluted contours of the various cited exceptions. Australians are honorable people, but not saints. The sinners among them will find ample opportunity to abuse the "permitted purposes" loophole, and the purveyors of circumvention products and services will be only too glad to facilitate and encourage such abuse, to the serious detriment of copyright owners. The loophole created by the "permitted purposes" immunity must be closed, if Australia's anti-circumvention regime to be considered "adequate and effective."

D. Standing and Remedies

Under proposed section 116A, only the copyright owner or licensee of a work or other subject-matter protected by an effective technological protection measure has standing to sue a trafficker in circumvention devices or services. Thus, if an online service provider or other

distributor employs an encryption method to protect copyrighted materials on its system, it is powerless to proceed civilly against someone who traffics in “black boxes” to defeat this method; only the copyright owner or licensee of a work carried on that system can bring such an action. This restriction, which may be an atavistic remnant of the Exposure Draft’s requirement that actionable circumvention activities must be tied to copyright infringement, should be relaxed in order to improve the adequacy and effectiveness of the civil enforcement regime. Any party injured by a violation of the prohibition should have standing to bring suit against the violator.

The Bill proposes to amend section 116(1)(b) to allow a copyright owner to seek to confiscate, through an action for conversion or detention, any “device (including a circumvention device) used or intended to be used for making infringing copies.” This formulation is inadequate because circumvention devices may not be used or even capable of making infringing copies; their capability may be limited to decrypting, unscrambling, or overcoming other access control measures, or to enabling unauthorized communication to the public of protected subject matter. Circumvention devices should be subject to confiscation or destruction in any event, either through a broader amendment to section 116(1)(b), or by authorizing the court to order their destruction, as the Bill already proposes to do with respect to broadcast decoding devices (see proposed section 135AN(6), as added by item 104).

II. Rights Management Information

The obligation to protect the integrity of rights management information systems is another key feature of both the WCT (Article 12) and the WPPT (Article 19). IIPA believes that the Bill generally does a good job of implementing this obligation. With respect to the provisions in item 98 on civil enforcement of the prohibitions against removal or alteration of electronic rights management information (proposed section 116B) and against commercial dealing with works whose electronic rights management information has been removed or altered (proposed section 116C), a liberal rule should be provided on standing: any injured party should be able to bring suit, including but not limited to the developer or licensee of rights management technology whose integrity is at issue. IIPA also notes that in order to conform to the requirements of WCT and WPPT, the definition of electronic rights management information that would be added to the law by item 9 of the Bill should be modified by changing “and” to “or” throughout subparagraph (a)(i), and by including in that subparagraph references to the performer, producer and sound recording (“phonogram” in WIPO parlance) as set forth in WPPT Article 19(2).

III. The Reproduction Right and the “Temporary Copying” Exception

The right of exclusive control over reproduction – copying – of one’s works lies at the core of copyright law. Well-established international treaty standards govern the degree to which a country may create limitations on, or recognize exceptions to, this exclusive right of reproduction. As set out in the familiar “tripartite test” found in Article 9(2) of the Berne Convention; Article 13 of the WTO TRIPS Agreement; Article 10 of the WCT; and Article 16 of the WPPT, these limitations or exceptions must be “confined to certain special cases which do

not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”

The Exposure Draft of the Digital Agenda bill proposed a “temporary reproduction” exception that would have far exceeded these narrow limits, and would have undermined the reproduction right in ways that violate Australia’s current (Berne and TRIPS) and future (WCT and WPPT) international treaty obligations. We are pleased to see that these problems are significantly ameliorated in the proposals contained in the Bill as introduced. However, serious questions remain about the degree to which the “temporary reproduction” exception, as revised, complies with international standards.

The new Section 43A, as proposed by item 45 of the Bill, would provide:

43A Temporary reproductions made in the course of communication

- (1) The copyright in a work, or an adaptation of a work, is not infringed by making a temporary reproduction of the work or adaptation as part of the technical process of making or receiving a communication.
- (2) Subsection (1) does not apply in relation to the making of a temporary reproduction of a work, or an adaptation of a work, as part of the technical process of making a communication if the making of the communication is an infringement of copyright.

