

NSW LAW SOCIETY - YOUNG LAWYERS

COPYRIGHT LAW AND POLICY UPDATE

1. In the last decade, copyright has been rocked by the Electronic Frontiers Foundation,¹ the development of Open Source communities, GNU and the General Public Licence², the Swedish Piracy Party getting two seats in the European Parliament,³ and the backlash against ACS Law's prosecution of peer to peer file sharers.⁴ Not to mention the cavalier disregard of copyright by wikileaks and Google's attempt to digitally copy books. Copyright litigation is no longer the preserve of copyright owners suing usually-absent nefarious villains selling knock-offs at markets. Copyright litigation is now often between two sets of well-resourced litigants, testing the balance between the private monopoly and the public right of access. Recent cases have forced the parties to address fundamental questions
 - (a) What is the work in suit and does copyright subsist;⁵
 - (b) What is the alleged infringement including what is the alleged infringing work that is said to have been derived or copied from the copyright work;⁶
 - (c) is the part taken a substantial part of the copyright work⁷
 - (d) is anyone other than the primary infringer responsible for the infringement.⁸

Work in suit

2. Copyright will only subsist if there is an "original" work.⁹ Original in this context does not require creativity but that the work must originate from an author. The author and authorship are central to the statutory protection and require "independent intellectual effort"¹⁰ or "sufficient effort of a literary nature"¹¹. Thus, the work in suit must be precisely identified to determine if there is sufficient independent intellectual effort or effort of a literary nature by an author.¹²
3. This can be problematic where there are various versions of a work (such as a song that may have been written down as various versions and recorded at live or studio sessions prior to the "official" record). Part of that exercise involves identifying when the work was first reduced to material form (a prerequisite to subsistence of copyright).
4. In *Telstra Corporation Limited v Phone Directories Company Pty Ltd*, the work in suit was the white pages telephone directory and yellow pages telephone directory. Individuals had been involved in writing the software programs that helped create the directories, in creating the Genesis database, in creating the rules

¹ <http://www EFF.org/>

² <http://www.gnu.org/>

³ http://en.wikipedia.org/wiki/Pirate_Party_%28Sweden%29

⁴ "Law firm ACS:Law Stops Chasing illegal file sharers" <http://www.bbc.co.uk/news/technology-12253746>

⁵ *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149

⁶ *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Ltd* [2010] FCA 29 ("Larrikin"); *Roadshow Films Pty Ltd v iiNet Limited (includes summary)* (No. 3) [2010] FCA 24 (4 February 2010) ("iiNet")

⁷ *Metricon Homes Pty Ltd v Barrett Property Group Pty Ltd* (2008) 248 ALR 364 [23]; *Elwood Clothing Pty Ltd v Cotton on Clothing Pty Ltd* (2008) 172 FCR 580, 588 [41].

⁸ iiNet

⁹ Section 32 Copyright Act

¹⁰ *IceTV v Nine Network Australia* [2009] HCA 14; (2009) 80 IPR 451 ("IceTV") at [33] per French CJ, Crennan and Kiefel JJ

¹¹ *IceTV* at [99] per Gummow, Hayne and Heydon JJ

¹² *IceTV* at [15] per French CJ, Crennan and Kiefel JJ; at [105] per Gummow, Hayne and Heydon JJ

that were like a style guide to font, presentation and abbreviations, and in pagination. Keane CJ and Perram J did not consider it fatal that the individuals could not be personally named. However, it was critical that the work originated from the individuals. The court held that the individuals were only involved in preparatory work and only facilitated the process of creating the work in suit. The work in suit was created by automated computerised process. The galley proofs, the first material form of the directories, were created through automated computerised processes to store, select, order and arrange the data to produce the directories in the form in which they were published.

