

## Civil Remedies for Copyright Infringement

- 5.1 Civil action under Division 2 of Part V of the *Copyright Act 1968* (the Copyright Act) is the main mechanism for the enforcement of copyright in Australia. The Committee received a large volume of evidence relating to witnesses' experiences in taking civil action against infringement. One small business commented in its submission:

Our solicitor specialises in intellectual copyright. Having said that, the current legislation appears to be a paper tiger.<sup>1</sup>

In this chapter, the Committee reviews civil proceedings under the Copyright Act and the many suggestions for reform. The Committee is concerned to discover why civil remedies are toothless as claimed, and what it is about the civil litigation process that gives copyright owners cause for complaint.

### Litigation

- 5.2 One of the main difficulties with pursuing civil remedies is the cost involved. The Committee has taken note of the often prohibitive cost of copyright litigation in Chapter 3. In its submission, the Attorney-General's Department (AGD) stated that it was aware of claims about industry reluctance to use the civil courts for enforcing copyright on the grounds of cost and delay, amongst others. While acknowledging these difficulties, it submitted that copyright owners do not appear to be more disadvantaged than any other litigant in Australia.<sup>2</sup> Witnesses raised with the Committee a number of difficulties, apart from cost, which they face in bringing civil

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<sup>1</sup> Beach Collections, *Submissions*, p. S65.

<sup>2</sup> Attorney-General's Department (AGD), *Submissions*, pp. S442 and S752.

action against infringers. These other, mainly procedural and evidential difficulties are discussed below.

### ***Anton Piller and John Doe orders and powers of seizure***

- 5.3 It is not easy to secure evidence to support a civil action for infringement, especially an action against pirates or bootleggers, who often dissemble their operations at the threat of legal action.<sup>3</sup> For this reason, the courts have developed an interlocutory order that enables a plaintiff to enter and search the defendant's premises, and seize infringing material. Failure to comply with the order constitutes contempt of court. The order is known as an Anton Piller order, after the case in which it was first granted.<sup>4</sup>
- 5.4 A John Doe order is similar to an Anton Piller order, but is sought when the identity of the infringer is not known; John Doe is the name used in the United States to signify an unidentified defendant.<sup>5</sup> John Doe orders are enforceable against anyone in the group of infringers to whom the order is addressed. The order is useful in combating bootlegging operations because the public face of the operation often changes from venue to venue.
- 5.5 Anton Piller orders, which are sought in an ex parte application to the court, are only granted if strict requirements are met.<sup>6</sup> Copyright Agency Limited (CAL) stated that courts are reluctant to grant Anton Piller orders, and that they are in any case very expensive to seek.<sup>7</sup> Preparation for an application for Anton Piller orders may involve surveillance and investigative and forensic activities.<sup>8</sup> The orders are also very costly to execute, since an independent team of lawyers must be present.<sup>9</sup> The Anti-Counterfeiting Action Group (ACAG) gave evidence of Anton Piller orders executed in 1993 at a Sydney market against seven stall-holders, involving seven lawyers and costing \$80 000.<sup>10</sup>
- 5.6 Due to the limited utility of Anton Piller and John Doe orders, several copyright owners have suggested that the Copyright Act should contain a civil power of seizure. The other reason advanced in support of a civil

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3 J McKeough and A Stewart, *Intellectual Property in Australia*, 2nd ed., 1997, Butterworths, para. 136.

4 *Anton Piller KG v Manufacturing Processes Ltd* [1976] Ch 55.

5 Mr Little, Tress Cocks and Maddox and ACME Merchandising, *Transcript*, p. 215.

6 AGD, *Submissions*, p. S407.

7 Mr Fraser, CAL, *Transcript*, p. 268.

8 AGD, *Submissions*, p. S407.

9 Mr Little, Tress Cocks and Maddox and ACME Merchandising, *Transcript*, p. 216.

10 Mr Ramsden, Anti-Counterfeiting Action Group, *Transcript*, p. 371.

power of seizure is that the most effective way to enforce copyright is to seize infringing goods at the time they are discovered, so that bootlegging operations can be immediately halted.<sup>11</sup> However, ACAG and Trade Mark Investigation Services (TMIS) perceived problems in bestowing on private persons even a limited power to seize goods in the possession of others.<sup>12</sup> AGD described a civil power of seizure as an extreme response that lacks adequate safeguards against potential abuse. It further argued that the power would give the undesirable appearance of authorising the non-consensual removal of property.<sup>13</sup>

