

**GOVERNMENT RESPONSE TO THE  
REPORT OF THE HOUSE OF REPRESENTATIVES STANDING  
COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS**

**‘CRACKING DOWN ON COPYCATS: ENFORCEMENT OF COPYRIGHT  
IN AUSTRALIA’**

## BACKGROUND

The Report of the House of Representatives Standing Committee on Legal and Constitutional Affairs, *Cracking Down on Copycats: the enforcement of copyright in Australia*, was released on 4 December 2000. The report, the first Parliamentary inquiry specifically on copyright enforcement undertaken in Australia, was in response to a reference dated 17 March 1999 from the Attorney-General, the Hon Daryl Williams AM, QC, MP<sup>1</sup>.

The focus of the terms of reference was on the Committee's investigation of, and views on, the appropriate options and mechanisms for the improvement of copyright enforcement in Australia. It was to do so having regard, in particular, to the types, circumstances and scale of copyright infringements in Australia and the mechanisms and resources available for enforcement or prevention of infringements.

World-wide, issues of intellectual property enforcement, of which copyright is a significant element, have attracted attention. Consultations on intellectual property enforcement have been conducted by a number of jurisdictions over the period from the date of the reference in early 1999. These have included investigations or consultations by the European Union, the United Kingdom, Hong Kong China, and New Zealand.

The Committee concluded that the available data on infringement was piecemeal and Australia's levels of infringement, by international standards, were low. Nevertheless, the Committee found that the evidence provided to it indicated that commercial infringement of copyright was a significant and costly burden to many Australian industries that rely on creative endeavour. The Committee made a range of other findings relevant to the terms of reference which are found in Chapter 2 of the Report and which provide the backdrop to its recommendations which are largely contained in chapters 3 to 6.

Chapter 7 of the Report discusses a number of related issues to the inquiry, these being the Parliamentary library exception (Recommendation 22), the relationship between infringement and censorship, the infringement of copyright in broadcasts and the protection of performances from unauthorised exploitation. While, apart from the first matter, no specific recommendations were made on these items, the Committee's views will be taken into account in the on-going policy consideration of these matters.

Following the tabling of the Report, the Government received representations and submissions on its recommendations from various organisations and groups, and held discussions with a number of them. These were the Australian Digital Alliance, the Business Software Alliance, the Australian Copyright Council, the Australian Vice Chancellors' Committee, Allen Allen and Hemsley on behalf of Sony Entertainment Australia, the Australian Information Industry Association, Copyright Agency Limited, the National Copyright Industry Alliance and Music Industry Piracy Investigations.

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<sup>1</sup> The Committee's inquiry was suspended for a time while the Committee dealt with another reference from the Attorney-General.

Discussions were also held amongst those Commonwealth agencies directly involved in the Committee's recommendations and those with a direct policy interest. Advice was also received from the Federal Court of Australia, particularly regarding the recommendation of the Committee on guideline judgements and the Federal Magistrates Service.

The report makes a sizeable number of recommendations covering a full range of enforcement issues including criminal sanctions, civil remedies for infringement, public awareness and education, institutional arrangements as well as some consideration of matters of court practice. The Government thanks the Committee for its report and the significant range of its options for possible action.

The Government has examined the Committee's recommendations in the context of Commonwealth criminal law and civil justice policies and priorities as well as copyright policy *per se*. Copyright policy seeks to ensure that copyright law continues to promote creative endeavour whilst allowing reasonable access to copyright material. Policy affecting the balance of rights between copyright owners and users includes considerations of the impact of legislation on owners, users and distributors of copyright including appropriate enforcement mechanisms and compliance costs for business and the community at large. These are important public policy objectives and must be given due weight in the formulation of all legal sanctions both civil and criminal.

In its response the Government has been mindful to ensure that civil liberties are not improperly and unfairly encroached upon. Law enforcement powers must be appropriate to the circumstances, and adequate means of supervision and review are necessary. Further, the allocation of public resources for enforcement of this issue must be proportionate to the nature of the issue and to all of the other matters for which public resources are required. These include such matters as investigation and prosecution of offences against persons, major frauds, drug offences, other thefts of personal property, white collar crime in a more general sense, and offences against the Government or the national interest.