5. In *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd*¹³, Bennett J considered whether there was copyright in Australian Financial Review headlines as part of determining whether Reed's service of providing the headlines and abstracts of AFR articles infringed Fairfax's copyright.
6. Bennett J said copyright must involve more than mere authorship and an original work must not only original be in the sense of authorship, but must also be a work. She referred to IceTV that copyright protects the particular expression and does not protect facts or information.¹⁴ She acknowledged that "puns and double entendres may be clever, evoke admiration and attract attention", but headlines generally were too slight, insubstantial and too short to qualify as literary works. Bennett J said that there must be a literary work - novelty, inventiveness or creativity was not required, but there must be a work. She noted that headlines may represent no more than the fact or idea conveyed. She adopted Reed's analysis that headlines were meta information about the work, the article, and not the work itself.
7. An important part of the preparation is identifying the person or persons (not companies) that were the authors/composers/artists, their employment by the applicant company at the time, and confirming that any independent contractors provided written copyright assignments. Tracking through the various jurisdictional requirements to establish subsistence of copyright in Australia¹⁵ and ownership by the applicant (or person from whom the exclusive licence was obtained)¹⁶ is also important, and should be pleaded carefully.
8. Given the potential hurdles in establishing subsistence, it is prudent to plead an alternative claim of a breach of sections 18 or 29 of the *Australian Consumer Law* (previously sections 52 or 53 of the *Trade Practices Act 1974*).

Identifying the infringement

¹³ *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] FCA 984. The case was first heard in 2008, but Bennett J delayed her decision until the parties had an opportunity to make submissions based on the High Court's IceTV decision.

¹⁴ *ibid* at [31]

¹⁵ Section 32 Copyright Act.

¹⁶ In most cases, this arises because they employed the person who created the work, but it can be difficult where dozens or hundreds of employees compiled the work.

9. The act of infringement must be without the licence of the copyright owner; an issue on which the applicant has the onus of proof. This may be difficult to prove where a valid licence may have come from many sources.
10. Infringements are traditionally divided into primary infringements (or direct infringements) such as reproducing a work, and secondary infringements (or authorising the primary infringement) such as offering articles for sale or allowing a performance at a venue you control. An authorisation case should be separately pleaded. One respondent may have done both, but they give rise to different considerations and should be pleaded separately. One example of each type of infringement must be particularised.
11. The act of primary infringement must be identified and proved even if the copyright owner is not suing the primary infringer and is only suing the person authorising the infringements. In the *iinet* case, the film studios sued an internet service provider for authorising the copyright infringement by its subscribers using bit torrent system to download the studios' films. Cowdroy J noted that a person cannot be liable for authorising actions in the abstract, and nature and extent of the infringing acts must be ascertained in order to determine that the person authorised particular infringing acts.¹⁷
12. The work that is said to infringe copyright in the work in suit needs to be identified. The identification of the infringing work is not always obvious. Where there are dynamic documents, such as a web page, the infringing work may be hard to point to. In reality, there are often many acts of infringement (e.g. many examples of packaging, as well as advertisements). In *Larrikin*, the version of Down Under on the album was held to infringe, but not the adaptation used in the Qantas advertisement. It is only once they are identified that the type of infringement becomes obvious.
13. The notion of reproduction for the purpose of copyright law involves two elements: resemblance to the copyright work (i.e. objective similarity); and a causal connection between the copyright work and the infringing work (i.e. conscious or subconscious copying).¹⁸
14. Many potential infringement claims fail because of a difficulty in proving the causal connection. Notably, in *Larrikin*, the causal connection was conceded so the issue was whether there was objective similarity. The Men At Work flute riff included the Kookaburra melody, but also included other notes and had a different harmony and feel.

Taking a substantial part

15. The statutory test for infringement is whether a substantial part has been reproduced in material form.¹⁹ The test of "substantial part" in copyright is principally concerned with quality, not quantity (although, in

¹⁷ *iinet*

¹⁸ *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Limited* [2010] FCA 29 at [32]; *S. W. Hart & Co Proprietary Limited v Edwards Hot Water Systems (1985) 159 CLR 466* ("S. W. Hart") at 472.

practice, a reproduction of a large quantity will usually lead to a finding of infringement). Recent cases highlight that part of that analysis is whether the part taken is a “highlight”, “distinctive” or “recognisable”.²⁰ The substantial part has to be a substantial part of the copyright work, not a substantial part of the infringing work.²¹ Thus, in *Larrikin*, *Men At Work* had taken a substantial part by taking 2 bars of the 4 bars of the *Kookaburra* work, even though the *Kookaburra* melody was only a small part of the *Men At Work* song.