- 5.7 Tress Cocks & Maddox (TCM) and ACME Merchandising (ACME) pointed out that the *Copyright, Designs and Patents Act 1988* (UK) contains a civil power of seizure. Section 100 of that Act (reproduced at Appendix E of this Report) enables a copyright owner or their agent to seize a copy of a work which is offered for sale or hire from a place other than a regular or permanent place of business. Seizure cannot be made with force, and notice of its time and place must be given to the police beforehand. Section 114 then enables a court to order that the seized copies be forfeited to the copyright owner or destroyed. TCM and ACME argued that civil seizure has been a very effective procedure in the UK and that similar provisions should be introduced into the Copyright Act.<sup>14</sup> VISCOPY supported this submission.<sup>15</sup> The Chairman also discussed the UK provision with officials of the UK Patents Office.
- 5.8 The Committee considers that a civil power of seizure would prove a useful self-help measure in the enforcement of copyright. However, it notes the concerns voiced by witnesses as to the intrusive nature of the power and the potential for its abuse. This is especially so because seizure need not involve an independent third party. In Chapter 4 (paragraphs 4.50-4.54) the Committee recommended that the possession of infringing copies of copyright material should be a criminal offence. In its opinion, that recommendation provides one way for copyright owners to confiscate infringing material, but it is useful also to implement a power of civil seizure.

## Recommendation 12

### 5.9 The Committee recommends that a provision be introduced into the

11 Mr Taylor, Trade Mark Investigation Services (TMIS), *Transcript*, p. 372.

12 Mr Taylor, TMIS, *Transcript*, pp. 372-373; Mr Standen, ACAG, *Transcript*, p. 377.

13 AGD, *Submissions*, p. S751.

14 Mr Little, TMIS and ACME, *Transcript*, p. 217.

15 VISCOPY, *Submissions*, p. S71.

***Copyright Act 1968*, similar to section 100 of the *Copyright, Designs and Patents Act 1988* (UK), which authorises a copyright owner or their agent to seize a copy of their work (or other subject matter) that is offered for sale or hire from a place other than a regular or permanent place of business.**

### Privilege against self-incrimination

- 5.10 The Business Software Association of Australia (BSAA) pointed out to the Committee another problem that arises at the pre-trial stage of civil proceedings.<sup>16</sup> Plaintiffs are sometimes denied access to documents containing evidence of the number and source of infringing copies. This is because at common law, a person is not obliged to answer questions or produce documents if to do so would tend to expose them to a criminal charge.<sup>17</sup> As Justice Wadell pointed out in *BPA Industries Ltd v Black*,<sup>18</sup> the privilege against self-incrimination could be used to defeat an Anton Piller order.
- 5.11 This problem has been solved in the United Kingdom by section 72 of the *Supreme Court Act 1981* (UK), which removes the privilege against self-incrimination in civil proceedings for the infringement of intellectual property. The section prevents evidence admitted in civil proceedings from subsequently being used in criminal proceedings. The BSAA suggested that a similar provision be introduced in Australia. The Committee supports this recommendation.

### Recommendation 13

- 5.12 **The Committee recommends that a provision be introduced into the *Copyright Act 1968*, similar to section 72 of the *Supreme Court Act 1981* (UK), which withdraws the privilege against self-incrimination in civil proceedings for the infringement of intellectual property.**

### Proof of ownership

- 5.13 The Copyright Act currently contains in sections 126–30 and 131 presumptions to assist in proving subsistence and ownership of copyright. Accordingly, subsistence and ownership will be presumed by a court,

16 Mr Gonsalves, BSAA, *Transcript*, p. 185.

17 BSAA, *Submissions*, pp. S350-351.

18 (1987) 11 NSWLR 609.

unless the defendant puts these matters in issue. The presumptions are designed to facilitate proof, but several witnesses suggested that they are of little practical value.<sup>19</sup>

