



Law Council
OF AUSTRALIA

Business Law Section

Senator The Hon George Brandis
Attorney-General and Minister for the Arts

The Hon Malcolm Turnbull MP
Minister for Communications

c/o Online Copyright Infringement Consultation
Commercial and Administrative Law Branch
Attorney-General's Department
3 – 5 National circuit
BARTON ACT 2600

Via email: copyrightconsultation@ag.gov.au

3 September 2014

Dear Attorney-General and Minister,

Online Copyright Infringement Discussion Paper - Submission

I have pleasure in enclosing a submission in response to the Online Copyright Infringement Discussion Paper.

The submission has been prepared by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia.

If you have any questions regarding this submission or would like further information or background to that raised in the submission, please contact the Committee Chair, Richard Hamer by phone on 03-9613 8864 or via email at Richard.Hamer@allens.com.au.

Yours sincerely

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**Intellectual Property Committee
Business Law Section
Law Council of Australia**

Submission on Online Copyright Infringement Discussion Paper

Summary of submission

The Intellectual Property Committee of Law Council of Australia (**Committee**) submits that Propositions and 1 and 2 contained in the Discussion Paper should not be adopted. It supports the adoption of Proposal 3. The Committee's detailed submission is attached, but a summary of its views is set out below.

In respect of Proposal 1, the Committee submits that the Proposal has three broad problems and hence should be rejected.

First, Proposal 1 is not well-targeted, misunderstands both the law of authorisation and the broader statutory and treaty framework in which it operates, and therefore may not achieve its apparent goals. The Committee submits:

1. The Proposal seems to be based on a misunderstanding of the reasoning of the High Court in *Roadshow Films Pty Ltd v iiNet Ltd*. As a result, the Proposal may *not* in fact reverse the ruling of the High Court: an ISP in iiNet's position in that case could avoid liability.
2. The impact of the safe harbour scheme has not been sufficiently considered. Expanding authorisation may cause ISPs to rely on the safe harbours. Under the safe harbour scheme, termination of internet service is an obligation. This would be contrary to the Government's express intention.
3. The law on authorisation of copyright in Australia following *Roadshow Films Pty Ltd v iiNet Ltd* is not inconsistent with Australia's international obligations under AUSFTA as appears to be suggested in the Paper.

Second, Proposal 1, although targeted at ISPs, would amend authorisation *generally*, giving rise to significant legal uncertainty, unintended consequences, and expanded costs for business:

4. The Proposal seems to substitute an obligation to take 'reasonable steps' for the traditional law of authorisation. This could be used by copyright owners to demand a wide range of businesses, online and offline, take onerous and expensive steps to prevent infringement.
5. The Proposal will cut authorisation liability loose from its doctrinal moorings: existing case law may provide no guidance for *anyone* interacting with copyright works online or offline (which is most people and most businesses).
6. Overseas cases will also provide no guidance: the Proposal will put Australian copyright law out of step with equivalent law in the United Kingdom, Canada and the United States.
7. The proposed power to introduce regulations could be used to overturn court decisions: this exacerbates the legal uncertainty already inherent in Proposal 1.
8. The Proposal may have an unintended impact on other areas of intellectual property, particularly the approach of Courts in relation to authorisation in the patent law context.

Given the breadth of parties potentially affected, the government needs to consult widely with parties who may not have considered the Discussion Paper relevant to them.

Third, the Committee has concerns about the drafting of Proposal 1. Consideration of whether a person was 'complying with any relevant industry schemes or commercial arrangements entered into by relevant parties' leaves great scope for debate as to what constitutes a relevant scheme or person. Courts would not have access to the necessary commercial-in-confidence information necessary to assess private arrangements.

In respect of Proposal 2, the Committee submits:

1. If the Proposal is to proceed in its current form, provision should be made for the payment of a third party's reasonable costs consistent with other areas of legal procedure.
2. The Proposal contains no protection for consumers or an innocent website and therefore may have the effect of denying procedural fairness.
3. If website blocking mechanisms are to be ordered, there should be a requirement that they can only be required to use reasonable means to do so. What constitutes "reasonable means" has been considered by Court of Justice of the European Union and should be considered in this proposal.¹
4. The requirement in relation to 'dominant purpose' will be most uncertain in its operation and a clear indication would need to be given as to what factors would need to be considered in determining 'dominant purpose'.