In the Government's view, the key issues of concern identified by the Committee in relation to copyright enforcement were in the areas of:

- difficulties of proof of subsistence and ownership of copyright;
- adequacy of provisional measures (Anton Piller Orders);
- criminal deterrents in the form of penalties, sentences and judicial views concerning the severity of infringements;
- remedies in civil actions including addressing flagrant behaviour and deterrent effect and the cost of utilising the civil legal system; and
- understanding and awareness of copyright.

The Government's response focuses on addressing the most significant of these issues and providing direct and practical assistance within the context of a balanced general policy framework.

As such, the Government proposes to move to implement measures to ease the burden of proof of subsistence and ownership of copyright and improve the provisions for damages in civil cases. Amendments will also be prepared to apply criminal penalties to advertising of all infringing copies (this currently only applies to software).

Concerning operational matters, the Government has already taken steps to improve the gathering, sharing and use of intelligence on intellectual property offences through a consultative mechanism in conjunction with industry. This process is being further developed with the active involvement of the Australian Federal Police and the Australian Customs Service. The Government also supports the Federal Magistrates Service (FMS) having jurisdiction in non-criminal and less complex copyright matters.

The Government will consider further action in support of current activities of public awareness and understanding of intellectual property matters.

These measures will provide a range of important enhancements to a system of enforcement that has continued to provide a comparatively effective system of assistance to copyright owners in the defence of their intellectual property. They will enhance legal means of pursuing enforcement of rights but without sacrificing the rights of persons accused, or defendants. They will provide copyright owners with improved tools and incentive to act in their own interests without providing them, or law enforcement authorities, with measures or powers so intrusive or so powerful as to be able to be used oppressively or impose disproportionate compliance costs on business and the community.

The administrative and legislative steps proposed by the Government will still require effective and pro-active steps on the part of the industries or copyright owners affected. The overall responses from various representatives of both copyright industries and trade mark owners to the steps taken on industry consultation on criminal enforcement (referred to in the response to recommendation 21) are a promising step in this regard.

The detail of the Government's response to the Committee's recommendations follows.

## **COMMITTEE RECOMMENDATIONS**

### **Recommendation 1**

**The Committee recommends that the documentation required to be completed by commercial importers when importing a product into Australia include a declaration to the effect that**

- **had the product been made in Australia, the making of the product would not constitute an infringement of copyright; and**
- **the product meets the applicable Australian safety standard.**

**Response:**

The Government does not propose to adopt this recommendation.

The Government notes that the Committee made this recommendation recognising that it was seeking to give suggestions as to the possible direction of measures to respond to a concern relating to proof of copyright infringement and safety issues. Unfortunately, the certification proposed does not offer a clear and practical means of providing the protection sought.

In the first instance, a declaration of the kind proposed would provide only limited assistance, if any, to the Australian Customs Service in intercepting pirated material at the border. Customs processes are based on self-assessment with compliance checking being carried out where Customs officers have reason to suspect some wrongdoing is taking place, whether from prior information or suspicious circumstances.

A declaration of legitimacy would be unlikely to generate suspicions of wrongdoing, as it would relate to the circumstances of manufacture in the country of export. Customs officers are unlikely to have any reason to challenge a declaration. It is important to recall that this proposal relates to everyday goods such as carpets, fabrics and computer games that are not *per se* prohibited imports. Customs officers have no authority to seize goods on grounds of breach of copyright unless the copyright owner or their agent has made a claim of infringement in a Notice of Objection.