- 5.14 BSAA submitted that defendants, without seriously disputing ownership of copyright, will raise it as an issue as an obstructive tactic.<sup>20</sup> The Motion Picture Association (MPA) agreed that the difficulty of proving ownership can encourage infringers to put owners to proof of copyright in the hope that they can defeat the proceedings on some technical defect.<sup>21</sup> Evidence to the Committee also suggested that ownership is often so difficult to prove that the threat of infringement proceedings is a hollow one for some defendants. AGD conceded that the existing presumptions provide no real assistance where subsistence and ownership are challenged.<sup>22</sup>
- 5.15 The Committee recognises the need for a more effective presumption as to ownership of copyright. In the Committee's view, the same presumption as was discussed in Chapter 4 in relation to criminal proceedings should apply in civil proceedings. The presumption operates by means of an affidavit attesting to certain facts, and outlining the plaintiff's chain of title. If such an affidavit is tendered by the plaintiff, then the copyright owner would be presumed to be as claimed in the affidavit, unless the defendant proves otherwise. The Committee notes that its view is consistent with that of VI\$COPY, amongst other copyright owners.<sup>23</sup>
- 5.16 In its submission, AGD restricted the application of the presumption of ownership in civil proceedings to infringements that take place in a commercial context. They argued that the presumption should only apply in respect of software, sound recordings and cinematographic films.<sup>24</sup> The rationale for so limiting the application of the presumption is unclear to the Committee, especially given that the presumption is not proposed to be limited in criminal proceedings. The Committee does not consider that the presumption of ownership should be limited to specific types of copyright material.
- 5.17 In order to guard against abuse of the presumption of ownership, and the evidentiary simplification it entails, the Committee considers that the Court should have a discretion to award penalty costs against the plaintiff if the defendant is successful in proving that their chain of title, as

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19 Music Industry Piracy Investigations (MIPI), *Submissions*, p. S175.

20 Business Software Association of Australia (BSAA), *Submissions*, p. S346.

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

22 AGD, *Submissions*, p. S755.

23 VI\$COPY, *Submissions*, p. S70.

24 AGD, *Submissions*, p. S757.

deposed to in the affidavit, is false. Conversely, the Court should, in its discretion, be able to award penalty costs against the defendant if they seek to challenge the plaintiff's chain of title, as deposed to in the affidavit, and fail.

#### **Recommendation 14**

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

**In addition, the Court should have a discretion to award penalty costs against either party if they abuse the presumption of ownership.**

#### **Proof of copying**

5.19 In order to obtain damages in a typical civil action for infringement, a plaintiff must prove that each of the copies made by the defendant is an infringing copy of their material. This can be difficult because there are often many infringing copies, all almost exact replicas of the original. To the extent that copyright litigation presents peculiar difficulties, AGD submitted that the need to prove copying is one of them.<sup>25</sup> As an alternative to proving each and every infringing copy, some copyright regimes simply award a monetary penalty in respect of each infringement. So-called systems of statutory damages are discussed in the section titled 'Remedies', below.

#### **Proof of knowledge for secondary infringement**

5.20 Sections 37, 38, 102 and 103 of the Copyright Act provide that copyright is infringed (so-called secondary infringement) by importing for sale or hire, or selling or dealing with copies of copyright material that a person knows or ought reasonably know are infringing copies. Music Industry Piracy Investigations (MIPI) argued that the need in an action for secondary infringement to prove actual or constructive knowledge on the part of an infringer places an unnecessary burden on copyright owners.<sup>26</sup> It argued that the Copyright Act already sufficiently protects infringers by

<sup>25</sup> AGD, *Submissions*, p. S752.

<sup>26</sup> MIPI, *Submissions*, pp. S183-184.

preventing the recovery of damages in cases of innocent infringement. For this reason it argued that once the facts (of importation or trading) are established, an action for secondary infringement should be complete.

- 5.21 AGD submitted that it would be an inappropriate impediment to ordinary trade to fix traders and importers with civil liability without a knowledge requirement on their part.<sup>27</sup> The Australian Copyright Council (ACC) pointed to a midway solution that had been suggested in the Report of the Copyright Law Review Committee, 1959 (the Spicer Report).<sup>28</sup> Recognising the difficulty that copyright owners face in proving actual or constructive knowledge on the part of importers, the Spicer Report recommended that the onus of proof in secondary infringement actions should be reversed. In other words, the defendant should be required to prove that they were not aware, and had no reasonable grounds for suspecting, that the making, trading or importation of the material was an infringement.
- 5.22 The Committee respectfully agrees with the Spicer Committee that in secondary infringement actions, it is appropriate that the defendant bear the onus of proving that they had no actual or constructive knowledge of the infringing nature of the material imported, made or traded. The Committee notes that this approach is consistent with that which it has taken in Chapter 2 in relation to parallel importation and piracy, in requiring importers to take responsibility for the nature and origin of their products. Nor does the Committee consider it unfair to require an importer to demonstrate that they have taken reasonable steps to ascertain the legitimacy of their products.