Conclusion

In conclusion the Committee respectfully submits that Proposal 1 and 2 in their current form are unlikely to meet the government's apparent objectives and are likely to create unnecessary and undesirable uncertainty in relation to the law insofar as it relates to authorisation. The Committee supports Proposal 3, which corrects a long-standing error in the law.

As the legal issues discussed in the submission are complex, representatives of the Committee would also be happy to discuss any aspect of this submission with the Department in person.

¹ Case C-314/12 UPC Telakabel Wien GmbH v Constantin Film Verleih GmbH

Intellectual Property Committee Submission on Online Copyright Infringement Discussion Paper

Proposal 1

1. Proposal 1 in the Discussion Paper aims to ‘clarify the application of authorisation liability’ by changing the factors in ss 36(1A) and 101(1A) that a court must take into account in determining whether a person has authorised infringement. Under Proposal 1:
 - (a) Subsections 36(1A)(a) and 101(1A)(a) (requiring courts to take into account the extent (if any) of the person’s ‘power to prevent’ the infringement) would be repealed (and moved as per (b) below). Courts would be required to take two matters into account in determining whether a person has authorised infringement: the ‘nature of the relationship’ between the person and the infringer, and ‘whether the person took any reasonable steps to prevent or avoid’ the infringement.
 - (b) Sections 36(1A) and 101(1A) would provide an inclusive list of matters to which a court would be required to have regard in making an assessment of ‘reasonable steps’:
 - (i) the extent (if any) of the person’s power to prevent the doing of the act concerned;
 - (ii) whether the person or entity was complying with any relevant industry schemes or commercial arrangements entered into by relevant parties;
 - (iii) whether the person or entity complied with any prescribed measures in the *Copyright Regulations 1969*; and
 - (iv) any other relevant factors.
2. It appears, from some language in the Discussion Paper, that the government believes that (1) there are ‘reasonable steps’ ISPs could or should take to reduce online copyright infringement by their customers, although the steps should be determined by industry, and (2) following the ruling of the High Court in *Roadshow Films Pty Ltd v iiNet Ltd*,² ISPs do not have sufficient legal incentive to take these steps. It also seems the intention is to reverse the High Court’s decision, encouraging ISPs to negotiate schemes for the management of online copyright infringement with rights holders. Further incentive is to be created by threatening to issue regulations if agreement is not reached.
3. The Committee does not wish to deal with the policies underlying Proposal 1 and states no view as to whether ISPs should or should not do something to deal with infringing users. There are, however, a number of legal problems with Proposal 1.
4. In summary, the Committee does not believe that Proposal 1 will contribute to ‘clarifying’ authorisation liability; rather, it will increase uncertainty for ISPs and for all other third parties who interact with copyright material.

Proposal 1 will change the whole basis of the law in relation to authorisation

5. The Committee is concerned the approach taken in Proposal 1 has the potential to cut authorisation liability loose from its doctrinal moorings and thereby introduce significant uncertainty into this area of the law. The Committee’s understanding of when a person authorises copyright infringement has been developed through over a century of case law

² (2012) 248 CLR 42; [2012] HCA 16

(since 1905 in Australia), and continues to evolve. It has a number of anchoring principles that have enabled it to operate with some degree of predictability although not complete certainty: principles such as the fact that granting or purporting to grant authority to infringe can found a finding of liability;³ so can a sufficient degree of involvement in another's infringement through a combination of factors such as knowledge of infringing behaviour, facilitating the infringement together with being in a position to reduce that infringement.⁴

6. Proposal 1 could unravel a century's worth of common law guidance and leave individuals and businesses in a state of considerable confusion.
7. The Discussion Paper appears to suggest that the decision of the High Court in *Roadshow Films Pty Ltd v iiNet Ltd*⁵ was anomalous. The Committee disagrees with this assessment. *Roadshow Films Pty Ltd v iiNet Ltd* is entirely consistent with Australian case law on authorisation, including *Moorhouse*⁶ and *Australian Tape Manufacturers*.⁷ Nor is the decision out of step with the position in similar jurisdictions. It is generally acknowledged that the Australian law on authorisation already imposes liability in a broader set of circumstances than in the United Kingdom⁸ and Canada.⁹ The Australian courts, applying existing authorisation principles, have reached similar conclusions to courts in the US in the online context, particularly in relation to providers of peer-to-peer file-sharing software.¹⁰ There has been no case in the US brought against an ISP in an analogous position to iiNet (no ISP has been sued in the US merely for failing to pass on notices of infringement). If anything, it is Proposal 1, if pursued, which could render the Australian law on authorisation of copyright infringement an international anomaly.

