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Limitation of remedies available against Carriage Service Providers under AUSFTA – more trouble than it's worth?

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Introduction

While some aspects of the *Australia-US Free Trade Agreement (AUSFTA)* were drafted to incorporate Australia's existing intellectual property regime – others, such as the provisions concerning limitation of remedies available against carriage service providers (CSPs) for copyright infringements occurring on their

networks, required Australia to enact domestic legislation in order to comply with its obligations under AUSFTA.¹

Article 17.11.29 and Side Letter 1 of AUSFTA specifically address the parties' obligations with respect to "service provider" and "internet service provider" (ISP) liability respectively. While implementation of some of the detail of Australia's

obligations has been deferred until appropriate regulations can be drafted, Schedule 9 of the *US Free Trade Implementation Act 2004 (Cth) (IA)*, which received royal assent on 16 August 2004, amended the *Copyright Act 1968 (Cth) (Copyright Act)*² to implement a broad US-style "safe harbour" regime (**Regime**) to limit the remedies available against CSPs³ in relation to copyright infringements

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Welcome to the first edition of *Computers and Law* for 2005. This issue has a strong copyright focus, with articles discussing the Australia – United States Free Trade Agreement (FTA) and Australian and international copyright cases. On the e-commerce side, we also look at the regulation of interactive gambling. Following on from previous editions, we continue the discussion of spam prevention – this time looking at United States legislation which regulates spam.

Leaellyn Rich discusses the effect of the FTA on those areas of Australia's intellectual property regime which apply to Carriage Service Providers (CSPs). The FTA has resulted in a regime that attempts to balance the interests of CSPs and copyright owners by protecting CSPs from liability for the authorisation of copyright infringements occurring on their systems, while allowing copyright owners to obtain injunctive relief against such infringements. However, it is argued that the regime suffers from a number of problems, such as burdensome compliance requirements on CSPs; an approach that is too technology specific to move with the times; and a potential to skew the balance in favour of copyright owners. Without case law to test the extent to which CSPs would actually be held liable for authorisation of copyright infringement, it is not possible to assess whether the changes are sufficient.

In our second article, Peter Knight discusses the Canadian decision in *Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers and ors* 2004 SCC 45. In this case, the Canadian Supreme Court considered the issue of whether internet service providers (ISPs) should be liable to copyright owners because they communicate material protected by copyright over the internet. Knight provides a useful summary of the decision, and compares the Australian and Canadian positions relating to “communication”. The article concludes by looking at ISP liability under the proposed FTA changes to the Copyright Act.

Paul Golding's casenote on *Navitaire Inc v Easyjet Airline Company and*

Bulletproof Technologies Inc [2004] EWHC 1725 (Ch) provides further input into the software copyright debate. Golding explains that the case reinforces limitations on the scope of copyright protection in this area, particularly the reluctance of United Kingdom courts to protect the ‘look and feel’ of computer programs.

In his second article in this edition, Peter Knight discusses copyright infringement of computer programs in his analysis of *Telephonic Communicators International Pty Limited v Motor Solutions Australia Pty Limited and others* [2004] FCA 942. He questions the notion that something “essential” must be copied in order to constitute copyright infringement of a computer program. Knight also concludes that the case is a warning to assure ownership of intellectual property in writing.

Also concerning copyright, Rob Bhalla reviews William W Fisher's book on digital content availability, *Promises to Keep: technology, law and the future of entertainment*. Fisher envisages a world where consumers have free access to digital content and actively modify and redistribute works. Overseeing this system would be a government body responsible for remunerating artists. The book is an interesting addition to the current debate and litigation surrounding peer-to-peer file sharing networks.

On a different issue, Liong Lim analyses attempts to regulate new gaming and betting technologies in the United Kingdom. After a thorough discussion of the UK Gambling Bill, Lim compares the United Kingdom's commercial strategy of regulating interacting gambling, with the more policy-based, Australian approach, of prohibiting it. How the United Kingdom legislation works in practice will provide valuable lessons for Australian lawyers and regulators.