### Recommendation 15

- 5.23 **The Committee recommends that the *Copyright Act 1968* be amended so as to place on the defendant the onus of proof in relation to the knowledge requirement in civil actions based on sections 37, 38, 102 and 103 of that Act.**

<sup>27</sup> AGD, *Submissions*, p. S760.

<sup>28</sup> Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alterations are Desirable in the Copyright Law of the Commonwealth.

## Remedies

5.24 The remedies for copyright infringement currently available under the Copyright Act include an injunction and either an account of profits or damages, except in cases of 'innocent infringement', where damages are unavailable. In appropriate cases, punitive damages and damages for conversion or detinue are also available.<sup>29</sup> As a result of the difficulty in proving damage, the remedy most commonly sought is an injunction.<sup>30</sup> The Committee considers suggestions to make the other remedies, in particular damages, more accessible, below. The main suggestions are: introducing a system of statutory damages, and altering the provisions concerning costs.

### Statutory damages

5.25 In the United States of America and Canada plaintiffs may elect to receive as damages for infringement of copyright an amount calculated on the basis of the number and flagrancy of the infringements.<sup>31</sup> In the US, statutory damages per infringement range from \$500 to \$20 000 in the case of innocent infringement, and up to \$100 000 in cases of intentional infringement.<sup>32</sup> The Canadian scheme, which commenced on 1 October 1999, allows a plaintiff to elect to receive a single amount for all infringements in the proceedings. The statutory amount is from \$500 to \$20 000 in the case of intentional infringement, and generally from \$200 to \$500 in the case of innocent infringement. In deciding the amount to award, a court must consider all relevant factors, including the good faith (or lack thereof) of the defendant, the conduct of the parties during the proceedings, and the need to deter other infringements of the copyright in question.<sup>33</sup>

5.26 AGD preferred a system of statutory damages that is used in countries such as Slovenia.<sup>34</sup> There, the statutory damages are calculated as a multiple of compensatory damages. Compensatory damages are determined by reference to the licence fee that would have been payable for the exercise of the copyright right. In the case of intentional

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29 Sections 115 and 116 of the Copyright Act.

30 AGD, *Submissions*, p. S409.

31 Mr Fox, AGD, *Transcript*, pp. 68–69.

32 Ms Lenaburg, BSAA, *Transcript*, p. 181.

33 Section 38.1(1), (2) and (5) of the *Copyright Act* (Canada).

34 Mr Fox, AGD, *Transcript*, p. 69.

infringement, statutory damages are three times compensatory damages, whereas in the case of innocent infringement, they are the same.<sup>35</sup>

- 5.27 The BSAA submitted that plaintiffs should be able to elect to receive statutory damages.<sup>36</sup> They argued that the option of statutory damages would ensure that Australia fully complies with its obligations under article 41 of the World Trade Organisation *Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPS). Without having considered the issue closely, IP Australia stated that it could see potential advantages in a system of statutory damages.<sup>37</sup>
- 5.28 Mattel Pty Ltd, Hasbro Australia Ltd and the Australian Toy Association Ltd (Mattel et al) expressed concern that a system of statutory damages would not adequately accommodate varying circumstances of infringement.<sup>38</sup> The Australian Information Industry Association, although in favour of statutory damages, submitted that the amount prescribed should be equal to the wholesale value of the 'work' infringed.<sup>39</sup>
- 5.29 The Committee sees merit in introducing a system of statutory damages as an alternative basis for the award of damages for copyright infringement in Australia. The Committee prefers the Slovenian approach which links the amount of statutory damages to the putative compensatory damages. The Committee agrees with AGD that this approach seems less arbitrary than the North American ones which require a court to evaluate, within specified limits, the culpability of the defendant's conduct.<sup>40</sup> However, the Committee recognises that it may not be easy to determine the amount of compensatory damages. If this were not agreed between the parties, it would have to be determined by the court. The courts have, for example, held that the licence fee approach is not always an appropriate way to calculate compensatory damages.<sup>41</sup>
- 5.30 The Committee is proposing statutory damages as an alternative to the normal award of damages currently available under the Copyright Act. Thus a plaintiff will have a choice as to which type of damages they seek. Where proof of damage would result in a larger award, it is likely that a

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35 Dr Miha Trampuz, Copyright Agency of Slovenia, *Completely new copyright legislation, in particular Central and Eastern Europe Example of Slovenia*, Paper given at the ALIA 1999 Berlin Congress.