Proposal 1 is poorly targeted to achieve its apparent goals

8. The Committee does not consider that Proposal 1 is well-targeted to achieve its apparent goals. It is not clear why, in the context of concern about the need to have ISPs take action to control their customers' infringement, the government is proposing to amend the whole of the law of authorisation. There is nothing in the Discussion Paper to suggest that there have been problems with the law relating to authorisation as applied in other online contexts (such as websites,¹¹ or software providers who facilitate infringement¹²), nor in the offline context (such as to music venues¹³) or in mixed contexts (for example, universities or schools which operate on and offline¹⁴). Proposal 1 risks unintended consequences which are discussed further below.
9. Given the breadth of Proposal 1, it is not correct to describe the Discussion Paper as concerned with 'online copyright infringement' given that the proposed reforms affect liability of third parties generally. If this course is pursued the Committee considers that the

³ *EMI Songs Australia v Larrikin Music Publishing* (2011) 90 IPR 50, 107–11

⁴ *UNSW v Moorhouse* (1975) 6 ALR 193

⁵ (2012) 248 CLR 42 [2012] HCA 16

⁶ *UNSW v Moorhouse* (1975) 6 ALR 193

⁷ *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480

⁸ As set out in particular in *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013 and recently applied in *Twentieth Century Fox Film Corporation & Anor v Newzbin Ltd* [2010] EWHC 608 (Ch).

⁹ *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339 at [41].

¹⁰ Compare the similar results in *MGM Studios, Inc v Grokster, Ltd* 545 US 913 (2005) and *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1. Similarities between these decisions are noted in Jane Ginsburg and Sam Ricketson, 'Separating Sony sheep from Grokster (and Kazaa) goats: Reckoning future business plans of copyright-dependent technology entrepreneurs' (2008) 19 *Australian Intellectual Property Journal* 10.

¹¹ *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380

¹² *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1

¹³ *Australasian Performing Right Association v Metro on George Pty Ltd* (2004) 61 IPR 575

¹⁴ *UNSW v Moorhouse* (1975) 6 ALR 193

government would need to consult more widely, including with stakeholders operating in the offline context who may not have considered that a Discussion Paper dealing with ‘online copyright infringement’ and ISPs was relevant to them, such as music and performance venues, courier and storage companies, broader business interests (since any business which provides computers and/or internet access is potentially affected), and local government (who provide wifi and libraries).

Proposal 1 is based on a misunderstanding of Roadshow Films Pty Ltd v iiNet Ltd

10. It is not clear that Proposal 1 will reverse the decision in *Roadshow Films Pty Ltd v iiNet Ltd*. Proposal 1 assumes the only reason iiNet was not liable for authorising its users’ infringement was because it lacked the direct power to prevent infringement. This seems to arise from a misreading of the High Court’s reasoning. The High Court acknowledged that iiNet did have some (limited, or attenuated) power to prevent infringement and neither judgment states explicitly that a direct power to prevent infringement is a precondition to authorisation liability.¹⁵ Both judgments emphasised that authorisation is fact-specific, and that the particular combination of facts meant that iiNet was not liable. Among the factors noted by the court were the absence of detailed information about the methods used to detect infringement,¹⁶ the need for, and potential cost of, further investigations to establish repeat infringement before service to an individual customer could be terminated,¹⁷ the impact of termination of service on legitimate activities,¹⁸ and courts’ doubts whether that termination of service would be effective in a context where customers could simply transfer their custom to another ISP.¹⁹ It is not at all clear that *Roadshow Films Pty Ltd v iiNet Ltd* would have been decided differently under the proposed re-drafting, because it is not clear that, on all the facts, the steps proposed by Roadshow et al (specifically, warnings followed by termination of internet service) were ‘reasonable’.
11. Proposal 1 also focuses on the statutory framework, without taking into account that the scope of authorisation liability is only partially determined by the legislation. The statutory factors in subss36(1A) and 101(1A) are merely stated as factors to consider in determining whether a person has *authorised* infringement. The statutory factors are not a *definition* of authorisation. The meaning of authorisation is still essentially determined by the principles and approaches developed by the courts through particular fact scenarios presented in the cases. Courts’ consideration is not confined to the statutory factors: other matters courts take into account include the person’s knowledge of infringements,²⁰ and the extent to which a person could be said to have encouraged, or induced, infringement.²¹ It is therefore not clear that shuffling the order of relevant factors within subss36(1A) and 101(1A) will have the government’s desired effect. One possible outcome of the amendment therefore is that it will have only very limited effect.