16. Idea/expression dichotomy difficulties can arise with very simple works. It is sometimes argued, as it was in *Larrikin*, that a work is so basic that if it is afforded copyright protection there is a risk that the monopoly will extend to an idea or concept rather than the way it is expressed.²² In practical terms, a simple work will be given “thin” protection and only slavish copying will infringe where the work is very simple. This may mean that the portion taken is not original where the copyright work is a compilation,²³ comprised of parts that are purely functional and parts that are “original” in a copyright sense.
17. There are some challenges in applying “substantial part” as technology develops and new reproduction and distribution protocols emerge. In *iinet*, Cowdroy J explained the bit-torrent system, where a user’s computer was part of a swarm of computers, the user’s computer would obtain small pieces of the film from a number of the other computers in the swarm (its peers), the computer would assemble the pieces into the film, and then the computer would itself share these pieces of the film with a number of other peers in the swarm. Any one computer in the swarm may not share the whole or a substantial part of the work with any one other computer. Cowdroy J considered that the swarm was an entity in itself, and the user was sharing with the swarm even though technically there were a number of one on one communications. Therefore, the users infringed by electronically transmitting the films to the swarm.

Defences

18. One of the most commonly encountered defences²⁴ is that the portion taken was reasonable, and was for a purpose that made it a “fair dealing”. However, there is no general defence of fair dealing, unlike the US, and fair dealing is limited to discrete prescribed categories.²⁵ Any amount may be fair, but there are guidelines,²⁶ including a consideration of the portion taken and the purpose.²⁷ One of the categories of

¹⁹ Sections 14 and 32 of the Act.

²⁰ *IceTV v Nine Network Australia* [2009] HCA 14; (2009) 80 IPR 451 at [30], *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No. 2)* (2005) 145 FCR 35; *Hawkes & Son (London) Limited v Paramount Film Service Limited* [1934] 1 Ch 593; *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Limited* [2010] FCA 29; (2010) 83 IPR 29.

²¹ *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] UKHL 58; [2000] 1 WLR 2416 at 2425 per Lord Millett; *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Limited* [2010] FCA 29; (2010) 83 IPR 29.

²² *Kenrick & Co v Lawrence & Co* (1890) 25 QBD 99; *Ownit Homes Pty Ltd v D & F Mancuso Investments Pty Ltd* (1987) 9 IPR 88; *Dixon Investments Pty Ltd v Hall* (1990) 18 IPR 490. Note however, that it is hard to find an application of this notion outside of the field of practically applied designs, where issues of practicality and lack of artistic quality take on particular significance.

²³ *IceTV v Nine Network Australia* (2009) 80 IPR 451 at [40], 461-462.

²⁴ Some “defences” really amount to a statutory licence. However, in practical terms, it only makes a difference to the party with the onus of proof.

²⁵ See sections 41, 103; 42, 103(B); 42(2).

²⁶ Under section 40, 10% of a written work, or any one chapter is a reasonable portion, but other amounts may be reasonable depending on the circumstances.

²⁷ See the discussion in The Panel decision: *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273.

fair dealing is the parody or satire “defence”, which necessitates making out the purpose of satire or parody for the otherwise infringing use.²⁸ The use must also be a fair dealing, and any profit earned is relevant.

19. Recent decisions have highlighted complicated issues that can arise in relation to implied licences.²⁹ Depending on the type of work, statutory licences such as the compulsory licence scheme available for the making of records³⁰ can sometimes provide a complete answer to an infringement claim.