In our sixth article, Dr. John P. Geary and Dr. Dinesh S. Davy provide a commentary on the United States CAN-SPAM Act and recent litigation filed under it. As the Internet is increasingly being used as a medium to transmit commercial advertising messages, the volume of these messages, the majority of which are unsolicited, is proving to be

overwhelming to recipients and ISPs alike. The United States Congress responded to this serious problem by passing the CAN-SPAM Act of 2003, which came into effect on January 1, 2004. The main thrust of this legislation is to prevent fraud, require disclosure of certain information about the sender and provide an “opt out” mechanism for consumers to avail themselves of. However, there is some doubt about the efficiency of the legislation since “spam” continues to expand at an ever rapid rate. International cooperation will almost certainly be required if fraud and unwanted emails are to be reduced on the Web.

Many thanks to the authors for their contributions to the journal. We also thank our editorial team, Neils Jensen, Anthony Philp and Danet Khuth, and our editorial assistant, Margot Hunt.

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occurring on their systems or networks, provided certain conditions are met.⁴ The Regime was then substantially amended by the *Copyright Legislation Amendment Act 2004 (Cth)* (CLAA), which received royal assent on 15 December 2004. The Regime, as amended by the CLAA, came into force on 1 January 2005.

In this article I argue that the Regime has the potential to have a negative overall effect on the very CSPs which it aims to assist. The lack of judicial supervision of the new take down notice system may leave this system vulnerable to abuse, while compliance with the requirements of the Regime could place unreasonable administrative burdens on CSPs. In addition, the Regime's prescriptive "safe harbours" may prove inflexible and resist adaptation to developments in technology and business practices. A further concern is that the Regime benefits copyright owners (or those who assert copyright ownership) to the detriment of the users of copyright material and, consequently, has the potential to recalibrate the balance of interests reflected in Australia's copyright system. Underlying these specific concerns is the broader issue of whether reform in this area of the law was appropriate – arguably it was premature given that there is insufficient Australian jurisprudence to indicate how the principles of authorisation infringement actually apply to CSPs in relation to the infringing activities of their subscribers.

The theoretical landscape

Some basic theoretical points underpin the following discussion:

Balance – copyright owners vs users

A fundamental tension exists between the interests of copyright owners and users of copyright material, creating "the essential dilemma in crafting a sensible, efficient regime".⁵ On the one hand, authors are entitled to reap the fruits of their labour and require protection from piracy to provide them with an incentive to create. However, this possessive individualism –

characterised by notions of "natural rights" and informed by classical liberal political, legal and economic theories – must be balanced against the wider public interest in the dissemination of knowledge and cultural advancement.

The "Great Digital Property Question"

The debate as to the nature and purpose of copyright and the appropriate balance to be struck between copyright owners and users is not new. It has simply been rekindled by the new challenges to copyright law presented by the digital, networked environment which is characterised by heterogeneous format and heightened accessibility to "virtual" copyright material.

Much like the struggle with the Great Literary Property Question in the context of the Industrial Revolution – as the emergence of a capitalist, trade-based economy effected a paradigm shift away from an agricultural economy – the balance between public and private rights is again being reconfigured as the nascent information economy of the "Digital Revolution" precipitates yet another paradigm shift.

To achieve its competing creation/dissemination goals, copyright law must strike a balance between copyright owners and users. In the digital environment, the role of those who facilitate dissemination of copyright material is crucial in striking an appropriate balance.

Background to limitation of CSP liability

Why are CSPs concerned?

CSPs, being well-resourced and easily identifiable, are far more desirable defendants than their, frequently "judgement-proof", end-users. Consequently, unless remedies available against CSPs are limited, copyright owners attempting to extract value for infringements are likely to select CSPs for litigation on the basis that they *authorise*⁶ copyright infringement by making available the means by which infringing copies can

be made, rather than by pursuing the individuals who carry out the actual infringements.⁷

To understand the cause of concern for CSPs, one must first consider the body of principle developed in relation to authorisation infringement in Australia.

Authorisation infringement – the common law position

In Australia, the leading judicial authority on authorisation infringement is *University of New South Wales v Moorhouse & Angus & Robertson (Publishers) Pty Ltd.*⁸ In this case, the High Court held the University liable on the basis that they controlled and made available the means by which infringement could occur (photocopiers provided in the University's libraries) and failed to take reasonable steps to prevent infringements – actual knowledge of infringement was not required.