36 Mr McNamara, BSAA, *Transcript*, p. 176.

37 Mr Gould, IP Australia, *Transcript*, p. 134.

38 Mr McDonald, Mattel Pty Ltd, Hasbro Australia Ltd and the Australian Toy Association Ltd (Mattel et al), *Transcript*, p. 353.

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

40 AGD, *Submissions*, p. S753.

41 *Columbia Pictures Industries Inc v Luckins* (1996) 34 IPR 504 at 509 per Tamberlin J.

plaintiff would elect not to receive statutory damages.<sup>42</sup> The Committee is not in a position to suggest a form of words for the proposed statutory damages system. It considers this is a matter on which further consultation and discussion is required, which may be facilitated by the release of an Exposure Draft of a Bill relating to statutory damages.

## Recommendation 16

5.31 **The Committee recommends that the government introduce a Bill to amend the *Copyright Act 1968*, so as to provide a system of statutory damages for the infringement of copyright. The system would:**

- **be an alternative to the system for awarding damages provided for in subsection 115(2) of the *Copyright Act 1968*; and**
- **link the amount of statutory damages to the amount of compensatory damages.**

## Additional damages

5.32 Subsection 115(4) of the Copyright Act provides courts with a discretion to award additional damages for infringement. In this regard, the Copyright Act is unique compared with other intellectual property legislation, which does not provide for additional or punitive damages.<sup>43</sup> While some witnesses argued that the courts are reluctant to award additional damages, Mattel et al submitted that the amounts being awarded are inadequate.<sup>44</sup>

5.33 In exercising its discretion to award additional damages, a court is to have regard to the flagrancy of the infringement, any benefit that has accrued to the defendant as a result of the infringement, and all relevant matters.<sup>45</sup> Mattel et al argued that the courts' discretion to award additional damages should be unfettered.<sup>46</sup> The Committee notes that the list of factors to which a court is to have regard is inclusive. It therefore concludes that subsection 115(4) does not require amendment.

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42 Ms Lenaburg, BSAA, *Transcript*, p. 181.

43 Mr Sugden, *Transcript*, p. 384.

44 AGD, *Submissions*, p. S752; Mattel et al, *Submissions*, p. S668.

45 Paragraph 115(4)(b) of the Copyright Act.

46 Mattel et al, *Submissions*, p. S669.

## Costs

### Security for costs

5.34 In view of the difficulty, and hence expense, that is often involved in proving issues such as ownership in copyright actions, VISCOPY submitted that defendants routinely ought to provide security for plaintiffs' costs.<sup>47</sup> The Committee sympathises with this view, but hopes that the presumption of ownership which it has recommended earlier in this chapter, will make infringement proceedings less complex and less costly. It therefore considers it unnecessary to require defendants to provide security for costs as a matter of course in copyright actions.

### Lifting the corporate veil

5.35 A number of witnesses drew attention to difficulties which they face in enforcing judgments against copyright infringers. Typically, copyright infringers are either shell companies, with few or no assets, or impecunious individuals.<sup>48</sup> Copyright owners are unable to recover damages from such defendants, because they declare themselves insolvent or bankrupt. MPA referred to one case in which the plaintiff received none of the \$38 000 damages awarded or \$120 000 legal costs incurred, because the defendant declared himself bankrupt.<sup>49</sup>

5.36 In the case of corporate infringers, Mattel et al argued that the corporate veil should be lifted in copyright proceedings and that liability should attach to the governing members of an organisation.<sup>50</sup> The Committee notes that in other contexts, the corporate veil may be lifted to allow plaintiffs to recover damages against the directors of a company. Similarly, MIPI argued that copyright owners should have secured creditor status, giving them priority to recover their judgment debt from the assets of an infringer.<sup>51</sup> AGD replied that there is no apparent reason why copyright owners should be favoured over other creditors.<sup>52</sup>

5.37 While the Committee agrees that copyright owners should not be given secured creditor status, it does consider it appropriate to allow owners to recover damages from the directors of companies engaged in piracy or bootlegging.

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47 VISCOPY, *Submissions*, p. S71.

