



DPP

Commonwealth Director of Public Prosecutions

SUBMISSION TO

THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE

ON LEGAL AND CONSTITUTIONAL AFFAIRS

ON ITS INQUIRY INTO

THE ENFORCEMENT OF COPYRIGHT IN AUSTRALIA

INTRODUCTION

The Office of the Director of Public Prosecutions (DPP) welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on Legal and Constitutional Affairs inquiry into the enforcement of copyright.

The primary role of the DPP is to prosecute offences against Commonwealth law and to recover the proceeds of Commonwealth crime. The DPP is not an investigative agency and has no investigation powers or functions. The DPP prosecutes cases investigated by the Australian Federal Police or other investigative agencies. The DPP regularly provides advice during the investigative stage, particularly in large and complex matters.

Prosecution decisions are made in accordance with the guidelines set out in the Prosecution Policy of the Commonwealth. The threshold issue in any criminal case is whether charges should be laid, or continued, against the alleged offender. In general terms there is a two stage test that must be satisfied:

- there must be sufficient admissible evidence to prosecute the case (which requires not just that there be a prima facie case but that there also be reasonable prospects of conviction); and
- it must be clear from the facts of the case and all the surrounding circumstances, that prosecution would be in the public interest.

The factors briefly outlined above apply to copyright prosecutions. Cases have to be investigated and a brief of evidence prepared. The DPP often provides advice during the investigation phase. The DPP assesses the brief of evidence to determine whether there is sufficient admissible evidence to establish a prima facie case with reasonable prospects of conviction. Because of the specialised nature of copyright law and the complexity of some cases, Counsel's advice may be obtained during the assessment phase.

Cases referred to the DPP usually involve movie videos or discs or music compact discs with some computer software matters. Cases range from smaller market type operators to larger retail or wholesale operators. The DPP's general experience has been that copyright cases can be difficult, highly technical and expensive prosecutions with enormous problems in strictly proving ownership of copyright where it is held overseas.

The Committee's terms of reference most applicable to the DPP are paragraphs 1(a)(l), 1(c) and 1(g). These items are addressed in more detail below.

Terms of Reference

The availability and accuracy of data on copyright infringement 1(a)(i).

The number of matters referred to the DPP and the number of prosecutions is likely to be a very small proportion of the number of copyright infringements that occur. In 1997/98 there were 8 completed prosecutions for copyright offences. Six were referred by the AFP and 2 by state police. Five defendants pleaded not guilty and 4 of these were convicted of at least some offences. The other 3 defendants pleaded guilty. Penalties ranged from non-conviction bonds to small fines up to \$3000.

In the year up to June 4 1999 there were 6 completed prosecutions for copyright offences. Four were referred by the AFP and 2 by state police. One defendant pleaded not guilty and was convicted after a hearing. The other 5 defendants pleaded guilty. Penalties ranged

from conviction bonds to fines of \$4800. Most cases prosecuted lead to forfeiture of seized infringing copies. One case involved some 6,500 articles.

Annual Report figures for the previous five years record the number of persons prosecuted as follows:

Year	No of Defendants Prosecuted
1992/93	14
1993/94	6
1994/95	11
1995/96	8
1996/97	3

The adequacy of criminal sanctions against copyright infringement, including in respect of the forfeiture of infringing copies or devices used to make such copies, and the desirability or otherwise of amending the law to provide procedural or evidential assistance in criminal actions against copyright infringement 1(c).

Part V, Division 5 of the Copyright Act 1968 (the Act) deals with offences and summary proceedings. The main offence provisions are ss.132 and 133A. Generally the offences include the making, sale, hire, distribution, exhibiting by way of trade, importation or possession for any of the abovementioned purposes, of infringing copies.

Broadly the elements of the offences are:

- that copyright subsisted in the work or other subject matter
- that the article(s) was an infringing copy
- the making, importing, or dealing in a relevant way with infringing copies or possessing them for the purpose of doing so; and
- the defendant must know or ought reasonably to know that the article was an infringing copy.

These broad elements are amplified by other provisions in the Act.

Subsistence of Copyright

Under section 89 of the Act, copyright subsists in a sound recording¹:

- (a) of which the maker was a qualified person at the time when the recording was made, or
- (b) if the sound recording was made in Australia; or
- (c) if the sound recording is published and the first publication of the recording took place in Australia.

¹ Similar provisions apply in relation to cinematograph films under section 90.