¹⁵ The judgment of French CJ states that there can be no authorisation liability without a power to prevent infringement: *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at 69 [69]. But the judgment goes on to acknowledge that iiNet did have limited and indirect power to prevent infringement: *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at 69 [70]–[71].

¹⁶ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at 71 [78]; per Gummow and Hayne JJ at [138].

¹⁷ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at 70 [73]–[75]; per Gummow and Hayne JJ at [138].

¹⁸ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per Gummow and Hayne JJ at [139].

¹⁹ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16 per French CJ, Crennan and Kiefel JJ at 69–70 [72]; per Gummow and Hayne JJ at 88 [138]–[139].

²⁰ *UNSW v Moorhouse* (1975) 6 ALR 193

²¹ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) 220 ALR 1

Authorisation determined by reference only to ‘reasonable steps’ is too wide

12. Another possible reading of Proposal 1 is that the focus, in determining authorisation liability, would be entirely on the relationship between the alleged authoriser and the infringer, and on what ‘reasonable steps’ the alleged authoriser could have taken: that is, the court may, on the basis of statutory materials, take the view that a redefinition of authorisation liability is intended. The legislative amendment could be read as indicating the government’s intention that, at least in circumstances where there is *some* relationship between infringer and alleged authoriser, the alleged authoriser should take ‘reasonable’ steps to reduce infringement.
13. It could be used to contend:
 - (a) hardware and software providers must design software to reduce the impact of infringement;
 - (b) businesses must incorporate filtering technology into their computer systems to prevent infringement by employees; and
 - (c) cloud providers should provide filtering technology.

The potential for such claims is limitless and the costs could be very high.

Factor (c) the power to make regulations regarding ‘reasonable steps’

14. The risk to businesses and individuals is exacerbated by the regulation power included as a ‘matter’ to be taken into account in determining reasonable steps. The presence of this power, it seems, is intended to provide further incentive to ISPs to negotiate on the basis that if they fail to do so, the government may step in to determine what constitutes ‘reasonable steps’. This regulation power however is general. It means that *any* party accused of authorisation faces the prospect, not only of defending their position through the courts, but then, even if they win in court, finding they have to resist attempts to have the decision overturned through the Attorney-General exercising the regulation power.

Factor (b) Industry schemes and commercial arrangements

15. The Committee also has concerns about the drafting of factor (b) in determining reasonable steps – namely, ‘whether the person or entity was complying with any relevant industry schemes or commercial arrangements entered into by relevant parties.’ It is not clear who would count as ‘relevant parties’. If a commercial arrangement is negotiated between the record industry and Telstra, does it then become ‘unreasonable’ for Optus to refuse to do exactly the same thing? If Telstra and Optus negotiate a scheme, is it unreasonable for a University which provides staff, students and visitors with internet access to refuse to take the same steps?
16. Currently, s36(1A)(c) refers to ‘industry codes of practice’: which suggests that only arrangements made covering a significant portion of the particular industry are a safe guide. But ‘commercial arrangements entered into by relevant parties’ is a much broader concept, and seems to suggest that commercial arrangements with one ISP (or one university, or one government, or one local council) ought to bind all local councils, governments, universities or ISPs. This is potentially unjust and may create undesirable negotiating dynamics. The University of Western Australia is not in a position to be aware of, or influence, negotiations by Southern Cross University, and yet those negotiations would impact the scope of UWA’s legal obligations. The Committee notes that this appears to be inconsistent with the intention

expressed in the Discussion Paper that ‘different industry participants [may] choose to develop and adopt different schemes or approaches which suit their particular circumstances’.²²