Authorization

20. Where a company has infringed copyright, applicants are often anxious to obtain a judgment against individual directors as well as the company, particularly if the company is a shell with limited assets. This can arise in two ways. First, the Copyright Act imposes liability on a person who authorises infringing conduct.³¹ Second, a director of a company may be liable as a joint tortfeasor because their company infringes statutory intellectual property rights. Personal liability is said to exist at common law (and independently of the statute that grounds liability) because infringement of copyright and other statutory intellectual property rights is a “tort”. Both avenues of liability have been the subject of recent focus.
21. Alternatively, the applicant may prefer to sue the person who authorised the infringement rather than the primary infringer when the person who authorised the infringement has more resources – for example, if a grunge band of students is performing in a bar, the owner of the bar is more likely to have assets than the students.
22. Alternatively, the applicant may prefer to sue the person who authorised the infringement rather than the primary infringer when there are a large number of very small infringers and it would not be cost-effective to sue all of the primary infringers – for example, in *iinet*, the film studio preferred to sue the internet service provider rather than the large number of subscribers who used bit-torrent to illegally view the studio’s films.

Liability in tort

14. The applicability of the joint tortfeasor concept to directors acting on behalf of companies is problematic, which is demonstrated in the varying articulations of the test for how closely concerned the director has to be with the activities of the company that comprise the infringement.

²⁸ Section 41A of the Act.

²⁹ See for example *Parramatta Design & Development Pty Limited v Concrete Pty Limited* [2005] FCAFC 138; *Copyright Agency Ltd v State of New South Wales* (2008) 233 CLR 279.

³⁰ See section 55 Copyright Act, and *Copyright Agency Ltd v State of New South Wales* (2008) 233 CLR 279.

³¹ Sections 36 and 101, Copyright Act

15. *Performing Rights Society v Caryl Theatrical Syndicate*³² is often cited as authority for the test for joint tortfeasors, and for the application of that doctrine to intellectual property infringements. In that case the issue was whether the managing director was liable, in addition to his company, for infringing performances of a band. As the majority made clear, the issue was whether the director authorised the infringing performance under the *Copyright Act 1911*, which provided for liability for authorisation in a form similar to modern copyright legislation.³³ Atken LJ, approached the matter in a different way to the rest of the Court. Notwithstanding the clear statutory basis for liability for authorising the performance, Atkin LJ commenced his judgment by bringing together two notions; that infringement of copyright is a well known tort, and that copyright is purely a creature of statute. That decision paved the way for copyright to be treated as a tort.
16. The idea was picked up in a series of Australian cases. In *Kalamazoo v Compact Business Systems*,³⁴ Thomas J said that infringement of copyright was “regarded a tort” and cited *Caryl Theatrical* and *Wab Tat Bank* in support of directorial liability.³⁵
17. In *WEH International Inc v Hanimex Corporation*,³⁶ Gummow J was dealing with a copyright authorisation issue. The producers of blank tapes had advertised their product in a way suggesting that they could be used to make reproductions of recordings in which copyright subsisted, including recordings of Madonna songs. There was no evidence of any person having actually copied any of the applicant’s sound recordings. Although Gummow J dismissed a claim that the blank tape providers had, in making the advertisement, authorised the unlawful copying of Madonna records, his Honour noted that copyright statutes had long been considered tortious, so as to make applicable the common law principles as to liability of joint tortfeasors.
18. However, the idea was not without detractors. In *White Horse Distilleries v Gregson Associates Limited*³⁷ Nourse J, having noted the tension between the nature of a company as a separate legal entity and the tortious notion that persons should be responsible for their conduct, said that a director should make the act or conduct his own as distinct from that of the company before he can be personally liable. He described the idea that a director is personally liable merely because they expressly or impliedly direct or procure the commission of a tortious act as “irrational” and noted that this would make every director of a one man company liable for every act of the company.³⁸
19. The Australian Courts have applied various tests as the basis of personal liability for corporate torts. On the one hand is the “deliberately wilfully or knowing concerned” test which is derived from the Canadian case of *Mentmore Manufacturing v National Merchandising Manufacturing*.³⁹ This was the test preferred by

³² [1924] 1 KB 1.