For the purposes of the Act “qualified person” means:

- (a) an Australian Citizen, an Australian protected person or a person (other than a body corporate) resident in Australia; or
- (b) a body corporate incorporated under a law of the Commonwealth or of a State (section 84).

By operation of section 184 of the Act and Regulation 4 of the *Copyright (International Protection) Regulations* 1969 (the Regulations) the provisions of the Act relating to works and other subject matter apply in relation to citizens, nationals and residents of, and bodies incorporated under the laws of countries that are identified in Schedule 1 of the Regulations. Regulation 4 applies the Act to sound recordings and cinematograph films made or first published in a country specified in parts of Schedule 1 “in like manner” as if they were made or first published in Australia. The countries covered are countries party to the Berne Convention for the Protection of Literary and Artistic Works, countries party to the Universal Copyright Convention and members of the World Trade Organisation.

In order to prove the subsistence of copyright in Australia in an overseas sound recording or cinematograph film it is necessary to prove

- the making of the sound recording or cinematograph film; and
- any of the other ‘connecting factors’ – that is making or first publication in a relevant Schedule 1 country, or the making by a citizen or resident or a body corporate of a relevant Schedule 1 country.

Under section 22(3) a sound recording is deemed to have been made at the time when the first record embodying the recording was produced and the maker is the person who owned that record at that time. Under section 22(4) the maker of a cinematograph film is the person by whom the arrangements necessary for the making of the film were undertaken.

Ownership of Copyright

It is necessary to prove ownership of copyright in order to prove that the impugned acts were done without the copyright owner’s licence.

Section 97 of the Act provides that the maker of a sound recording is the owner of any copyright subsisting in the recording. However where the recording is made pursuant to an agreement for valuable consideration to make the recording for another person, the other person is the owner of the copyright (section 97(3))². In other words in the case of commissioned sound recordings the copyright is owned by the person or company that commissioned the recording rather than the maker.

Proof of making and identifying the maker of the sound recording or cinematograph film is the first step in the process of proof of ownership. Each subsequent assignment of the copyright has to be proved. It also has to be shown that the alleged offender acted without licence from the copyright owner. Therefore any licences granted may be an issue. To be valid, an assignment of copyright must be in writing and signed by or on behalf of the copyright owner (section 196(3)). Similarly, an exclusive licence must also be in writing and

² Similar provisions apply in relation to cinematograph films pursuant to section 98.

signed by or on behalf of the copyright owner (section 10). Proof of ownership will therefore require the production of written agreements, properly executed.

An Infringing Copy

Infringing copy is defined in section 10. In relation to a sound recording it is a copy of the sound recording (not being a sound-track associated with visual images forming part of a cinematograph film), being an article the making of which constituted an infringement of the copyright in the recording. In relation to a cinematograph film it is a copy of the film being an article the making of which constituted an infringement of the copyright in the film.

In the case of an article imported for sale or hire etc without the licence of the owner of the copyright, an infringing copy is one that would have constituted an infringement of copyright if the article had been made in Australia by the importer. Sound recordings no longer constitute an infringement by such importation (section 112D).

A sound recording is deemed to have been made at the time when the first record embodying the recording was produced (section 22(3)). A reference to the making of a cinematograph film is to be read as a reference to the doing of things necessary for the production of the first copy of the film. It has to be shown that the suspect article is in fact a copy of the original sound recording or cinematograph film. That is, the infringing copy must be shown to be derived from the original copyright article.

Ultimately whether a suspect article is a copy of the original is a question for the tribunal of fact. However expert evidence is admissible and is usually provided to prove this element of the offence. It has to be established that the reference material that the expert makes a comparison with, is the original recording or film that gave rise to copyright or is a reproduction of the original copyright material. The original sound recording may need to be produced, and if necessary, played for the purposes of comparison.

Under section 101, infringement of copyright occurs where a person not being the owner and without the licence of the owner of the copyright does in Australia, or authorises the doing in Australia, of any act comprised in the copyright. As well as establishing that the act was done by a person not the owner of the copyright, it has to be shown that it was done without the licence of the copyright holder. It is always difficult to prove a negative. There would need to be evidence of any assignments or licence of the copyright to show that the person in question was not the copyright owner or licensed by the copyright owner.

Section 134A provides that evidence as to the existence, ownership and licensing of copyright can be given by affidavit. This provision does not reduce the evidentiary requirements but simply allows the evidence to be provided by way of affidavit. Section 134A(2) provides that if a party desires in good faith to cross examine a deponent to an affidavit then, subject to the discretion of the court, the affidavit cannot be used unless the deponent appears to be cross examined.