The Digital Agenda amendments

Against this backdrop of limited case law, use of the Internet burgeoned from the mid-1990's. As copyright owners began to express concern over the increased potential for copyright infringement created by digital, networked technology, CSPs became concerned over their potential to be held liable for authorising the infringing acts of their subscribers. As the "gatekeepers of the Internet", the role of CSPs in the new online environment ranged from acting as a mere conduit for the transmission of subscribers' data and caching to providing email facilities, hosting websites and providing search engines.

Despite considerable speculation over the liability of CSPs for infringing material held or distributed through their networks, the issue was never tested in court.⁹ It is submitted that, absent actual knowledge of an infringement, it would be unlikely that an application of the principles in *Moorhouse* would result in a CSP being held liable for the authorisation of copyright infringements perpetrated by subscribers on its network. CSPs arguably lack control, in any real sense, over the infringing activities of their subscribers.¹⁰ It follows,

therefore, that the monitoring of subscriber activities is arguably outside the “reasonable steps” a CSP could take to prevent infringement and most of the “reasonable steps” available to CSPs are already standard industry practice – for example, making it a condition of access that subscribers do not use the facilities to perpetrate copyright infringements accompanied by a brief explanation of the relevant law, and the removal of infringing material upon notification.

Nevertheless, concern remained that without specific amendments to the Copyright Act, CSPs would be left vulnerable to an uncertain and unreasonable degree of liability in relation to copyright infringements occurring on the networks they controlled, despite an often negligible level of involvement.¹¹

The *Copyright Amendment (Digital Agenda) Act 2000 (DAA)* was introduced as part of the Government’s strategic framework for the development of an information economy in Australia.¹² In recognition of the pivotal role played by CSPs in the provision of modern communications systems, the reforms introduced new sections 36(1A)¹³ and 39B¹⁴ to provide certainty for CSPs by clarifying their liability in the online environment. Section 39B provides that CSPs are not liable for authorisation infringement “merely because” they provide the facilities on which third party infringement occurs, while section 36(1A) contains an inclusive list of guidelines for determining whether “authorisation” has occurred.

The Digital Agenda and beyond

A report on the DAA reforms, commissioned by the Commonwealth Attorney General’s Department (**Report**) found that there was a strong sense that the DAA reforms had failed to achieve their objective of clarifying CSPs’ liability for authorisation infringement, and concluded that significant uncertainty remained over the interrelationship between sections 39B and 36(1A).¹⁵

It has been argued that the two provisions are reconcilable if, consistent with the objectives of the

DAA,¹⁶ section 36(1A) is interpreted as a codification of the law immediately prior to the enactment of that section. Thus, if an application of section 36 results in the determination that a CSP’s conduct falls within section 39B, no infringement will have occurred. However, if the CSP’s conduct amounts to more than that contemplated in section 39B (for example if a CSP knew infringement was occurring), the other matters in section 36 must be considered, including the inclusive list in section 36(1A).¹⁷ However, on this view, section 39B has no independent operation and appears superfluous.

Commentators have suggested that a broader interpretation of section 39B and its interaction with section 36 is reached by understanding the coalescence of the section 36(1A)(a) (“power to prevent”) and section 36(1A)(c) (“reasonable steps”) criteria of the statutory test for authorisation. It is argued that because section 39B indicates that it is not reasonable for liability for authorisation to subsist in the mere provision of facilities, then it follows that to the extent that the act of providing facilities equates to an omission to exercise a power to prevent infringement, then that omission is excused under section 39B.¹⁸

Ultimately these alternative interpretations may simply be different routes to a similar destination as, even on the broadest interpretation of the interrelationship between the two sections, section 39B does little more than slightly limit the scope of section 36(1A)(c). In the absence of relevant case law in this area, the extent of what the DAA amendments actually achieve remains unclear – arguably, they provide little assistance to CSPs in reality.

Although the above discussion concerns the liability of CSPs rather than the limitation of remedies available against them (a fine, but important distinction), the intricacies of the debate remain relevant for those CSPs that are unable to meet the prescriptive conditions attaching to the safe harbours introduced by the Regime – a situation made all the more likely by the more stringent requirements imposed by the recent

amendments made to the Copyright Act by the CLAA.