³³ Compare section 36 of the *Copyright Act 1968* (Cth) with section 1(2) of the *Copyright Act 1911* (UK) which lists the acts comprising the copyright and includes “and to authorise such acts as aforesaid”.

³⁴ (1985) 5 IPR 213.

³⁵ Curiously though, that was a case in which statutory liability for authorisation under s.36(1) of the *Copyright Act 1968* was under consideration.

³⁶ (1987) 77 ALR 456 at 465.

³⁷ [1984] RPC 61.

³⁸ At page 91-92.

³⁹ (1978) 89 DLR (ED) 195.

Beazley J in *King v Milpurrurru*.⁴⁰ In that case her Honour noted that, as a general rule, companies act through their directors, and the company has a separate legal existence. The second and third respondents in that case were non-executive directors who had no involvement in or knowledge of the importation complained about. The Full Court of the Federal Court allowed the appeal by the second and third respondent directors, but the reasoning of the majority (Jenkinson and Beazley JJ) differed. Beazley J preferred the *Mentmore* test, deciding that Aiken LJ's test paid insufficient regard to the separate legal existence of a company, or the fact that it acts through directors.⁴¹

20. Lindgren J preferred the "directed or procured" test in *Microsoft Corporation v Auschina Polaris*.⁴² Like *King v Milpurrurru*, *Microsoft Corporation v Auschina Polaris* concerned indirect infringement under section 37 and 38 of the *Copyright Act* for which there is no statutory liability for authorisation. Lindgren J went on⁴³ to draw a distinction between cases where a person has voluntarily elected to deal with the company, rather than a director (such as in the case of a contract) and cases such as the importation issue before him where the aggrieved party did not consent to dealing with the company. His Honour found that the director neither imported nor sold the goods in question, and so his conduct could only be capable of rendering him personally liable but for the "special principles" which render a director liable for his company's tortious conduct. Lindgren J preferred the "directed or procured" test derived from *Performing Right Society*, to the "making the tortious act his own" test and found the director to be liable.
21. In *Root Quality Pty Limited v Root Control Technologies*⁴⁴ Finkelstein J doubted the general line of authority that makes individual directors personally liable. His Honour pointed out that generally, directors are not liable for causing their companies to interfere with another person's rights, and referred to the rule in *Said v Butt*. He observed that the conduct of the director must be such that it can be said of him that he was so involved in the commission of the unlawful act that he should be rendered liable. Finkelstein J saw the key element as the extent of the director's personal involvement in the unlawful acts. His Honour's observations have received some support at the Full Court level⁴⁵ and his Honour later adhered to his formulation.⁴⁶ This was interpreted as a stricter form of the test by Wilcox in *Universal Music Australia v Sharman Licence Holdings*,⁴⁷ but the Full Court interpreted his Honour as adopting the *Mentmore* test in *Allen Manufacturing v McCallum & Co*.⁴⁸
22. In *Imverness Medical Switzerland GmbH v MDS Diagnostics Pty Limited* [2010] FCA 108 (a patent case), Bennett J recorded the tests for determining whether a director is liable as a joint tortfeasor for acts committed by the company, as put forward by the parties:

⁴⁰ (1996) 66 FCR 474; 34 IPR 11.

⁴¹ 66 FCR 474 at 500.

⁴² (1996) 142 ALR 111.

⁴³ At page 121-122.

⁴⁴ (2000) 177 ALR 231.

⁴⁵ *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 189 (2006) 156 FCR 380 (at 414 [161]) with whom French J agreed (at 382, [1]).

⁴⁶ *JS&B Retail Systems Pty Ltd v 3 Fold Resources Pty Ltd (No. 3)* [2007] FCA 151; (2007) 158 FCR 444 at 491, [186].

⁴⁷ (2005) 220 ALR 1.

⁴⁸ (2001) 53 IPR 400 at 410.