Nor is it likely that the proposed declaration would substantially assist a subsequent criminal or civil action against an infringer. Pirated goods found in the marketplace would have to be linked to a related customs declaration. Such a declaration by a customs broker or other agent on behalf of an importer is unlikely to displace the knowledge element required to establish criminal or (where it applies) civil liability. This is particularly so in relation to a person who is not involved in the importation, or who is unable to be linked to the importation. The evidentiary relevance of such a declaration would be a matter for a court in each instance. To grant a greater significance to such a statement would, in criminal actions, amount to an abrogation of the presumption of innocence – as to which see the Government's response to recommendation 8. In civil actions the relationship of the person making the statement to the knowledge or state of mind of the person who was, within the terms of the Copyright Act, the importer, would have to be established. Similar observations may be made in relation to Australian standards.

Such measures may impose onerous compliance costs on business without a proportionate benefit.

It would not be, therefore, an efficient and practical part of the package of measures proposed in its response that the Government considers will provide an effective means of acting against copyright infringers.

## **Recommendation 2**

**The Committee recommends that the Minister for the Arts and/or the Attorney-General give the Committee a reference to inquire into the mechanisms for the protection of indigenous cultural and intellectual property.**

### **Response:**

The Government notes the request but does not propose to provide such a reference as it is examining the issue in other contexts.

The Government notes the interest of the Committee in this issue. It has this issue under consideration, including the matters raised in the ‘*Our Culture: Our Future*’ Report, to which reference is made in the Committee’s Report. *Our Culture: Our Future* provides a thoughtful and helpful collation of the aspirations and concerns of indigenous people and communities in this area and the Government is very mindful of the matters raised in that report.

The Government committed, in the context of the 2001 election, to amend the moral rights regime to give Indigenous communities a means to prevent unauthorised and derogatory treatment of works that embody community images or knowledge (“*Arts for All*” - page 21).

The issue of the protection of indigenous arts and expression, within the broader canvass of matters related to traditional knowledge and intellectual property, is being examined in a wide range of fora internationally. In particular, discussions on these topics are being progressed within the World Intellectual Property Organization. The Government is taking part in these discussions and taking these developments into account in its consideration of this matter.

## **Recommendation 3**

**(a) The Committee recommends that industry be encouraged to develop technological protection devices that are used to protect copyright material.**

**(b) The Committee further recommends that the *Copyright Act 1968* be amended so as to provide legal sanctions against the removal or alteration of technological protection devices.**

### **Response:**

(a) The Government supports the development of appropriate technological safeguards and sees this as properly a role for industry.

The amendments made by the *Copyright Amendment (Digital Agenda) Act 2000* (‘the Digital Agenda Act’) provide significant encouragement to develop, maintain and use technological protection measures in defence of copyright.

See also the response to recommendation 4.

(b) The second part of this recommendation has been implemented for devices protecting against copyright infringement with appropriate limited exceptions. The Government has already addressed these concerns through the passage of the Digital Agenda Act. The Digital Agenda Act amendments are subject to a review and the issue raised by the Committee's recommendation will be part of that review.

The amendments made by the Digital Agenda Act provide criminal sanctions and civil remedies against the manufacture, supply, advertising and other commercial dealings with circumvention devices or services used to circumvent technological protection applied by a copyright owner. Sanctions and remedies have also been introduced for the intentional removal of electronic rights management information.

The Digital Agenda Act amendments do not provide legal sanctions against the removal or alteration of blanket access control measures because such proscription would make ineffective the application of fair dealing and other statutory exceptions in favour of reasonable public access. In light of the high level of control exercised over access to circumvention devices, the proscription of the personal use of a circumvention device or service was considered, in the passage of the amending Act, to be an unnecessarily heavy-handed intrusion into the private sphere. Public reaction and protests by programmers and citizens in the USA to the arrest in the USA of a Russian programmer, Dmitry Sklyarov, for writing code-breaking software indicates that such considerations are of real public interest and concern. Blanket access control regulation would not provide an appropriate balance between the rights of copyright owners and users.

#### **Recommendation 4**

**The Committee recommends that the government conduct, in conjunction with representative organisations from the copyright industry, a public education campaign aimed at**

- **promoting awareness and understanding of copyright in the general community; and**
- **educating the business sector as to what copyright is (including how it differs from other intellectual property rights) and how it can be protected.**

#### **Response:**

The Government accepts this recommendation in principle.