Proposed Section 111A (item 94) contains identical provision with respect to other subject matter of copyright protection (e.g., sound recordings).

It is important to recall at the outset that the WIPO Diplomatic Conference properly rejected numerous proposals to require signatory countries to enact new exceptions to protection for the digital environment. The Diplomatic Conference resoundingly reaffirmed the long-standing tripartite test for exceptions to the reproduction right. The deliberations and conclusions of the Diplomatic Conference establish beyond reasonable dispute that the fundamental exclusive right of copyright owners — the reproduction right — applies under existing international law to copies of works and other subject matter made in the servers and other computers that are the engines of electronic commerce and of digital networks generally. Nothing in the Treaties or the accompanying Agreed Statements authorizes Australia, or any other country, to undermine this well-established principle.

In evaluating whether proposed sections 43A and 111A respect or violate this principle, the threshold question is what is meant by the phrase “temporary reproduction.” The Explanatory Memorandum to the Bill (par. 63) underscores the excessive breadth with which this undefined phrase could – and, indeed, apparently is intended to – be read: “The exception would also mean that reproductions made in the course of caching would not be caught by the existing reproduction right. In general terms, ‘caching’ is the process whereby digital works are copied as part of the process of electronically transmitting those works to an end user.”

This broad definition of “caching” departs significantly from accepted industry parlance and from the common understanding of the term. Caching, as such, is not necessary to transmit a work. Rather caching is a form of “storage” of data, employed when the memory capacity of a device or system is insufficient to handle all of the data necessary to process the work with maximum efficiency. Thus, to increase the efficiency of the system, some of the data is “cached” – that is, stored -- while the device performs its task. For example, a printer may cache some of the data it has been commanded to print, because it is more efficient than asking the computer to send each additional packet of data as the printer becomes ready to process it. Similarly, data may be cached on a server (mainframe computer) when it is being accessed on-line, to obviate the need to ask the end-user’s computer for each data packet as the printer become ready to process it.

In short, caching is a feature of engineering design choice, not one of necessity, in transmitting works or other protected subject matter. It is an act of “storage” and squarely subject to the right of reproduction under the Berne Convention. The Diplomatic Conference on the new WIPO Treaties clearly concluded that “storage” of a work is fully covered by the Berne Convention’s reproduction right, a conclusion embodied in the following Agreed Statement concerning Article 1(4) of the WCT: “It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.” (See also the Agreed Statement concerning Articles 7, 11 and 16 of the WPPT.) This conclusion indisputably applies to “caching,” as that term is properly defined.

The Explanatory Memorandum excerpt strongly suggests that any reproduction could be considered a “temporary reproduction” under proposed sections 43A and 111A so long as it occurs in the process of electronic transmission, and that therefore the Bill would deprive the copyright owner of his existing rights over any reproduction of his work or other subject matter that takes place in the course of electronic transmission, so long as subsection (2) (discussed below) does not apply. This would be the case, even if the “cached” or other reproduction in question persisted for hours, days, weeks or months; even if it could be accessed by parties other than the intended and authorized end user; and even if the caching had a detrimental impact on the copyright owner’s economic exploitation of the protected material. The result would be a “temporary reproduction” exception that far exceeds the scope of permissible exceptions to the reproduction right, as reaffirmed by the Diplomatic Conference that wrote the WIPO Treaties.