48 MIPI, *Submissions*, p. S184.

49 Motion Picture Association, *Submissions*, p. S271.

50 Mattel et al, *Submissions*, p. S667.

51 MIPI, *Submissions*, p. S184.

52 AGD, *Submissions*, p. S758.

## Recommendation 17

**5.38 The Committee recommends that the *Copyright Act 1968* be amended so as to allow judgment debts to be recovered from directors of corporations that are found liable for infringement pursuant to sections 37, 38, 102 or 103 of the Act.**

### Costs orders

5.39 Currently, plaintiffs in infringement proceedings recover somewhere between 40 and 80 per cent of their costs.<sup>53</sup> The BSAA argued that the prospect of recovering little of the (often substantial) costs in bringing proceedings deters copyright owners from taking civil action. They submitted that in infringement matters, full costs should be recoverable, on an indemnity basis.<sup>54</sup> The Committee notes that the courts already have the discretion to award costs on an indemnity basis, and does not consider it necessary to replace that discretion with a mandatory direction.

### Remedies for infringement of indigenous art

5.40 The National Indigenous Arts Advocacy Association (NIAAA) submitted that the Copyright Act could better protect indigenous heritage if certain pecuniary and non-pecuniary remedies were available. In relation to damages for infringement, NIAAA argued that indigenous artists should, in appropriate cases, be awarded damages for cultural harm. As discussed in Chapter 2, indigenous artists suffer cultural hurt and shame amongst their clan when their work is infringed. In *Milpurrurru v Indofurn Pty Ltd*<sup>55</sup> (the well-known *Carpets case*) Von Doussa J recognised such harm in the award of additional damages under subsection 115(4) of the Copyright Act. NIAAA submitted that plaintiffs should be able to claim cultural harm rather than rely on the discretion of the courts to recognise and compensate for it.

5.41 Without meaning in any way to deny the importance of compensating indigenous artists for cultural harm, the Committee considers it premature to specify cultural harm as a head of damage in the Copyright Act. This is because the Committee has recommended in Chapter 3 that the entire area of the protection of indigenous cultural and intellectual property be reviewed, with a view to considering the introduction of sui generis

53 BSAA, *Submissions*, p. S350.

54 Mr Gonsalves, BSAA, *Transcript*, p. 182.

55 [1998] 41 IPR 513.

legislation. It considers that a remedy for cultural harm may be better contained in such legislation. In the meantime, the Committee is confident that courts will continue to recognise cultural harm through application of the *Carpets case*.

- 5.42 NIAAA suggested two non-pecuniary remedies that would assist in preventing recurrences of infringement and would be more meaningful to indigenous people.<sup>56</sup> The first is an order that the defendant make an apology. The second is an order that the defendant listen to an explanation from the copyright owner as to the cultural significance of the work and the impact of the infringement on their culture.<sup>57</sup> While supporting the second of these proposals, the Committee is concerned that an order to make an apology would be unworkable in practice. Instead, the Committee regards the fact that a defendant has apologised to the plaintiff as a factor that should be taken into account by the Court when granting its remedy.

### Recommendation 18

- 5.43 **The Committee recommends that the *Copyright Act 1968* be amended so as to provide the following remedies in actions for the infringement of copyright:**
- **a provision for the Court, in determining what other remedies it should grant, to take into account whether or not the defendant has apologised to the plaintiff; and**
  - **an order that the defendant attend the plaintiff at a time and place specified in the order and listen to the plaintiff explain the significance of the work and its infringement.**

## Alternatives to federal court litigation

- 5.44 In response to complaints about the cost of actions in the Federal Court, AGD questioned why greater use is not made of lower courts in pursuing copyright infringement. It hypothesised that this may be due to the limited range of remedies and interlocutory relief available in the lower

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<sup>56</sup> Ms Janke, NIAAA, *Transcript*, p. 332.

<sup>57</sup> NIAAA, *Submissions*, p. S580.

courts.<sup>58</sup> Yet the Arts Law Centre of Australia (ALCA) and the NIAAA reported that in South Australia, local courts are exercising jurisdiction in copyright matters.<sup>59</sup> ALCA submitted that this is an undesirable solution, since local courts are not equipped to deal with the intricacies of copyright law.<sup>60</sup>