Discussion

Some of the relevant provisions crucial to a prosecution have been referred to in some detail. They give an idea of the complexity of the legislation in terms of proving offences and provide a background to the practical and logistical difficulties that exist.

The practical effect of the Act is that the prosecution has to have admissible evidence to prove, beyond reasonable doubt, the establishment and ownership of copyright and trace

any assignments of the copyright through to the current holder. There also needs to be evidence of any licence agreements along the way. Most of the cases involve copyright held overseas, mainly in the United States of America.

The USA has a copyright registration system for films. USA certificates of copyright registration showing the owner of the copyright are available. These certificates are not sufficient to prove copyright in Australian Courts. It is also not sufficient to have an affidavit from an executive of a film corporation stating that it did all the things necessary for the production of a cinematograph film and owns the copyright in the film. These are legal assertions or legal conclusions.

In Lollback v. Yuong (unreported, NSW Local Court, 8 February 1996) the prosecution failed to prove that copyright in the film "Beauty and the Beast" was owned by the Walt Disney Company. An affidavit from a Vice President of Walt Disney Company stating that it did all things necessary for the production of the film "Beauty and the Beast" and annexing a USA Certificate of Copyright Ownership was held to be inadmissible.

There must be evidence from witnesses who have direct knowledge of, for example, the making of the film or the first publication. If preconditions are met, it may be possible to provide evidence by way of business records but there are also practical difficulties associated with this approach.³

The major USA film companies have a variety of record keeping systems. It is not possible to produce a standard affidavit that will be applicable to all companies. Records from one company are often kept in different parts of the USA and it is not easy to have them drawn together for evidentiary purposes and to find a person or persons who can give evidence in relation to all these records. The companies often operate through a variety of subsidiaries or production companies or have agreements with other companies some of which may be located in tax havens. All of these corporate structures have to be explained and the establishment and transfer of copyright ownership traced through them. Relevant agreements and licences have to be produced and explained. Some of the agreements are subject to commercial confidentiality.

The logistics and costs of establishing the right witnesses overseas and getting affidavits settled in the correct form, are considerable. The witnesses do not always appreciate the need to adhere strictly to the draft format provided and make changes which necessitate further to and froing and increase the considerable risk of not being able to meet the strict evidentiary requirements. Bodies engaged by industry such as the Australian Film and Video Security Office (AFVSO) and the Music Industry Piracy Investigations (MIPI) assist in this process but the evidence is not always able to be obtained in admissible form and as a result cases do not always proceed.

The Federal Court case of Holder v. Searle (1998) 44 IPR 1⁴ provides a good example of the difficulties that arise. A copy of the judgment is attached. Mr Searle was charged with being

³ Evidence Act 1995 – business records provisions.

⁴ At page 5 the Judge stated:

There is no suggestion in this case that the video laser discs the subject of the three informations are other than authentic, non-pirate products. Sections 132 and 133 give effect to the present legal position that it is competent for the owners of copyright overseas to control the price paid by Australian consumers or, more precisely, the system which bans parallel importation of genuine product has the clear potential of permitting the holder of copyright material to charge one price for consumers in one country, say the United States, or Hong Kong, or Britain, but the price paid by an Australian consumer for the same article is higher. Parallel importation will only occur, as a matter of commercial reality, if

knowingly concerned in 3 offences by BW Searle Pty Ltd under section 132 of the Act relating to the importation for sale, sale and possession for sale of imported laser video discs of a number of cinematograph films. Copyright in the films was held by USA corporations. The prosecution was represented by senior counsel.

The sale charge covered two different film titles. The importation for sale charge covered copies of six different titles. The possess for sale charge covered copies of 49 different titles.

In a ruling at the beginning of the trial the Judge refused to admit a number of affidavits relating to copyright ownership because he said they did not strictly comply with all the requirements of the *Evidence Act* in relation to business records. He refused to allow the tendering of supplementary affidavits to satisfy the requirements even though they were available. The difficulties related to finding appropriate people in control of all the different company records to swear the affidavits⁵. This meant that the charges of sale and importation for sale could not proceed. The charge of possession for sale proceeded in relation to copies of 11 different films.