Proposed sections 43A(2) and 111A(2) improve significantly on the Exposure Draft by seeking to deny the shelter of the exception to temporary reproductions occurring in the course of unauthorized online transmissions of protected material. IIPA supports this goal, but the language of the Bill falls short of achieving it, because it focuses too narrowly on the question whether the act of communication, in the course of which the “temporary reproduction” occurs, itself constitutes an infringement in Australia. This could allow a number of piratical and otherwise unauthorized uses to benefit from the temporary reproduction exception, unless there are satisfactory answers to a number of questions, including the following:

- Why does subsection (2) apply only to reproductions taking place in the course of “making a communication,” and not to reproductions made in the course of “receiving a communication,” which are equally carved out, by subsection (1), from the exclusive reproduction right? The Bill defines “communicate” as “make available online or electronically transmit;” “communication” is undefined. Assume a party makes a work available online (i.e., “communicates” it) with password protection, and an unauthorized user gains access either to the server, or to a cache in which a “temporary” reproduction of the work resides. The user makes a “temporary reproduction” of the work in the process of viewing it on his screen (and may cause other “temporary reproductions” to be made en route). The user may have “made” no communication, but has certainly “received” one. As the Bill is currently drafted, the reproductions in question fall within subsection (1) but are excluded from the scope of subsection (2) because they are not “part of the technical process of making a communication” (emphasis added). Thus, the temporary reproductions in this case, although unauthorized, are immune from liability.
- Even if subsection (2) were made coextensive with subsection (1), so that reproductions occurring in the making of a communication, and in its receipt, were both covered by both subsections, it remains the case that a particular communication may be authorized and non-infringing with respect to some recipients, and unauthorized and infringing with respect to others (e.g., hackers, non-subscribers, etc.). Since the act of communication carried out with authorization may consist solely of “making [the work or other subject matter] available,” does the temporary reproduction exception apply only to authorized recipients, or does it apply to all recipients? Assume for instance that the copyright owner himself carries out the act of making available, so that it is by definition non-infringing. On what basis would any “temporary reproductions” made by hackers or non-subscribers be actionable in light of sections 43A and 111A?
- What if the act of communication (making available) takes place outside Australia? Since the Act does not have extraterritorial effect, then by definition, the communication is non-infringing, sections 43A(2) and 111A(2) do not apply, and all “temporary reproductions” made in the course of the communication are carved out of the reproduction right. Does this mean that when Australians access a server outside the country in order to view pirate material (or to undertake other activities that may constitute the making of temporary reproductions in the course of communication), the copyright owner is legally powerless to stop them
- As discussed in more detail below, item 26 of the Bill proposes a new section 22(6), which provides that an act of communication is attributable only to “the person responsible for determining the content of the communication.” The bill leaves this critical phrase undefined. It certainly seems possible that a party outside Australia could be “the person responsible for determining the content of a communication” that originates within Australia. If so, such a communication is by definition non-infringing, since under proposed section 22(6) no person within the jurisdiction can be held to have “made” a communication, much less made an infringing communication. Even if an infringer (within the meaning of

proposed section 22(6)) can be found within Australia, an intervening party who receives, stores and forwards the material in question cannot be considered an infringer, regardless of its knowledge, if it does not “determine the content of the communication.” An unauthorized user who receives such a communication would seem to be immune, under proposed sections 43A(1) and 111A(1), from liability for any temporary copies he makes in the course of receiving the communication, and proposed sections 43A(2) and 111(A)(2) would not apply because the communication that the user received (from the intervening party, such as an ISP) is not infringing.

In short, as drafted, these provisions risk creating precisely the kinds of gaps in coverage that the entire WIPO Treaties exercise was undertaken to fill. Australia could avoid these problems by respecting the conclusion contained in the Agreed Statement to the Treaties and refraining from creating any exception to the reproduction right for “temporary reproductions.” Instead, limitations on remedies could be employed to ensure that specific types of reproductions which are essential to the authorized transmission of protected materials over networks do not give rise to needless litigation. Even if Australia continues to reject this approach, which was taken by the U.S. in its Digital Millennium Copyright Act (DMCA), at a minimum the Bill should be revised to follow the European lead and limit the “temporary reproduction” exception to cases in which the reproduction is essential to the transmission and in which the transaction in which it occurs is authorized by the right holder or specifically permitted by law.