New Intervening Acts: IA and the CLAA

The US response to competing concerns between ISPs and copyright owners was to attempt a legislative compromise in the *Digital Millennium Copyright Act 1998 (DMCA)*. This introduced a hierarchical scheme of conditional limitations on remedies available against ISPs for authorisation infringement, referable to specific categories of online activity (or “safe harbours”). The aim was to exempt ISP conduct where liability was inappropriate due to low levels of participation, control and knowledge,¹⁹ while preserving sufficient incentives for ISPs to assist copyright owners in preventing infringement.

In accordance with Australia’s AUSFTA obligations, the IA and the CLAA transplant aspects of this elaborate system to Australia.

AUSFTA – the details

Limitation of CSP liability – “transplanting” the US position

The Regime came into effect on 1 January 2005 – the date the new Division 2AA of Part V of the Copyright Act (created by the IA and amended by the CLAA) came into force.²⁰ The Regime establishes a prescriptive US-style system limiting the remedies available against CSPs for authorising the infringing acts of their users in relation to the following prescribed Categories of online activity, provided certain conditions are met.²¹

- **Category A:** transitory communications;
- **Category B:** system caching;
- **Category C:** hosting / storage at direction of user; and
- **Category D:** linking.

The conditions associated with each Category of activity (or “safe harbour”) vary, and their graduated magnitude of stringency is concomitant with the increased level of access to,

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and control over, material on their systems that CSPs would exercise in each case.

Accordingly, while the more passive Category A and B activities gain almost automatic safe harbour status, with minimal conditions attached; for activities over which CSPs exercise greater control, such as those in Categories C and D, more rigorous requirements apply – for example “take-down notice” procedures and the requirement that the CSP must not receive a financial benefit directly attributable to an infringing activity the CSP has the power to control.²²

The precise requirements of each Category are set out in a table in section 116AH of the Copyright Act, but the table below summarises the steps CSPs must take to successfully limit the remedies available against them with respect to authorisation infringement.

Provided a CSP meets the conditions of a Category, courts must not grant monetary relief against them for the authorisation of infringements occurring on their systems or networks that are associated with that category of activity. Relief is limited to orders requiring CSPs to remove or disable access to infringing material or terminate a specified account (for all Categories); or other less burdensome

but equally effective non-monetary relief (for Categories B, C & D).²⁴

A presumption of compliance with the conditions will be created in favour of CSPs that can show the *prescribed* evidence.²⁵

It is obvious from the foregoing that much of the Regime’s detail is left to be “prescribed” by new regulations²⁶ “on various matters relating to the conditions that must be satisfied before a CSP can take advantage of the limitation on remedies for certain online activities.”²⁷

The content of these regulations can only be surmised, but the following may give some indication:

- Side Letter 1 (expressed to be an integral part of AUSFTA and accepted by both parties) contains model forms of notice and counter-notice for the take-down notice procedure envisaged under Categories C and D. These model notices require items including:
 - sufficient information to identify and locate the infringing material;
 - a statement of good faith belief that use of the material infringes copyright; and
 - a statement under penalty of perjury that the complainant is

the owner of the exclusive right infringed.

- The explanatory memorandum in relation to section 116AJ explains the Regulations may provide:
 - CSPs are not liable for damages if they take good faith action to comply with a condition (but may be liable where they have not fully complied);
 - for civil remedies against third parties who have not acted in good faith; and
 - for offences and penalties for conduct such as wilful misrepresentation.

Problems with the Regime

The Regime has a number of specific problems underscored by the broader policy issue of whether the reforms it implemented were appropriate – in particular, whether they were premature in view of the fact that the extent to which CSPs will actually be held liable for authorisation infringement remains unclear under Australian law.