The Judge considered whether ownership of the copyright in the remaining 11 titles had been established. Copyright in seven of the titles was described in packaging as being held by Warner Bros. It was alleged in particulars and evidence was given by way of affidavit that copyright in the seven titles was held by "Warner Bros., a division of Time Warner Entertainment Company, LP". From page 16 of the Judgement, the Judge traces through some very complex company structures and agreements. He concluded that copyright was owned by Time Warner Entertainment Company, LP. He then found that as the prosecution had alleged that copyright was owned by "Warner Bros., a division of Time Warner Entertainment Company LP", the prosecution had not made out its allegation as to the ownership even though the prosecution allegation included the name of the owning company. He therefore acquitted in relation to these seven titles.

One other title showed the copyright owner as Geffen Pictures. The Judge found that contrary to the allegation by the prosecution and the labelling on the box and discs, copyright in the film was held by Time Warner Entertainment Company, LP. He therefore acquitted in relation to that title. In respect of one other title, the Judge found that there was a slight discrepancy between the title on the film and the title referred to in affidavits and was therefore not satisfied as to the ownership of the copyright.

The Judge found that copyright ownership was made out in relation to the remaining two titles. The charge covered four copies of one title and five copies of the other title. Mr Searle was therefore convicted of one charge of possession for sale covering the remaining two titles. He was convicted but released without passing sentence upon his giving security by

an Australian importer can source material overseas, pay freight and customs duty and still price the product competitively with the Australian licensee or distributor. The question of continuation of that legislative regime is a matter of current political contention. I am, however, not concerned with the merits of that debate, but have to consider the evidence in the light of the law as it stood in September 1996.

⁵ An advice from Counsel to the AFVSO stated that "with hindsight the prosecution suffered from an excess of courtesy in requiring affidavits from one deponent only per ultimate copyright holder". He suggested that evidence be obtained from persons responsible for keeping and maintaining the business records at the time a film was made and at the time the prosecution was commenced, any person with specialist knowledge of the copyright history of a film, any person with actual knowledge of the making or publication of a film and any person who participated in drawing up and/or executing agreements as to production and copyright of a film.

recognition in the sum of \$5,000 conditioned that he be of good behaviour for two years. The prosecution was ordered to pay one third of the defendant's costs.

Even though there may be no question that a defendant doesn't hold the copyright and that it exists in another entity the prosecution has to provide strict proof of which entity holds the ownership. A prosecution can fail because of the technical difficulties in proving the ownership of copyright.

Most of the films involved in cases are of recent production. There may be even greater difficulties in proving the existence and ownership of copyright in relation to sound recordings.

Copyright lasts for 50 years. Cases referred include compilations made of different recordings where the copyright came into existence a long time ago, not infrequently before the current Act commenced on 1 May 1969. The age of the recordings is an added factor in trying to obtain evidence of the existence and present ownership of the copyright.

The identity of the maker has to be determined. The existence and effect of any contract entered into for the purpose of making the sound recording must be proved as well as any subsequent agreements in relation to the copyright and any licence agreements. Many recordings were made without great formality as to agreements in place. Recording companies may have been taken over, merged or disappeared. Experience to date shows that there is a lack of business records to adequately record such things as the first release date. Problems with proving records is compounded with merged or subsumed companies.

There is unlikely to be witnesses from current copyright owners who have first hand knowledge and can give evidence about copyright in older titles. It will often be necessary to have evidence from the original artists who made the recordings or producers involved at the time and trace the copyright from there. It will be necessary to have the original tapes of the recordings. A number of cases referred to the DPP have involved the same titles which are ones known to be difficult in terms of proving copyright ownership.

Laying Charges

Cases investigated are usually referred to the DPP for an assessment of whether charges should be laid. The DPP makes decisions in accordance with the Prosecution Policy of the Commonwealth. The DPP has to be satisfied that there is sufficient admissible evidence in relation to each element of the offence. This raises difficulties in relation to evidence of the subsistence and ownership of copyright held overseas.

It is very time consuming and expensive to require that all the necessary overseas evidence be obtained in admissible form before charges are laid. At that stage it is usually not known how a person charged will plead and whether the evidence will ultimately be required. On the other hand, despite assurances that the evidence will be provided if necessary, experience has shown that it has often not been possible to obtain the evidence in admissible form to prove the case.