- 5.45 While the Committee sympathises with this view, it is hopeful that the presumption of ownership and the system of statutory damages that it has recommended earlier in this chapter will help to simplify copyright litigation. Furthermore, the Committee notes that local courts sometimes have the power to dispense with formal rules of evidence or have a small claims jurisdiction with simplified procedures.<sup>61</sup> The Committee therefore envisages a continuing role for the lower courts in the civil enforcement of copyright, in appropriate cases.
- 5.46 In response to a suggestion from the Committee, the Arts Law Centre of Queensland (ALCQ) stated that the new Federal Magistrates Court could usefully have a jurisdiction in copyright matters.<sup>62</sup> The Committee notes that the Federal Magistrates Court has jurisdiction in a wide range of matters,<sup>63</sup> and is required to hear some commercial and complex disputes. In the Committee's opinion, the federal magistracy—possibly with appropriate specialist training—is in a suitable position to also hear copyright infringement proceedings.
- 5.47 The Committee notes that the Federal Magistrates Court is to conduct its proceedings without undue formality,<sup>64</sup> and that the Federal Magistrates Court's streamlined procedures are designed to make it more accessible than the Federal Court. In order to increase its accessibility for individual copyright owners, the Committee considers that the Federal Magistrates Court should have a small claims jurisdiction to hear copyright infringement. See Recommendation 20 under the heading 'Small claims jurisdiction' below.

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58 AGD, *Submissions*, p. S425.

59 NIAAA, *Submissions*, p. S574.

60 ALCA, *Submissions*, p. S104.

61 See, for example, s. 23B of the *Local Courts (Civil Claims) Act 1970* (NSW) and the *Magistrates Court (Small Claims Division) Act 1989* (Tas).

62 Ms Leiboff, Arts Law Centre of Queensland, *Transcript*, p. 367. The Federal Magistrates Court is established pursuant to the *Federal Magistrates Act 1999*.

63 The Federal Magistrates Court has jurisdiction in the following areas: administrative law, bankruptcy, employment law, family law, human rights law and trade practices law. See the *Federal Magistrates (Consequential Amendments) Act 1999*.

64 Section 42 of the *Federal Magistrates Act 1999*.

- 5.48 Evidence to the Committee canvassed non-litigious mechanisms to compensate copyright owners for infringement. These mechanisms will be considered below.

### Compulsory licensing

- 5.49 It is a generally acknowledged fact that many, especially minor, instances of copyright infringement of literary and other works go undetected. CAL argued that in order to protect creators' livelihoods, collecting societies should be authorised to detect infringements and enforce creators' rights.<sup>65</sup> It advocated introducing a provision into the Copyright Act which would allow a collecting society to 'license' copies of a work which would otherwise be infringing, when the society represents owners of that class of work, but not the owner of the particular work. The provision would also limit the liability of the copier once the licence fee is paid to the society.
- 5.50 CAL reported that such a provision exists (in different forms) in both UK and Canadian legislation.<sup>66</sup> In the United Kingdom, incomplete representation of copyright owners is addressed by implying an indemnity against infringement in a licence granted to a person by a collecting society, when the copying carried out by the person is within the apparent scope of the licence.<sup>67</sup> (The power of a collecting society to grant a licence to a person is included in the indemnity implied by the legislation.) The issue is dealt with in Canada by placing a limit on the amount that may be recovered by a copyright owner in an action for infringement, when a person has a licence with a collecting society which covers works in the same class as the work infringed.<sup>68</sup>
- 5.51 CAL argued that compulsory licensing provides certainty for people in using copyright material, while ensuring that those copyright owners who are not members of the relevant collecting society still obtain remuneration for the use of their material. It also aids the enforcement of copyright in the sense that it helps compensate for breaches of copyright that would not be vindicated otherwise. The Committee is attracted to the idea of compulsory licensing by collecting societies. However, the Committee considers that further consultation is required before amendments facilitating compulsory licensing are introduced.

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65 Mr Fraser, Copyright Agency Limited, *Transcript*, p. 267.

66 See section 136 of the *Copyright, Designs and Patents Act 1988* (UK) and section 38.2 of the *Copyright Act* (Canada).

67 CAL, *Exhibit 32*, p. 1.

68 CAL, *Exhibit 32*, p. 2.

## Recommendation 19

- 5.52 **The Committee recommends that the government produce an Exposure Draft of a Bill to amend the *Copyright Act 1968*, so as to allow for the compulsory licensing by collecting societies of infringing copies of copyright works and other subject matter. The amendment should indemnify a copyright user from liability for copyright infringement once the licence fee has been paid.**