- (a) The test propounded by Lindgren J in *Microsoft Corporation v Auschina Polaris Pty Ltd* (1996) 71 FCR 231 at 246, namely whether the director ‘directed or procured the infringing act’ (the *Auschina* test) (applying *Performing Right Society Ltd v Caryl Theatrical Syndicate Ltd* [1924] 1 KB 1 at 15 per Lord Aitkin).
 - (b) The test first suggested by Finkelstein J in an obiter remark in *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* [2000] FCA 980; (2000) 177 ALR 231 at [146], namely whether the director’s conduct is ‘such that it can be said of him that he was so personally involved in the commission of the unlawful act that it is just that he should be rendered liable’ (the *Root Quality* test).
 - (c) The test propounded in the Canadian case *Mentmore Manufacturing Co Limited v National Merchandising Manufacturing Co Inc* (1978) 89 DLR (ED) 195, namely whether ‘the director made the infringing conduct his own in the sense that the director deliberately, wilfully or knowingly pursue[d] a course of conduct that was likely to constitute infringement or that reflected indifference to the risk of infringement’ (the *Mentmore* test).
23. The line of authority has been applied in a number of Federal Court first instance decisions, sometimes without consideration of the exact test to be applied.⁴⁹ The Full Court applied the principle in *Allen Manufacturing Co Limited v McCallum & Co Pty Limited*,⁵⁰ although did not settle the issue of which test is to be applied.

Keller v LED

24. In *Keller*, counsel for the directors (Keller and Armstrong) argued that they did no more than fulfil their normal roles as executive directors. His Honour noted the observations of Finkelstein⁵¹ that the decisive consideration was the extent of the director’s personal involvement in the commission of the unlawful acts.
25. His Honour said at [291] that a close personal involvement in the infringing acts was required, to which the director’s knowledge (including knowledge of whether the conduct is infringing) will be highly relevant.
26. In *Keller* Besanko J at [270] drew upon the textbook Balkin & Davis⁵² and noted the requirement, according to those authors, that the directors go beyond the constitutional control of the company.⁵³

⁴⁹ Examples include *Bing! Software Pty Ltd v Bing Technologies Pty Ltd (No 1)* (2008) 79 IPR 454; [2008] FCA 1760; *Barrett Property Group Pty Ltd v Metricon Homes Pty Ltd* (2007) 74 IPR 52; [2007] FCA 1509; *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 210 ALR 244; (2004) 61 IPR 575; (2004) AIPC 92-027; [2004] FCA 1123; *Wellness Pty Ltd v Pro Bio Living Waters Pty Ltd* (2004) 61 IPR 242; (2004) AIPC 91-983; [2004] FCA 438; *Martin Engineering Co v Nicaro Holdings Pty Limited* (1991) 100 ALR 358.

⁵⁰ [2001] FCA 1838; (2001) 53 IPR 400.

⁵¹ *Root Quality Pty Limited v Root Control Technologies Pty Limited* (2000) FCA 980; (2000) 177 ALR 231 at 268, [146].

⁵² RP Balkin and JLR Davis “Law of Torts” (4th Ed) LexisNexus, Butterworths, Australia, 2009.

⁵³ Citing *MCA Records Inc v Charly Records Limited* (2003) 1 BCLC 93.

27. Besanko J allowed the appeal by the director Armstrong against his personal liability, but not by the director Keller. Jessup J disagreed with Besanko J on the liability of the individual directors. Emmett J and Jessup J also held that Keller was not liable.
28. Jessup J interpreted Atken LJ's expression "directed or procured" as meaning that the directors effectively used the company as their instrument to carry out tortious acts.
29. Jessup J in Keller thought that the distinction which Lindgren J identified in *Auschina* between those who chose to deal with the company instead of a director and other cases as important.
30. In *Auschina* Lindgren J noted distinction between cases where the law imposes a duty, and those where it does not, (giving the example of a director who drove a car into a fence). Jessup J in *Keller* thought this distinction was important at [383]. His Honour drew the distinction between an act that can be done by a person (such as photocopying a work) and an act that by its nature can only be done by the company itself. The example of infringement by importation and sale of items is one that can only be done by a company because the company disposes of property in the articles and the director will not be liable directly for infringement. This takes it outside "joint feisor" authorities such as *Brooke v Bool* [1928] 2 KB 578.
31. Although *Jessup* was a patent case, it involves careful analysis of the proper test for the liability of directors as "joint tortfeasors". The case has significant implications for copyright cases where statutory liability for authorization is not available. It is likely that the test for liability of joint tortfeasors much stricter, and involve the directors doing something more than simply undertaking that director's duties to the company.⁵⁴
32. While the precise test remains somewhat unclear, it seems likely that the judgments of Emmett and Jessup JJ will form a proper basis for the submission that there is binding Full Court authority for a strict test on joint tortfeasor liability. Care should be taken when pleading a cause of action against individual directors in indirect infringement cases, because the cost consequences of failing to make out that claim may erode any commercial victory.