It agrees that an appropriate allocation of resources should be committed to education to reflect the importance of education of copyright concepts and enforcement. These issues are vital to knowledge industries including the software, publishing, education, film and television, music and artistic industries.

The Government currently undertakes targeted education and will explore further avenues for greater education and awareness activities regarding copyright issues, including enforcement.

In the Government initiative, 'Backing Australia's Ability: an innovation action plan for the future', policy initiatives to accelerate the commercial application of ideas include:

- ensuring Australia has a regulatory environment that allows us to maximise the outcomes of innovation: and
- strengthening Australia's intellectual property protection system, with the Government continuing to increase awareness and understanding of intellectual property.

Programs of awareness and education are being undertaken in the context of action in pursuance of this agenda.

### **Recommendation 5**

**The Committee recommends that the Attorney-General bring to the attention of the Chief Justice of the Federal Court of Australia the system of 'guideline judgments' instituted in the Supreme Court of New South Wales, with a view to developing guideline judgments in relation to copyright offences.**

### **Response:**

The Government has accepted and already acted on this recommendation. A copy of the Committee's report was provided to the Chief Justice of the Federal Court as recommended by the Committee.

The Acting Chief Justice has responded on behalf of the Court pointing to a potential constitutional impediment and a number of fundamental difficulties in the proposal.

First, there is a difference in context. A considerable number of general criminal matters come before the NSW Supreme Court to be heard by a single judge. In the Federal Court even proceedings at first instance seeking the imposition of penalties under the Copyright Act is not a frequent occurrence, let alone on appeal.

The Court further observed that first instance proceedings in the Federal Court for penalties under the Act are rare. In consequence, there would not be the familiarity with the range of circumstances in which copyright offences occur that would be necessary if the guideline judgments were to be practical.

A third fundamental difference between the New South Wales Court of Criminal Appeal and the Federal Court is that the Federal Court is established pursuant to Chapter III of the Commonwealth Constitution and may exercise only federal jurisdiction.

Federal judges may exercise only 'judicial' power in respect of a 'matter'. The acting Chief Justice noted there might be a serious constitutional issue in this regard. That is, whether it would be constitutional for such a judge to participate in the activity of giving general 'guidance' as to how judges (or magistrates) should exercise their discretion as to penalties in future cases. It is a different matter if a primary judge errs in law in the course of imposing a penalty and a full court, on appeal, corrects the error. Such a full court decision is binding on single judges (and magistrates) for any legal issue it may decide.

The Government thanks the Acting Chief Justice for his response. The comments indicate that the impediments to the institution and potential usefulness of a guideline judgement in the Federal Court are such that it is unlikely that it will be adopted.

### **Recommendation 6**

**The Committee recommends that the *Copyright Act 1968* be amended so as to provide increased penalties for persons convicted of subsequent offences.**

#### **Response:**

The Government does not agree to this recommendation.

The penalty for a criminal offence should be set high enough to allow an appropriate punishment in the case of a repeat offender. This has been a consistent principle of criminal law policy for many years. Setting different maximum penalties for first offenders undesirably fetters the sentencing discretion of the court.

The Government considers that the maximum penalty of 5 years imprisonment, together with fines, per offence, of \$60,500 for individuals or a fine of \$302,500 for corporations, for criminal offences under the Copyright Act is generally sufficient. (Higher penalties are available where appropriate.) Monetary penalties have been increased in relation to certain offences to provide an even greater deterrent.

### **Recommendation 7**

**The Committee recommends that section 132 of the *Copyright Act 1968* be amended so as to clarify that in circumstances where more than one work or other subject matter are involved, the section applies to each work or other subject matter severally.**

**The Committee further recommends that subsection 132(6A) of the *Copyright Act 1968* be amended so as to clarify that in respect of each work or other subject matter, a person commits a separate offence when he or she contravenes each of subsections 132(1), (2), (2A), (3), (5) and (5AA).**

#### **Response:**

The Government does not accept this recommendation.