Two additional observations concerning the treatment of the reproduction right in the Bill are appropriate here. First, IIPA welcomes the clarification, in proposed section 21(1A) (item 23), that digitization is an act of reproduction; but the Bill would be improved by including a broad and generally applicable definition of reproduction for all works in the interpretational section of the Copyright Act (section 10). Such a definition should cover reproduction in any manner or form and specifically include the “storage in an electronic medium” referred to in the Agreed Statement of the Diplomatic Conference. Second, contrary to Article 11 of the WPPT, the Bill fails to confer upon the producer of sound recordings an exclusive reproduction right, although it does clarify (in proposed section 21(6), see item 25) that the producers’ existing exclusive right “to make a copy of the sound recording” includes the right to digitize a recording. Even this clarified “right to copy” is not enough to fulfill the WPPT requirements, under which producers must enjoy “the exclusive right of authorizing the direct or indirect reproduction of their phonograms, in any manner or form,” including (as the attached Agreed Statement notes) digital storage of a phonogram in an electronic medium. The Bill should be amended to accord such a right to sound recording producers.

IV. Right of Communication to the Public

IIPA supports the provisions of the Bill which create and define a new exclusive right to communicate to the public, largely supplanting the existing broadcasting and cable diffusion rights. We note that the new definition (see item 6) does not explicitly provide that the making available of protected subject matter to any individual member of the public on demand is an

exercise of this exclusive right. In order to meet the requirements of WCT Article 8 and WPPT Article 14, this should be spelled out.

As noted above, we find the provisions of proposed section 22(6), which appears to rule out the possibility that the new public communication right could be exercised by anyone other than “the person responsible for determining the content of the communication,” to be highly problematic. Our concerns are discussed more fully below under liability limitations.

Finally, it would be valuable to spell out that, with respect to sound recordings, the new public communication right, unlike the broadcasting right that it generally supersedes, is available to foreign right holders on a national treatment basis.

V. Liability Limitations for Carriers and Carriage Service Providers

In proposing significant legislative amendments on this topic, the Bill rejects the conclusion of the 1997 digital agenda discussion paper, under which liability questions would be left to the courts. Since that time, of course, the U.S. has adopted, and the E.U. is actively considering, legislation in this field. The Bill departs from the path taken by the U.S. and European initiatives in one crucial respect. While both the U.S. and the European legislation focus on the question of remedies for copyright infringements that take place in the course of the performance of particular functions by service providers in the networked environment, the Bill proposes to change the rules on liability, and in effect to completely immunize service providers from legal responsibility for certain activities. In IIPA’s view, this blanket immunity approach threatens to undermine the legal incentives that must be provided to encourage service providers and content owners to work together to detect and deal with infringements that take place on digital networks.

A. Direct Liability

As noted above, item 26 of the Bill would amend section 22 of the Act to state that “a communication ... is taken to have been made by the person responsible for determining the content of the communication.” Thus, even if a service provider is aware of the infringing character of a communication, it will not be directly liable for infringement of the public communication right if it is not “responsible for determining the content.”

This approach deviates from the international trend. In some of the instances in which this principle would absolve the Australian service provider of all liability, a counterpart provider under U.S. law (or under the proposed European Union E-commerce directive) would probably enjoy freedom from monetary liability, but still would be subject to injunctive relief under some circumstances. In other instances – for example, when the service provider knew or it was apparent that the material that its customer was posting on its service was infringing, but the provider was not “responsible for determining the content” within the meaning of proposed

section 22(6) – no liability limitation of any kind would be applicable under U.S. law or the E.U. proposal, but under the Bill the service provider would be totally immune from direct liability.

More significantly, proposed section 22(6) is so broadly stated as to undermine the legal incentives for the service provider to encourage its customers to respect copyright, or to cooperate with rights owners to prevent piratical activities from taking place on its networks. A more carefully calibrated approach, focusing on remedies for infringement rather than on the overall question of legal responsibility, is better suited to preserve and strengthen these incentives.

If, at the end of the day, the approach to this question taken by the world's dominant e-commerce marketplaces is simply not acceptable to Australia, and if the operative test of direct liability in Australia in these circumstances is to be whether or not a party is "responsible for determining the content" of a communication, then at the very least that phrase needs much more extensive definition than the Bill provides. For example, it should be explained that a party who knows that the content of a communication is infringing, or who is aware of facts or circumstances from which the infringing character of a communication is apparent, should be treated as "responsible for determining the content" of the communication within the meaning of section 22(6).