Specific problems

Negative impact on CSPs

Although the Regime is intended to

Category	Requirements
All	<ul style="list-style-type: none"> • adopt and reasonably implement termination policy for accounts of repeat infringers; and • comply with relevant industry code (if any) in relation to accommodating and not interfering with technical protection and identification measures for copyright material.
A	<ul style="list-style-type: none"> • transmissions of copyright material not to be initiated by CSP; and • no substantive modifications to content of transmitted material (technical process modifications, eg format shifting, acceptable).
B	<ul style="list-style-type: none"> • preserve original user access conditions for significant parts of cached material; • comply with relevant industry code (if any) in relation to updating cached copyright material and not interfering with technology used at the originating site to monitor use of copyright material; • expeditiously remove/disable cached copyright material upon notification this has occurred at originating site; and • no substantive modifications to content of transmitted material (technical process modifications acceptable).
C	<ul style="list-style-type: none"> • no financial benefit directly attributable to the infringing activity to be received by CSP; • expeditiously remove/disable copyright material found to be infringing by a court upon receipt of <i>prescribed</i> notice; • expeditiously remove/disable copyright material if CSP becomes aware that it is or is likely to be infringing; and • comply with <i>prescribed</i> procedure for removing/blocking infringing copyright material.
D	<ul style="list-style-type: none"> • no financial benefit directly attributable to the infringing activity to be received by CSP; • expeditiously remove/block references to copyright material found to be infringing by a court upon receipt of <i>prescribed</i> notice; • expeditiously remove/disable copyright material if CSP becomes aware that it is or is likely to be infringing,²³ and • comply with <i>prescribed</i> procedure for removing/blocking references to infringing material.

provide certainty for CSPs, in reality it has the potential to create a number of problems for them.

Of particular concern is the CLAA's amendments to section 116AH which have the effect that a CSP can be disentitled from safe harbour protection for failing to remove or disable access to allegedly infringing material, even in the absence of a competent court finding the material to be infringing.²⁸ It will be sufficient that the CSP is aware of facts or circumstances from which it is apparent that the material is or is likely to be infringing and fails to act expeditiously to remove or disable access to it.²⁹

This will mean that, rather than a competent court adjudging whether or not material is infringing, CSPs will be forced to make this assessment themselves on a case by case basis. Because they are required to act "expeditiously", this will mean that such decisions are often based on imperfect information and heavily biased towards the opinion of copyright owners (or those who assert copyright ownership).

This aspect of the Regime could place an unreasonable administrative burden on CSPs who, consequently, may simply comply with take down notices rather than face the costs of properly investigating the veracity of infringement claims.

There is concern that the overall effect of these changes will be to empower copyright owners (or those who assert copyright ownership) to control flows of information³⁰ to the detriment of the users of that information. In addition there is concern that the reforms will open the floodgates to vexatious take down notices based on unsubstantiated allegations of infringement (a significant problem in the US safe harbour system).

An associated problem that the changes create for CSPs is that because the Regime does not provide a CSP with statutory immunity for acts taken in good faith to bring itself within a safe harbour (in contrast to the US position), CSPs will potentially be left open to damages claims for removing allegedly infringing material.³¹

Overly prescriptive

There is also concern that the detail of the Regime will not permit sufficient flexibility in implementation. Arguably, the Regime's fixed "safe harbours" are not a feasible reflection of the technological reality as they are not readily adaptable to developments in technology, business practices or consumer demands.³² This rigid specificity is in marked contrast to technology-neutral drafting of the DAA and, when so compared, seems regressive.

Unreasonably benefits copyright owners

The Regime's inflexibility is also concerning given that, while the IA transposes to Australia the components of the US model protective of copyright owners, it fails to "harmonise" the corresponding fair-use aspects of US law, protective of the public interest.

Despite the fact that the Regime limits the remedies available to copyright owners, their overall position is fortified by the changes. Weatherall argues that "the result of introducing these provisions in Australia without making appropriate adjustments to strengthen users' interests may mean that Australian law becomes even more protective of copyright owners than American law."³³

The significance of this is amplified in Australia which has one of the lowest originality standards in the world, with the consequence that a wide range of material is protected.³⁴ The new provisions may, therefore, distort the balance too far in favour of copyright owners, in particular the compilers of collections of fact, to the detriment of users.

"A solution in search of a problem?"³⁵

The specific problems with the Regime discussed above are underscored by the broader policy issue of whether the changes it introduced were appropriate. There are a number of elements to consider here.