17. Courts are not likely to be in a good position to judge the full commercial arrangements between non-parties to an authorisation case. If, for example, Optus was sued for authorising infringement, and rights holders alleged that the ‘reasonable steps’ Optus ought to take should be judged by reference to what Telstra agreed to, is the court in a position to judge the reasonableness of Telstra’s commercial arrangements? Could the full picture of Telstra’s arrangements be made available to the court, or would some aspects remain commercial-in-confidence? To what extent would other matters relevant to Telstra (such as its relationship with Foxtel, and/or any exclusive deals it has with sporting bodies) make its position very different to that of Optus, and to what extent would a court be in a position to judge those differences? In short, it is unlikely that a court will be equipped or will have the evidence to judge the ‘reasonableness’ of individual commercial arrangements that two businesses make (or, getting such evidence will be an expensive and drawn-out process).
18. In short, while there is utility in considering whole of industry codes of practice (or substantially whole of industry arrangements) relevant in considering ‘reasonable steps’ (as under current law), the Committee does not think that particular commercial arrangements should be listed as a statutory factor with the potential to bind a result.

The relationship between Proposal 1 and the safe harbours in Part V Div 2AA is unclear

19. Although Proposal 1 focuses solely on the law of authorisation, currently the liability of ISPs under copyright law is governed by the law of authorisation, the safe harbours found in Part V Div 2AA, and ss 39B/112E. The latter provisions state that:

A person (including a carrier or carriage service provider) who provides facilities for making, or facilitating the making of, a communication is not taken to have authorised any infringement of copyright in a work merely because another person uses the facilities so provided to do something the right to do which is included in the copyright.

20. The High Court in *Roadshow Films Pty Ltd v iiNet Ltd* held that ss39B/112E have no effect, having been enacted out of an abundance of caution.²³ The Committee notes that unfortunately the Discussion Paper does not consider ss39B/112E, and whether the provisions ought to be repealed (as redundant) or whether they might have more effect if Proposal 1 is enacted.²⁴
21. The safe harbours in Part V Div 2AA shelter carriage service providers (CSPs) who provide network access (and, if Proposal 3 is enacted, other online service providers) from monetary liability for both direct and authorisation liability in copyright, provided that the CSP complies with the conditions relevant to the service they are providing.²⁵ The conditions are set out in s116AH. In the case of a CSP engaging in ‘Category A’ services (‘providing facilities or

²² Discussion Paper, 4.

²³ *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42 [2012] HCA 16, at per French CJ, Kiefel and Crennan JJ at [26]; per Gummow and Hayne JJ at [113].

²⁴ To date, the reason that ss39B/112E have been considered redundant is that ‘merely’ providing the communication facilities has not been sufficient for liability for authorisation. This might still be true, or it might not be, if the court interprets ‘merely’ providing facilities as ‘providing facilities without taking active steps to prevent or avoid infringement’.

²⁵ Other orders can be made, as set out in 116AG. In the case of an ISP carrying out Category A activities, the available orders are (a) an order requiring the CSP to take reasonable steps to disable access to an online location outside Australia; and (b) an order requiring the carriage service provider to terminate a specified account: s 116AG(3).

services for transmitting, routing or providing connections for copyright material, or the intermediate and transient storage of copyright material in the course of transmission, routing or provision of connections’),²⁶ those conditions are:

- (a) The CSP must adopt and reasonably implement a policy that provides for termination, in appropriate circumstances, of the accounts of repeat infringers;
 - (b) The CSP must comply with any industry code relating to standard technical measures used to protect and identify copyright materials;
 - (c) Any transmission of copyright material must be initiated by or at the direction of a person other than the CSP; and
 - (d) The CSP must not make substantive modifications to copyright material transmitted.
22. Assuming that Part V Div 2AA remains in place (even if expanded under Proposal 3), and Proposal 1 is adopted, putting ISPs at risk of authorising infringement which occurs through the use of BitTorrent or other P2P filesharing technologies once they are notified of infringement by copyright owners, the ISP will have two options:
- (a) Adopt ‘reasonable steps’ to prevent or avoid infringement, sufficient to avoid authorisation liability; or
 - (b) Comply with the conditions of the safe harbour so as to avoid risk of monetary liability.
23. If the ISP complies with the conditions of the safe harbour, then it does not need to adopt whatever ‘reasonable steps’ might be preferred by copyright owners.
24. Any policy adopted consistent with s116AH *must* include provision for the termination of repeat infringers. This could lead to a result opposite to that which the government apparently intends. The Discussion Paper states that ‘[t]he Government would not expect any industry scheme or commercial arrangement to impose ... any measures that would interrupt a subscriber’s internet access.’²⁷ If ISPs choose to rely on the safe harbours, rather than adopting reasonable steps to avoid authorisation liability, they may be more likely to terminate customer service following allegations of infringement (especially if this is deemed necessary to prove that they are in fact ‘reasonably implementing’ their policy). It is entirely possible that adopting and implementing a policy for terminating repeat infringers would be less expensive for ISPs than any more drawn-out scheme involving educative notices that might be sought by copyright owners, and in particular might be less expensive than a policy that complied with the government’s preference for a scheme that provides for due process before sanctions are applied.²⁸
25. A second question relates to what is necessary to comply with the safe harbours. The key requirement of the safe harbours is that the ISP must ‘adopt and reasonably implement a policy that provides for termination, in appropriate circumstances, of the accounts of repeat infringers’. The scope of the obligation to ‘adopt and reasonably implement’ a policy is unclear.²⁹ The key question is whether the Court will be entitled to reject the substance of any policy that the ISP might adopt: that is, are ISPs entitled to determine for themselves how their

²⁶ *Copyright Act 1968* (Cth) s 116AC.

²⁷ Discussion Paper, 4.

²⁸ Discussion Paper, 4.

²⁹ The safe harbours were relied on by iiNet in *Roadshow Films Pty Ltd v iiNet Ltd*. The trial judge held that iiNet was entitled to rely on the safe harbours: 83 IPR at [612]. This finding was overturned by the Full Federal Court. The Full Court’s decision on this question was not challenged in the High Court.

policy on repeat infringers will operate? Or will the court have jurisdiction to determine that the policy is insufficient?

26. In *Roadshow Films Pty Ltd v iiNet Ltd*, the Full Federal Court took the view that it was entitled to find iiNet's stated policy insufficient.³⁰ The court held that iiNet's policy failed to identify who would be treated as a 'repeat infringer' and the circumstances in which termination would occur; and that it failed to provide for termination in some circumstances where it would be appropriate. This holding, although questionable given the legislative history of Part V Div 2AA, was not appealed to the High Court.³¹ As the law currently stands, (1) we know something about what will be an *insufficient* policy; and (2) on current case law, unless a policy is highly specific about the prospects for termination, and includes termination in cases where the court thinks it should be included, a policy may not be sufficient. Again, this would appear to be quite contrary to the government's current intention that internet users should not have their internet service terminated. It is also quite unclear as to what *would* be a sufficient policy.
27. The government needs to consider how its goals for authorisation fit with the existence of the safe harbours. The problem cannot be resolved by simply removing the safe harbour for internet access providers, or by including a requirement, in the safe harbours, that CSPs must take 'reasonable steps to prevent or avoid infringement'. The conditions in the safe harbour are set by the Australia-US Free Trade Agreement (AUSFTA) article 17.11.29.

The current law of authorisation is consistent with Australia's international obligations

28. The Committee disagrees with the suggestion in the Discussion Paper that, following *Roadshow Films Pty Ltd v iiNet Ltd*, Australian law on authorisation of copyright is inconsistent with Australia's international obligations. Although the Discussion Paper is not specific, the Committee assumes that the provision of concern is article 17.11.29(a) of AUSFTA.³² AUSFTA art 17.11.29(a) is a high level obligation requiring that service providers have 'legal incentives' to cooperate with copyright owners in deterring unauthorised storage and transmission of copyright materials. Australia's copyright law provides such incentives: service providers who are sufficiently involved in copyright infringement will be held liable.³³ There is no case in the US which has held a general purpose ISP liable for merely failing to pass on notices of infringement or failing to pass on notices and terminate users. It is therefore inconceivable that the intention of article 17.11.29 was to require liability to be imposed in these circumstances.