B. Authorization Liability

Proposed sections 36(1A) (item 39) and 101(1A) (item 87) seek to codify existing case law by spelling out some factors courts should consider in applying Australia's doctrine of "authorization liability." IIPA believes this may be a sound approach that will increase legal certainty and predictability in the online environment, but we express no opinion at this point on whether the proposed codification of authorization liability factors accurately reflects current case law. We do suggest that the extent of the party's knowledge as to the infringing character of the act, or its awareness of facts or circumstances from which that infringing character is apparent, should be highly relevant to the party's exposure to authorization liability for the act.

It would be useful, in the case of carriers and carriage service providers, to flesh out the "reasonable steps" that service providers should be expected to take to prevent infringements, as a condition for avoiding or limiting their authorization liability (see proposed sections 36(1A)[c] and 101(1A)[c]). Such steps could include requirements that service providers implement policies for the termination of the accounts of repeat infringers, and that they accommodate standard technical measures that may be used to identify or protect copyrighted works (cf. the DMCA provisions in 17 U.S.C. 512 (i)). The "reasonable steps" requirement could also be spelled out in more detail in the context of other, more specifically defined functions performed by service providers, such as system caching (cf. 17 U.S.C. 512(b)) or the provision of information location tools (cf. 17 U.S.C. 512(d)).

C. Physical Facilities

Finally, proposed new sections 39B (item 42) and 112E (item 95) would evidently trump the analysis of factors called for under the sections discussed immediately above in any case in which the authorization liability of a carrier or carriage service provider is in question. These provisions rule out any finding of authorization liability based “merely” upon the provision of “facilities used by a person to” commit an infringement.

In IIPA’s view, these provisions illustrate well why it is inadvisable to address the exposure of service providers by creating immunities rather than by fashioning limits on remedies. Sections 39B and 112E could be read, for example, to prevent a court from issuing an injunction against an Australian service provider requiring it to deny access through its facilities to an off-shore server which the provider knew was making pirate material available. Assuming that the provider did not “determine the content” of communications it carried between the off-shore server and the provider’s Australian customers, and assuming that any claim for authorization liability would be bottomed upon the provision of the carrier’s facilities for linking the non-Australian pirate to his audience, these provisions could be read to dictate a finding of no liability and, therefore, no basis for an injunction, without regard to the provider’s state of knowledge. Such an outcome would leave Australian copyright owners virtually defenseless against online piracy in which the Australian service provider was clearly participating and from which it might even be profiting.

These provisions are not anchored in anything that the WIPO Treaties require, and they extend far beyond anything that the Agreed Statements to those Treaties explicitly permit. The Diplomatic Conference, in its Agreed Statement to WCT Article 8, simply stated that “the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication...”. But the Bill would extend the same principle to authorization liability for any infringement, including an infringement of the reproduction right as well as of the public communication right, and, according to the Explanatory Memorandum (paragraphs 59 and 138) to “the use of cellular, satellite and other technologies” as well as physical facilities. It could certainly be questioned whether a provision absolving a service provider of any liability for an unauthorized act of reproduction, even if the provider furnished all the technology needed for making the reproduction, is consistent with international standards, as embodied in the tripartite test of Berne, TRIPS, the WCT and the WPPT.

IIPA is aware that even if these provisions were narrowed (in line with the Diplomatic Conference Agreed Statement quoted above) to apply only to the public communication right, some of the unauthorized reproductions in this scenario would be absolved under the temporary reproduction provision discussed above. IIPA strongly believes that any problems arising from the fact that some reproductions are technologically indispensable to the operation of networks is best dealt with through limitations on remedies, not through blanket immunities from liability as the Bill proposes here and in the provisions discussed above. The remedies-based approach would also be consistent with the international trend as exemplified by Title II of the Digital Millennium Copyright Act (DMCA) in the U.S., and by the corresponding provisions of the proposed E-Commerce Directive in the E.U.