First, in view of the potentially serious implications of the Regime's

introduction canvassed above, it is surprising to note the lack of jurisprudence on how the principles of authorisation infringement under sections 36(1A) and 39B apply to CSPs. It remains to be seen how these provisions will be interpreted and whether they will benefit CSPs or copyright owners.³⁶ In the absence of case law clarifying the extent to which CSPs would actually be liable for authorisation infringement, it is impossible to assess whether the Regime went far enough towards protecting the interests of CSPs or, alternatively, whether it was even necessary. It is submitted that the Regime's reforms were premature and it would have been preferable to wait and see how the case law on sections 36(1A) and 39B developed before introducing more changes that affect this area of the law.

Secondly, what does the Regime actually add to the principles of authorisation infringement existing under sections 36(1A) and 39B (the limits of which the Federal Court are about to test)? Although the protection under section 39B goes to limiting the actual liability of CSPs (rather than limiting the remedies against a CSP found liable for authorisation infringement) – ultimately the protection under section 39B and under the Regime may produce a similar end result for CSPs in relation to the consequences flowing from an alleged authorisation infringement. Like the protection under section 39B, the protection offered under the Regime is not blanket immunity, but may be excluded depending on the CSP's level of knowledge of and control over the infringing material – factors which can already be considered under the inclusive list in section 36(1A). To this extent, despite its considerable detail and certain procedural advantages (such as the presumption in favour of compliance) the Regime does not appear to substantively alter the net position of CSPs in relation to authorisation infringement: "nothing in [AUSFTA] should come as a surprise: nothing in [it] does anything other than slightly improve their position".³⁷

Thirdly, the detailed "notice and take-down" procedures envisaged under Categories C and D are already standard industry practice according to

Jorg Speck of ARIA's Music Industry Piracy Investigations: "the Internet industry already submit themselves to a pro-forma take-down protocol. We have for five or six years sent a single document – a one page letter – to ISPs...when we have identified sound recording copyright infringements, and invariably... ISPs take that material down without complaint within 24 hours".³⁸ Rather than super-imposing an inflexible, and arguably problematic, legislative solution over functioning industry norms, these could have been harnessed and fed into the development of the industry code contemplated under sections 36(1A) and 101(1A), as the basis for a flexible co-regulatory model for limitation of CSP liability.³⁹

A final point worth noting in relation to the Regime is the question of whether a bilateral trade agreement was the appropriate forum in which to effect changes that have the potential to significantly distort the balance of interests reflected in our copyright system. While a commitment to the implementation of what appears to be a largely unnecessary Regime was politically valuable in the context of AUSFTA, at what cost did this come, given its potentially far-reaching consequences in a legal area that is already complex and therefore highly reactive?

Conclusion

In recognition of the importance of CSPs to the "imperative" of developing an information economy, the Regime attempts to strike a balance between the interests of CSPs and copyright owners by protecting CSPs from monetary liability for the authorisation of copyright infringements occurring on their systems, while still allowing copyright owners to obtain certain injunctive relief against such infringements.

However the Regime suffers from a number of specific problems:

- burdensome compliance requirements and the potential to open the floodgates to vexatious take down notices, which may produce an overall negative effect for CSPs;

- technology-specific safe harbours that may not adapt to new developments and become outdated; and
- failure to harmonise the fair use aspects of the US model, while essentially super-imposing on Australian law its strong intellectual property rights. This will potentially skew the balance in favour of copyright owners (the impact of which is amplified in Australia due to our low originality standard).

The Regime is also problematic in the broader policy sense that it was introduced prematurely, before courts were given the opportunity to test the extent to which CSPs would actually be held liable for authorisation infringement under sections 36(1A) and 39B. Until such time as this question is resolved, it is impossible to assess whether the Regime's changes were sufficient, or indeed even necessary. In the absence of a demonstrated need by CSPs for protection,⁴⁰ it is arguable that imposition of the Regime, with its potential to significantly recalibrate the balance of interests currently reflected in our copyright system, was unwarranted. This argument is buttressed when one contemplates that, despite its elaborate procedural requirements, the Regime will not add much substantively to the net position of CSPs as it stood under pre-existing law and industry practice.