Other Possible Unintended Impacts

29. The Federal Court applies the reasoning followed in copyright authorisation decisions to claims of authorisation arising in the patent arena, even although there are two separate statutory frameworks applying to patents and copyright.³⁴ If changes are made as proposed there is a significant likelihood that the Court in patent cases would continue look to decisions made in relation to copyright authorisation despite the different statutory background.

³⁰ iiNet submitted evidence that its policy was to terminate the accounts of repeat infringers in three circumstances: (1) when ordered to do so by a court; (2) when a customer admitted to infringing copyright, or (3) when a customer was found by a court or other authority to have infringed.

³¹ According to the Explanatory Memorandum, '[t]his policy is to be determined by the carriage service provider': Explanatory Memorandum to the US Free Trade Agreement Implementation Bill 2004 (Cth), 161 [699].

³² Other recent provisions requiring 'measures' to reduce online infringement, such as article 13.9.28 of the Korea-Australia Free Trade Agreement, are stated in such general language that no specific requirement of liability for general purpose ISPs could be intended.

³³ See for example *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187

³⁴ *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 46 IPR 553

This could produce some unintended, undesirable and unpredictable results. It follows that if Proposal 1 is pressed, further consideration would need to be given as to how it may impact in this related but vastly different area of law.

Conclusion in respect of Proposal 1

30. The Committee submits that Proposal 1 is poorly targeted, may not achieve its apparent goal of overturning *Roadshow Films Pty Ltd v iiNet Ltd*, and risks undermining any clarity the current law provides about the scope of liability for authorising copyright infringement. It is likely to have far-reaching, unintended consequences for business and the public sector. Given these issues, the apparently narrow problem which the government is attempting to address, and the difficulties of reconciling ‘extended authorisation’ with the safe harbours required under AUSFTA, the government should consider alternative means to achieve its goal. Most other countries that have sought to impose additional requirements on ISPs have introduced a stand alone legislative scheme, separate from liability for copyright infringement, addressed only to ISPs and their obligations in relation to customers accused of infringing copyright.

Proposal 2: Website Blocking

31. Proposal 2 in the Discussion Paper is to allow a rights holder to apply for an injunction against an ISP to require the ISP to block overseas websites when those websites are found to have a dominant purpose of infringing copyright.

ISP as third party – indemnity for costs

32. The Government’s website blocking proposal would allow an injunction to be granted without the need to establish that a particular ISP has authorised an infringement. The ISP should therefore be regarded as a third party against whom an injunction is granted in order to provide effective relief against the infringing activity of the website operators.
33. It follows from the above that the knowledge of the ISP should not be relevant and should not be a requirement of granting the order. In this respect the equivalent Irish website blocking provision is preferable to the UK provision.
34. The Committee notes and agrees with the proposal in the Discussion Paper that right holders should be required to meet any reasonable costs associated with an ISP giving effect to an order and to indemnify the ISP against third party claims. These costs should include legal costs incurred by reason of the application by the rights holder. Such costs may be incurred even if the ISP does not defend the grant of the injunction, and may be incurred for example, if the ISP argues before the court that the breadth of the injunction would have the effect of blocking non-infringing websites.
35. The general principle that a third party should have its reasonable costs paid is well accepted across a number of areas of legal procedure. For example, under the preliminary discovery provision of the Federal Court Rules (7.29) a person against whom an order is sought or made may apply to the court for an order that their costs and expenses be paid by the applicant. Similarly, if a subpoena is issued to a third party to a proceeding, under rule 24.22 of the *Federal Court Rules*, the court may order the party issuing a subpoena to pay the amount of “any reasonable loss or expense incurred in complying with the subpoena”. Such loss and expense includes not the actual production of documents under the subpoena, but also legal

advice sought as to the validity of the subpoena, correspondence regarding its terms, advice and negotiations as to confidentiality.³⁵