VI. Exceptions to Rights – Fair Dealing

Proposed sections 10(2A)-(2C) (item 20) would extend to all electronic copies of literary or dramatic works (other than computer programs or databases) the 10% quantitative measure now used to define the “reasonable portion” of a hard copy of a work that may be used without permission under the fair dealing doctrine. IIPA questions whether this extension can pass muster under international standards, because it fails to acknowledge that “digital is different.” Digital copies are perfect copies, easily transmitted to a multitude of other users, and the copying of even 10% of a work in electronic form carries with it a much greater risk of further copying outside the scope of the fair dealing doctrine than does the copying of 10% of a print or analog version. In addition, leaving this issue to be dealt with contractually might well result in greater access to protected materials than the statutory imposition of a “10% solution,” which is likely to become a ceiling on contractually permitted copying as well as a floor below which copying is allowed as a matter of fair dealing.

Section 135ZMD, as proposed to be added by item 151, adopts a similar 10% measure for uses of works by educational institutions, and applies it to musical works as well. Such a quantitative measure seems especially difficult to apply to music, as contrasted with literary and dramatic works where at least a word-based metric can be employed.

VII. Exceptions for Libraries and Archives

Essentially, the Bill would allow a library or archive to make a digital copy in any circumstance in which it is authorized under existing law to make a conventional copy (e.g., at the request of a researcher, for another library, etc.). The “digital is different” issue is relevant here, as well, to the question of whether the new exceptions exceed the boundaries imposed under the long-standing international “tripartite test.” Giving a library patron an electronic copy entails much greater risks to the legitimate interests of right holders, and a much greater threat of conflict with normal exploitation of the work, than giving the patron hard copy would do.

As noted above, proposed section 49(5A) (item 54) allows a library to provide networked access onsite to any copyrighted material in digital format that it acquires for its collections, but only to technologically restricted terminals that are unable to make electronic copies or communicate the material further. This is an issue that might better be addressed in licensing negotiations between publishers and other right holders, on the one hand, and libraries and archives, on the other, than by detailed rules enshrined in the statute books. Licensed access to digital material under more flexible terms could be more valuable to libraries and their patrons than the onsite access through dumb terminals that proposed section 49(5A) would guarantee, regardless of licensing terms to the contrary. Additionally, if publishers and other rights owners lose all ability to prevent onsite networked access to their works, significant price increases to libraries, even those not desiring to make use of this facility, would seem inevitable, since publishers could not reasonably expect to license more than a single copy of an electronic product to a library.

The Bill proposes to expand existing provisions on copying of unpublished works, and copying for purposes of preservation, replacement of damaged copies, etc., to encompass digitization and communication of such works. The impact of such proposals, and the application to them of the tripartite test for exceptions to protection, must be carefully studied. For example, the current provision of section 51A(2)-(3) authorizing a library official to make a single microform copy of a work in the library's collection, for any purpose, conditioned on the immediate subsequent destruction of the original, would be replaced (under item 75 of the Bill) by a provision allowing the making of a digital copy of any such work "for administrative purposes," and its communication to other library staff via an onsite network, without any destruction of the original. It is obvious that such digitization and networked distribution of copyrighted materials in the library's collection poses a much greater potential threat to the legitimate market for those materials than would the transfer to microform of a single copy. Accordingly, it is questionable whether such an expansion of the existing exception passes muster under the tripartite test.