In view of the foregoing, one wonders whether the introduction of the Regime may result in "a remedy that is far worse than the ill it aims to cure".⁴¹

* Laeallyn Rich is a solicitor at Freehills. The views expressed in this article are those of the author and do not reflect the views of Freehills. The author is indebted to Campbell Thompson, Senior Associate, Freehills for his support in the preparation of this article.

1 Because the power to enter treaties under section 61 of the Constitution is an Executive power, Australia must pass domestic legislation to give legal effect to its obligations under international treaties.
 2 References to section numbers are in relation to the section numbers of the Copyright Act unless otherwise specified.
 3 Section 10(1) imports into the Copyright Act the definition of "CSP" from the *Telecommunications Act 1997* (Cth) which covers both ISPs and the conceptually

distinguishable common carriers. The Regime's provisions therefore have a somewhat wider scope than the US scheme which specifically applies to ISPs.

4 Although the IA received royal assent on 16 August 2004, most of its provisions did not commence until 1 January 2005 (when AUSFTA came into force).
 5 Posner, "The Law of Economic and Intellectual Property" (2002) Spring *Daedulus* 5.
 6 See sections 13(2), 36(1) and 101(1). Two exclusive rights of particular concern are the exclusive rights of reproduction and of communication to the public.
 7 CSPs commonly seek indemnities in their contracts with users with respect to user copyright infringements. However, while indemnities minimise the risk of liability, they do not eliminate it.
 8 (1975) 133 CLR 1. It has been argued that *Moorhouse* was decided on the flawed use of judicial authorities and that the doctrine of authorisation infringement it propounds incorrectly treats "authorisation" as synonymous with the wider notion of "permission". For an interesting and thorough discussion on this subject see Sydney Birchall, "A Doctrine Under Pressure: the need for rationalisation of the doctrine of authorisation of the infringement of copyright in Australia" (2004) 15:4 *Australian Intellectual Property Journal*, 227.
 9 However, the issue is currently before the Federal Court: *Universal Music & Ors v E-Talk & Anor* – the CSP that hosted a file-sharing website was joined as a respondent with the website's registrant. This case will test the limits of section 39B and its relationship with section 36(1A).
 10 Although CSPs ultimately have "control" over infringing activities in the indirect sense that they could simply shut down the entire network, it is effectively impossible for them to maintain a constant surveillance of all content residing or being transmitted through their systems and networks. Besides not having the legal power to monitor communications made through their service – see *Telecommunications (Interception) Act 1979* (Cth) – it is impossible for a CSP to "know what is inside every one of the billions of data packets transmitted over its network every day and...even if [a CSP] could somehow put enough packets together to figure out the content of an email, message or posting, [it] would not know whether the content was protected by copyright and, if so, [whether]... the person who posted or sent the message had the copyright owner's permission": Timothy Casey, *ISP Liability Survival Guide*, John Wiley & Sons, Inc. (2000), 100.
 11 Phillips Fox, *Digital Agenda Review: Issues Paper*, 6.
 12 *Ibid.*
 13 (works); section 101(1A) (other subject matter).
 14 (works); section 112E (other subject