The Government has been advised that section 132 of the Copyright Act already provides that a separate offence is committed each time copyright is infringed in relation to a different work. This means, for example, that a person who has in his or her possession an infringing copy of a number of different works for a prohibited purpose would commit a separate offence in relation to each work. They would be subject to the relevant penalty in relation to each offence already.

### **Recommendation 8**

**The Committee recommends that the *Copyright Act 1968* be amended so as to introduce a presumption as to ownership of copyright substantially similar to that contained in proposed section 126A of the Copyright Amendment Bill 1992. The presumption would apply in prosecutions for offences under section 132 of the Copyright Act.**

**In addition, the Court should have a discretion to award penalty costs:**

- **against the defendant if they seek to challenge the chain of title as deposed to in the prosecution's affidavit and fail; and**
- **against the person who swore the prosecution's affidavit, if the defendant succeeds in proving that the chain of title deposed to in the affidavit is false.**

### **Response:**

The Government accepts this recommendation in principle.

It will develop an appropriate form of the criminal provisions to ease the difficulties of proof faced by copyright owners in the context of the matters noted below.

The Government will not introduce amendments to existing criminal offences that would significantly extend the scope of current criminal liability or shift primary responsibility for protecting copyright from copyright owners to public law enforcement authorities. It will ensure that its amendments are consistent with Commonwealth criminal law policies.

In this regard, the affidavit approach, as canvassed with, and proposed by, the Committee is not considered to be consistent with the principles of criminal responsibility contained in the *Criminal Code*. On close examination of this recommendation, the Government considers that, as formulated, it would be in the nature of an averment. Section 13.6 of the *Criminal Code* provides that a law that allows the prosecution to make an averment is taken not to permit an averment to be made to aver any fault element of an offence, or to make an averment in prosecuting for an offence that is punishable by imprisonment. Offences under section 132 of the Copyright Act are punishable by imprisonment.

As such, it would not be appropriate to enact a provision to permit the giving of evidence, particularly in relation to ownership, in the form proposed by the Committee.

However, it is possible, consistently with the *Criminal Code*, to provide for a rebuttable evidentiary presumption based on a fact proven upon which the presumption is based. The Government will therefore introduce amendments based on labels or marks or, to the extent they are available, government certificates of copyright registration to provide *prima facie* presumptions supporting copyright subsistence and ownership as part of the proof of the offence. The presumptions will allow evidence of such labels or marks or certificates and their contents, to the extent that the information on or in those labels, marks or certificate addresses subsistence or ownership of copyright. The burden of proof in respect of adducing contrary evidence would be the evidential burden. Changes of ownership subsequent to the affixing of the label, or the record in the certificate, and ownership by the copyright owner for Australia, would need to be proved in the normal way.

The second element of this recommendation appears to be intended to provide a deterrent to lazy or false statements. Since the evidential issues have arisen largely in relation to evidence tendered by affidavit by foreign deponents, this measure would have, in practice, a relatively low potential to provide such deterrence. Such deponents are generally beyond the jurisdiction of the court. On the other hand, defendants who challenge a proof of title in good faith should not generally be required to pay the costs of such a defence. Broadly, therefore, the Government does not favour this aspect of the recommendation, as it raises wider issues in relation to the costs of litigation. It will be examined in the context of the Government's further consideration of its response to the Australian Law Reform Commission report *Costs shifting - who pays for litigation* (ALRC 75). See also the response to recommendation 14.

## **Recommendation 9**

**The Committee recommends that the Copyright Act 1968 be amended so that section 133A applies also to literary, dramatic, musical and artistic works, cinematographic films, television broadcasts and published editions of works.**

### **Response:**

The Government accepts this recommendation.

Section 133A was added to the Copyright Act in 1984 in the context of amendments that expressly provided protection to computer programs as literary works and clarified the nature and scope of that protection.

Paragraph 132(1)(b) prohibits offering an 'article' that is an infringing copy for sale or hire. Before the amendments made by the *Copyright Amendment (Digital Agenda) Act 2000*, it was uncertain whether 'article' included digital files containing copyright. That doubt was removed by that Act. It made an amendment to the definition of 'article' for the purpose of section 132 so that it now includes a reproduction or copy of a work or other subject matter in electronic form.