Statutory Authorization

33. Sections 36 and 101 provide that copyright is infringed by a person who authorises the doing of an act comprised in copyright. A key to authorisation is whether the person provides the means to infringement. In the leading case of *Moorhouse v University of New South Wales*⁵⁵, Gibbs J referred to a person who has under his control the means by which an infringement may be committed. The university provided the means of infringement – a bank of photocopiers in the context of a library. In *inet*, Cowdroy distinguished

⁵⁴ Although the approach of Jessup J and Besanko J were described as broadly consistent in *Sporte Leisure Pty Limited v Paul's International Pty Limited (No. 3)* (2010) 88 IPR 242; [2010] FCA 1162 (a trade mark case), Jessup J described the question of joint liability of "tortfeasors" in intellectual property cases as an unresolved question in *cortem SpA v Controlmatic Pty Limited* [2010] FCA 852.

⁵⁵ *Moorehouse and Angus & Robertson v University of New South Wales* (1974) 3 ALR 1

between providing the means to infringement and a precondition to infringement. He said that iinet providing internet service was a pre-condition to infringement, as was the subscriber having a computer and the subscriber having electricity. Cowdroy J considered that the means of infringement were the constituent parts of the bit torrent protocol. There was no evidence that copyright infringement was committed other than by using the bit torrent protocol and there was no evidence that copyright infringement could be committed merely by using the internet. iinet was not the creator, operator or promoter of bit torrent software, had not entered into any arrangement with bit torrent and didn't encourage its users to use it. Cowdroy J distinguished the *Kazaa*⁵⁶ case where Sharman and Altnet created and maintained the Kazaa system, and *Cooper* case⁵⁷ where the internet service provider had a commercial relationship with Cooper's website <http://www.mp3s4free.com> to promote its services on Cooper's website.

34. The courts have referred to the dictionary definition of authorisation "sanctioning, approving or countenancing" copyright infringement. In *Cooper* and *Kazaa*, the defendants openly promoted their services as facilitating copyright infringement and their services were deliberately structured to achieve this result. In contrast, in *iinet*, iinet were simply providing an internet service which was not intended or designed to infringe copyright and could be used for significant legal activities. Cowdroy J said that sanction, approve or countenance all suggest approving or favouring the infringing conduct. iinet knew that there was infringement and did nothing. However, Cowdroy J said there is no positive obligation on a person to protect someone else's copyright, and failure to discourage was not the same as encouraging infringement.
35. The statute requires the court to take into account certain matters to determine if a person has authorised infringement.⁵⁸ This includes the extent of the person's power to prevent doing the act and whether they took reasonable steps to prevent or avoid the doing of the act. In *iinet*, the studios submitted that iinet had power because they could suspend and terminate the subscriber's internet service. However, Cowdroy J did not consider these steps reasonable because iinet was not providing the means of infringement so it was not incumbent on them to stop the infringement. He considered that reasonable steps only had to be considered if the person was authorising, and he did not find iinet authorising because they did not provide the means of infringement.

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⁵⁶ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd (2005) 65 IPR 289*

⁵⁷ *Universal Music Australia Pty Ltd v Cooper (2005) 150 FCR 1 and on appeal (2006) 156 FCR 380*

⁵⁸ Section 101(1A) Copyright Act