Procedural fairness to provide protections for consumers and websites

36. Currently, Proposal 2 does not contain any protection for consumers or an innocent website and the Committee is concerned that it lacks procedural fairness. Procedural fairness generally requires that when a decision is being made that may affect a person's rights, that person must be informed and have an opportunity to be heard. Proposal 2 does not describe the procedure that would be applied, but as currently drafted, appears to be a proceeding in which the website is not involved. The Court would be presented with a one-sided argument as to the reasons why the website has a "dominant purpose" to infringe copyright. The application lacks a proper contradictor for the rights holders injunction application and the ISP cannot be expected to play that role and incur the costs of doing so. This type of provision is potentially open to abuse.
37. The Government's proposal is likely intended to tackle websites such as The Pirate Bay, against which the website blocking orders in the UK have been applied. It is likely that in cases involving those types of websites, the website would not take part in the injunction proceeding, even if notified or joined. However, it is conceivable that a rights holder could apply for an injunction under the new website blocking provision against other websites that do not as clearly have infringement of copyright as a dominant purpose. A rights holder could apply the court for an injunction against this 'grey' website, which would be effectively heard *ex parte*.
38. The operator of the website is a person who will be directly affected by the website blocking order. In order to accord with procedural fairness, it is important that any website blocking procedure provide for:
 - (a) notification to the website that the application for an injunction has been made; and
 - (b) an opportunity for the website to be joined to the proceeding and be heard on the application, whether in person or by written submissions.
39. As outlined above, it is likely that in many cases, the website would not take part in the injunction proceeding, even if notified or joined. In such cases, the duty of the Court would be similar to the principle applied in the UK: the duty of the court is not to simply to rubber stamp the terms agreed by the parties, but to independently to consider the proportionality of the proposed orders from the perspective of individuals affected by them who are not before the Court.³⁶ The onus remains on the rights holder to satisfy the Court of the proportionality of the orders.

Reasonableness of blocking mechanism

40. As a technical matter, there are various mechanisms through which a 'website blocking' injunction could be implemented. To promote technological neutrality and the longevity of the provision, it is undesirable for the legislation to specify the blocking mechanism that may be ordered by the Court.
41. However, it is important that measure that is implemented is appropriately narrow and targeted to block the particular website that has been found to have the 'dominant purpose'. It is important that the measure does not block non-infringing websites.

³⁵ In *Charlick Trading Pty Ltd v Australian National Railways Commission* (1997) 149 ALR 647 at 649.

³⁶ *EMI Records Ltd & Ors v British Sky Broadcasting Ltd & Ors* [2013] EWHC 379 (Ch) per Arnold J at [10]

42. It must also be acknowledged that website blocking injunctions have technical limitations. For example, a VPN can be used by an ISP subscriber as a means to get around the ‘block’ or the website can be re-established at another online location so as to avoid the block.
43. These issues were recently considered by the Court of Justice of the European Union. The CJEU considered the validity of a website blocking order made under Article 8(3) of Directive 2001/29/EC,³⁷ under which it was up to the ISP to determine the measure through which the injunction would be implemented. In that case, that CJEU set out a number of principles to be considered when deciding whether a website blocking measure was ‘reasonable’. These included:³⁸
- compliance with the fundamental right of internet users to freedom of information.
 - strictly targeted measures that bring an end to the infringement of copyright without affecting internet users’ lawful access to information.
 - must provide for the possibility for internet users to assert their rights before the court once the implementing measures taken by the ISP are known.
 - while some measures may be achievable, those measures may not be considered reasonable. The CJEU noted that it was possible that the website blocking injunctions would not lead to a complete cessation of the infringements – a means of putting a complete end to the infringement may not exist or may not be achievable in practice.

Meaning of “dominant purpose”

44. The Government proposes that the court will order the ISP to block overseas websites when those website are found to have a ‘*dominant purpose of which is to infringe copyright*’. The proposed ‘dominant purpose’ requirement is at present unclear. ‘Dominant purpose’ could refer to:
- (a) the stated purpose of the website or other evidence as to the subjective intention of the website operator;
 - (b) a website that does not have any other viable commercial use besides infringement of copyright;
 - (c) the percentage of infringing content on the website; or
 - (d) the knowledge of the website operator as to the percentage of infringing content on the website.
45. Any new provision should include a clear indication of the circumstances in which a website will be considered to have a ‘*dominant purpose of which is to infringe copyright*’. The government should also consider what ought to happen in circumstances where some subset of an otherwise legitimate website appears to have a dominant purpose of infringement.

³⁷ Case C-314/12 *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH*

³⁸ *Telekabel* at [55] – [60].