VIII. Educational Statutory License

The proposed amendments to Part VB of the Act (items 124-199) would allow educational institutions to "communicate" to their students (i.e., distribute online), for educational purposes, portions of works under generally the same circumstances under which they are now permitted to make multiple copies of those portions of works. (Most of these circumstances, but not all [see proposed section 135ZMB, item 151], involve the payment of remuneration.) The observations above concerning library copying are relevant here: a hard copy in the hands of a student is very different from a digital copy accessible to that student online, in terms of the risk of further unauthorized copying or "communication." Similarly, although section 135ZX(b) (as proposed to be added by item 189) requires institutions to "take all reasonable steps to ensure that the communication [allowed under part VB] can only be received or accessed by persons entitled to receive or access it," it must be recognized that such distribution is inherently difficult to control. Students (in contrast to the onsite library patrons discussed above) could be accessing this material from remote locations, using equipment that is not under the control of the institution. It is highly questionable whether the institution can effectively prevent them from downloading copies and/or redistributing them to the public at large. If, in fact, "all reasonable steps" are ineffective to address this problem, then the viability of the exception itself under the tripartite test is open to challenge.

IX. Retransmission and Related Matters

IIPA is pleased that the bill cures Australia's long-standing violation of its obligation, under the Berne Convention and TRIPS Agreement, to accord copyright owners any rights over the retransmission of broadcasts containing their protected works. Unfortunately, however, the proposed correction does not go far enough to meet the legitimate concerns of the audio-visual industry. The proposed amendments (embodied in items 200 and 214) repeal section 199(4) of current law and substitute for it a new statutory license under which copyright

owners are entitled to the payment of equitable remuneration for retransmissions, but are denied full control over this form of exploitation of their intellectual property.

Of course the proposed statutory license is a significant improvement on the status quo; but it brings with it a number of significant problems that would not exist if copyright holders held an exclusive retransmission right. Statutory licenses unnecessarily introduce third party rate setting bodies into a purely private process and create enormous administrative costs which take revenue away from the production and creative community. Other problems involve conflicts with license agreements between the copyright holder and Australian broadcasters, including the potential destruction of the exclusivity that the Australian broadcaster negotiated to acquire and upon which it relied when it sold its advertising time. Furthermore, the scope of activities to which the statutory license applies must be narrowed to retransmission using cable television technologies of the kind now employed by pay television services. There is no justification for imposing a statutory license over rights to retransmit broadcast material over the Internet, or through other new technologies, thereby preventing the development of a free market in these rights. Further and more detailed comments on the statutory license proposal contained in item 200 may be found in the submission of the Motion Picture Association.

X. Broadcasting

IIPA commends the sound decision not to extend to “communication” (e.g., online on-demand services) the existing statutory licenses and exceptions applicable to broadcasting. One unfortunate deviation from this approach is found in the proposed amendment to section 136(1)(b) (item 201), which brings subscription broadcasting licenses within the jurisdiction of the Copyright Tribunal. In IIPA’s view, Australia took a progressive step forward in 1998, when it amended its law to confer an exclusive right on copyright owners in sound recordings in relation to subscription broadcasting. In the digital environment, this medium is likely to become an increasingly important means by which members of the public will not only be able to enjoy performances of sound recordings, but also to download copies through online deliveries. Australia should not take the retrograde step of reducing this exclusive right, over an increasingly important mode of exploitation of sound recordings, to the status of a statutory license whose terms will be dictated by the Copyright Tribunal. The marketplace, not a government agency, should determine the terms and conditions under which subscription broadcasters may obtain access to their most important raw material: the creative output of the recording industry.

XI. Other Issues

IIPA urges Parliament to seize the opportunity presented by the thorough revision of Australian copyright law which the Bill represents to make other needed improvements to the Copyright Act 1968. For example, to bring its law into closer harmony with the prevailing trend around the world, Australia should extend terms of protection to 70 years post mortem auctoris, or 95 years from date of first publication where the author is a legal entity, or in the case of the rights of a sound recording

producer. Additionally, to ameliorate the onerous documentary requirements that hamper many criminal copyright infringement prosecutions in Australia, the presumptions of ownership and subsistence of copyright which apply in civil cases under section 126 of the Act should be extended to criminal cases, and the presumptions should apply until a sufficient quantum of admissible evidence to the contrary has been brought before the Court.

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IIPA appreciates this opportunity to comment on this important legislation. If I may provide further detail, including draft language, or answer any questions concerning the foregoing, please do not hesitate to contact me.

Respectfully submitted,

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