### Alternative dispute resolution

- 5.53 Some witnesses suggested that alternative dispute resolution (ADR) would be suitable for disputes over copyright infringement or compensation for infringement. Beach Collections advocated instituting binding mediation sessions for copyright owner and infringer.<sup>69</sup> The Victorian Employers' Chamber of Commerce and Industry stated that ADR methods, including mediation, work increasingly well in settling disputes over compensation for infringement against the backdrop of litigation.<sup>70</sup> ALCA urged the Committee to investigate the feasibility of using mediation to solve copyright infringement claims, other than those in which urgent injunctive relief is sought.<sup>71</sup>
- 5.54 Although the Committee does not consider the question of whether copyright has in fact been infringed an appropriate one for ADR, it can see advantages to using ADR in disputes concerning the amount of compensation payable for an infringement. The Committee seeks to encourage parties to infringement proceedings to make use of the ADR processes, if any, that are available in order to settle their claim. In this regard the Committee notes that Federal Court has power to order that proceedings be referred to arbitration or mediation.<sup>72</sup>

### Small claims jurisdiction

- 5.55 A number of witnesses were attracted by the idea of a small claims tribunal that could award compensation in small scale infringement matters. ALCA, ALCQ and NIAAA all argued that copyright owners should have access to low-cost, fast track tribunals.<sup>73</sup> ALCA recommended

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

70 Ms Harmer, Victorian Employers' Chamber of Commerce and Industry, *Transcript*, p. 39.

71 ALCA, *Submissions*, p. S101.

72 Federal Court Rules, Order 72.

73 NIAAA, *Submissions*, p. S586.

that the Copyright Tribunal be given powers to resolve a range of copyright disputes in an efficient, cost effective and just manner.<sup>74</sup>

5.56 The Committee notes that there are constitutional limitations on the extent to which judgments of an administrative tribunal, such as the Copyright Tribunal, may be enforced.<sup>75</sup> In its *Draft Report on the Jurisdiction and Procedures of the Copyright Tribunal*, the Copyright Law Review Committee comments that:

On the basis of the case law in this area, problems would arise if legislation compulsorily referred disputes to a tribunal for the purpose of making binding determinations as to existing rights and duties.<sup>76</sup>

5.57 The Committee does not consider itself in a position to advise on the constitutional validity of a tribunal that is vested with powers to adjudicate in copyright infringement disputes. The Committee questions whether advocates of a tribunal for small infringement claims are cognisant of the constitutional limitations that would apply to the powers of such a tribunal. For this reason the Committee declines to recommend the establishment of a tribunal for small infringement claims.

5.58 However, the Committee considers that a small claims jurisdiction in copyright matters could usefully be given to the Federal Magistrates Court. The Committee notes that the Small Claims Court in the Australian Capital Territory and the Small Claims Division of the Magistrates Court in Tasmania are both successful in resolving the majority of minor civil claims in those jurisdictions. The Committee is attracted to the following aspects of small claims jurisdictions:

- highly simplified pleadings;
- provision for staff of the court to help the parties;<sup>77</sup>
- the rules of evidence do not apply;<sup>78</sup> and
- provision for the court to order (at its own expense) an inquiry into any aspect of a matter.<sup>79</sup>

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74 ALCA, *Submissions*, p. S100.

75 See *Brandy v Human Rights and Equal Opportunity Commission* (1995) 183 CLR 245.

76 Copyright Law Review Committee, *Draft Report: Jurisdiction and Procedures of the Copyright Tribunal*, February 2000, para. 7.08.

77 Section 403 of the *Magistrates Court (Civil Jurisdiction) Act 1982* (ACT).

78 Section 24(1)(a) of the *Magistrates Court (Small Claims Division) Act 1989* (Tas).

79 Section 24(1)(b) of the *Magistrates Court (Small Claims Division) Act 1989* (Tas).

- 5.59 In the Committee's view, it would be desirable for the Federal Magistrates Court to have a small claims jurisdiction with the above features, with jurisdiction to hear copyright infringements. Given the potential complexities of copyright disputes, especially when the subsistence, ownership or infringement of copyright is in issue between the parties, the Committee recognises the need for a Federal Magistrate exercising the small claims jurisdiction to be able to transfer a matter out of that jurisdiction into the general jurisdiction of the Magistrates Court or to the Federal Court, where appropriate.

### **Recommendation 20**

- 5.60 **The Committee recommends that appropriate legislation be amended to establish within the Federal Magistrates Court a small claims jurisdiction to hear copyright matters. The Committee considers that the procedure of the proposed small claims jurisdiction of the Federal Magistrates Court should resemble that of the Small Claims Court of the Australian Capital Territory or the Small Claims Division of the Magistrates Court of Tasmania. The amendments should allow for matters to be transferred out of the small claims jurisdiction into the general jurisdiction, or to the Federal Court, in appropriate circumstances.**