- matter).
- 15 Phillips Fox, *Digital Agenda Review and Recommendations* (2004), 79.
- 16 Explanatory Memo to the *US Free Trade Implementation Bill 2004* (Cth) (EM), 6; Revised EM para 57.
- 17 Above note 15, 80.
- 18 Above note 8.
- 19 Heidi Pearlman Salow, "Liability Immunity for Internet Service Providers--How Is It Working?" (2000) 6.1 *J. TECH. L. & POL'Y* 1, 25. Available online at <http://grove.ufl.edu/~techlaw/vol6/issue1/p earlman.html>25, viewed 31 January 2005.
- 20 IA: Schedule 9, Part 11, item 191.
- 21 Section 116AA(2) provides that the Regime does not limit the operation of the provisions in the Copyright Act that deal with determining liability for copyright infringement. The explanatory memorandum explains that while actions taken by a CSP in relation to the conditions set out under the Regime may have some relevance to whether or not copyright infringement has occurred, the Regime does not affect the interpretation of the provisions in the Copyright Act in relation to the determination of liability or the applicability of exceptions. Also, a CSP's failure to qualify for a "safe harbour" does not render them automatically liable for copyright infringement – a copyright owner must still establish that a CSP has infringed copyright under the Copyright Act: EM at 99.
- 22 For the purposes of determining what is a directly attributable financial benefit, section 116AH(3) provides that a court may have regard, in addition to other matters it thinks relevant, to: (a) CSP industry practice (including charging based on activity level); and (b) whether the financial benefit was greater than the benefit that would usually result from charging in accordance with accepted industry practice. Commentators have suggested that this test may dissuade CSPs from considering innovative business models and pricing practices and is an "anathema to a competitive market": *Bills Digest*, Parliamentary Library, Parliament of Australia, no 71, 6 December 2004.
- 23 A CSP does not have the onus of proving its lack of awareness. The EM to the *Copyright Legislation Amendment Bill* explains at page 6 that this is because CSPs in most cases would be "unable to tender evidence to support a proposition that it did not know of, or was not aware of, the infringing activity. It is a matter for the copyright owner to establish, on the balance of probabilities, that the CSP had the required state of knowledge before it was required to act expeditiously to remove or disable access. Once this knowledge is established, the onus reverts to the CSP who must establish that it acted expeditiously to take down the relevant material."
- 24 Section 116AG.
- 25 Section 116AI.
- 26 Section 116AJ.
- 27 EM para 235.
- 28 The CLAA inserts a new condition 2A into table items 4 and 5 of section 116AH(1).
- 29 The Copyright Legislation Amendment Act 2004: A stealth attack on CSPs, www.findlaw.com.au/article/13016.htm, viewed 31 January 2005.
- 30 Electronic Frontiers Australia, *Submission 282*, 12 to Senate Select Senate Committee on AUSFTA, *Final Report*: www.aph.gov.au/Senate/committee/freetrade_cttc/submissions/sub282.pdf, viewed 31 January 2005.
- 31 Note however, that the issue of "good faith immunity" may be dealt with in the forthcoming regulations – section 116AJ(1) states that regulations may provide for civil immunity for such acts. In addition, section 116AJ(3) provides that regulations may prescribe offences in relation to conduct by persons issuing notices. Such provisions, if implemented, could create a disincentive to the sending of vexatious notices.
- 32 Above note 15, 83.
- 33 Kimberley Weatherall, *Submission 294*, 17 to Senate Select Committee on AUSFTA, *Final Report*, 70.
- 34 See *Desktop Marketing Systems v Telstra Corporation* (2002) 55 IPR 1 – cf higher US standard: *Feist Publications Inc v Rural Telephone Service* 499 US 340 (1991).
- 35 Daniel Cahoy, *New Legislation Regarding On-Line Service Provider Liability for Copyright Infringement: A Solution in Search of a Problem?* 38 *IDEA* 335, 354.
- 36 The interrelationship of sections 36(1A) and s 39B may soon be clarified as it is the subject of current proceedings before the Federal Court see above note 9.
- 37 *Transcript of Evidence*, 8 June 2004, p 13 (Speck, Music Industry Piracy Investigations).
- 38 *Ibid.*
- 39 Above note 15, 84.
- 40 Although this may soon change depending on the outcome of current Federal Court proceedings: see above note 9.
- 41 Above note 35.

The liability of ISPs and other providers of hardware and software facilities for copyright infringement

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Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers and ors 2004 SCC 45 (Supreme Court of Canada, McLachlin CJ, Iacobucci, Major, Bastarache, Binnie, Arbour, LeBel, Deschamps and Fish JJ, 30 June 2004)

The highest Court of Appeal in Canada, the Supreme Court, recently handed down judgment in this matter, which examined the fundamentals of

the new right of "communication" in Canadian copyright law, and the statutory defences provided by the copyright law. It is a decision which provides insights into the equivalent provisions of the Australian *Copyright Act 1968* (Cth), in particular the meaning of sections 22(6), 36(1A) and 39B, introduced by the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) and, by contrast, the new provisions which are proposed to augment and amend the existing

Australian law set out in the *US Free Trade Agreement Implementation Act 2004*.¹

Background

These proceedings originated in the Canadian Copyright Board, (**Copyright Board**) the equivalent of the Australian Copyright Tribunal, with an application by the Canadian Society of Composers, Authors and Music Publishers of Canada (**SOCAN**, which has a function somewhat the