Increasing the frustration for victims of copyright breaches is that even in the most blatant cases of infringement, the prosecution still has to be in a position to provide the difficult proof of subsistence and ownership of copyright held overseas. For example, articles may have all the hallmarks of infringing copies such as very poor quality packaging, obviously photocopied or plain labels, poor quality sound or film and a price indicative of non-genuine articles. However to proceed in terms of copyright offences relating to the sound recording or film, the prosecution has to be satisfied that there is sufficient admissible evidence of the existence

and ownership of copyright. A defendant is entitled to put the prosecution to proof and all elements of the offence must be proved beyond reasonable doubt.

This dilemma about whether the evidence will be available if needed also has implications at the investigation stage. The Australian Federal Police may be reluctant to execute search warrants and seize large numbers of allegedly infringing copies if there is significant doubt that the existence and ownership of copyright held overseas can be proved at the end of the day. However, it would be very expensive and probably cause too much delay to require that the evidence in admissible form be obtained first.

The DPP has had discussions with the AFVSO about the provision of material that will enable the DPP to be satisfied that evidence of copyright ownership can be provided, without requiring all the material in admissible form before any charges are laid. This includes such things as limiting the number of producers and titles to be included in charges, attempting to choose titles with a straightforward chain of copyright ownership and obtaining pro forma statements indicating the witnesses and evidence that can be obtained if needed. It is yet to be seen how effective these arrangements will be. Strategies to limit the number of titles in charges to make cases more manageable will mean that cases will present as less serious breaches that will attract lesser penalties.

Other deterrents can flow from prosecution. Under section 133 the court before which a person is charged with an offence under section 132, can order the forfeiture or destruction of any article in the possession of the person that appears to the court to be an infringing copy or a device or recording equipment used or intended to be used for making infringing copies. This forfeiture can occur whether the person is convicted of the offence or not.

Only articles possessed by the person charged can be forfeited. Where a person charged operates through a company it will be the company that possesses the articles and the individual will be knowingly concerned in the offence by the company. If the company goes into liquidation, there is little point in prosecuting it. The company will not be able to meet any penalty and the deterrence lies in prosecuting the individual involved. However prosecution of the individual will not lead to forfeiture of articles possessed by the company involved.

General

The difficulties with prosecuting offences under section 132 of the Act will continue. There is a gap between the expectations of victims and bodies representing industries affected and the ability to bring prosecutions and the effectiveness of criminal sanctions under the present arrangements. Contested prosecutions will continue to be difficult and expensive to run with possibly limited success. The DPP is not in a position to know whether cases referred for criminal action are the more difficult ones where other remedies have failed or are thought likely to fail or whether they are representative of the breaches that occur. Not only are there issues about the legislative provisions and institutional arrangements but also issues about the way in which overseas corporations maintain records and the ability to produce the requisite evidence if they wish to obtain copyright protection by way of criminal sanctions.

The effectiveness of existing institutional arrangements and guidelines for the enforcement of copyright 1(g).

The DPP acts on referrals from the AFP or in some cases state police. All cases referred are assessed with a view to possible prosecution action. Most of the cases appear to be initiated by industry bodies such as the AFVSO and MIPI and referred to the police for further investigation. This means that, subject to AFP decisions about whether to take on an investigation, these bodies have a large influence on where considerable law enforcement resources will be expended in this area. These industry bodies usually provide ongoing assistance with investigations, particularly in relation to obtaining evidence of copyright ownership held overseas. The DPP normally provides advice to the AFP during these investigations, including advice on the issue of proving copyright ownership.

Industry bodies can expend considerable resources in trying to obtain admissible evidence of copyright ownership. It is not clear that their overseas clients always understand what is needed. The DPP may obtain counsel's advice on the material provided and there may be considerable consultation in trying to obtain the evidence in admissible form. In one current case, after considerable efforts were made, the DPP sent a lawyer to the USA to collect the evidence including original tapes.

It is obviously frustrating for these industry bodies and the copyright owners when, despite considerable efforts and expense, they are not able to provide admissible evidence of copyright ownership and prosecutions can't proceed. It is also frustrating for law enforcement agencies as this normally occurs after considerable effort and expense on their part, and will usually include the execution of warrants and seizure of articles which then have to be dealt with. Nevertheless under the current provisions this will not be an uncommon occurrence.

The DPP has general, as well as case specific, discussions with industry bodies. As stated above, the DPP has agreed an approach with the AFVSO to try and obtain evidence and deal with matters in the most effective way. Because of secrecy and privacy considerations, there are limits on the extent to which the DPP can provide material and advice directly to industry bodies involved in individual investigations. The DPP deals directly with the AFP on these investigations.