The extension of s.133A to cover all copyright material would be consistent with the changes made by the Copyright Amendment (Digital Agenda) Act and would

recognise the wide availability of digital copies of all forms of copyright. It would cover the situation where, at the time of the advertisement, a copy of the infringing copyright item is not yet in existence but is intended to be produced in response to an order for a copy of the material advertised.

### **Recommendation 10**

**The Committee recommends that the *Copyright Act 1968* be amended so that a licensee will be guilty of an offence where an employee or agent of that licensee is found in possession of a computer program, of which the licensee had actual notice, and which the licensee knew, or ought reasonably to have known, is an infringing copy of the licensed computer program.**

### **Response:**

The Government does not accept this recommendation.

The Committee's recommendation is primarily directed at extending criminal liability to businesses for the actions of employees or agents. Achieving this objective has already been assisted by enactment of the *Law and Justice legislation Amendment (Application of Criminal Code) Act 2001*. This Act applies to the Copyright Act the principles of criminal responsibility set out in chapter 2 of the Criminal Code. These contain provisions expressly dealing with corporate criminal responsibility.

The application of these principles will simplify the extension of criminal responsibility for copyright offences to corporations. If intention, knowledge or recklessness is a fault element in relation to a physical element of an offence, that fault element will be attributed to a body corporate that expressly, tacitly or impliedly authorised or permitted the commission of the offence. Such authorisation or permission may be established in several ways. These include proving that a high managerial agent of a body corporate expressly, tacitly or impliedly authorised or permitted the commission of the offence, or that the body corporate failed to create and maintain a corporate culture that required compliance with the relevant provision.

The Government recognises that the computer software industry has concerns in relation to business end user piracy, that is, commercial organisations making illegal copies of computer programs for use in conducting a business.

Existing criminal provisions do not deal directly with end user piracy, whether by businesses or individuals. There is a good reason for this. While the net effect of the use of unlicensed copies in a business may impact upon sales of the legitimate product, as would the sale of unlicensed copies, the context is very different. Virtually all businesses now use software as part of their business tools. Networking is a common feature. For this purpose, many copies may be used – often under licence. This is essentially a commercial setting in which businesses may infringe the copyright but without the clear elements of theft of property that obtains in distribution of infringing copies. Additional copies may be made inadvertently or in a wrong belief about entitlement under licence, or because, for a time, unlicensed additional copies are made due to inadequate or limited internal audit mechanisms.

The concern sought to be addressed by the desire to criminalise business end-user piracy of software is to respond to large-scale piracy where significant commercial harm and loss is caused to the copyright owners.

Subsection 132(2) of the Copyright Act provides, *inter alia*, that a person commits a criminal offence where he or she distributes an infringing copy of a work for the purpose of trade or any other purpose to the extent that will affect prejudicially the owner of the copyright in the work (or other subject-matter). In addition, it is an offence under subsection 132(2A) for a person to have in his or her possession an infringing copy of a work for the purpose of distributing the article for any purpose to the extent that it will affect prejudicially the owner of the copyright in the work.

The recommendation could lead to the addition of inappropriate and onerous compliance costs on legitimate business, and particularly small business. Due to the number and complexity of obligations provided by the wide range of diverse software licencing required for most businesses it is likely to be unduly onerous to extend criminal liability to employees for the infringement of a software licence provision.

The Government does not consider, therefore, that the approach proposed by the Committee should be implemented. Under the Government's proposals in response to this Report, copyright owners will have considerably greater opportunity to take civil proceedings under the proposed amendments of the evidentiary provisions proposed in response to the recommendations in that regard. Further, those amendments will also include provisions to make the award of additional damages more common. This will operate as a significant deterrent to software copyright infringement.

### **Recommendation 11**

**The Committee recommends that the *Copyright Act 1968* be amended so as to provide:**

- **a summary offence, for being in possession of copies of copyright material up to a certain value, that are reasonably suspected of being infringing copies; and**
- **a defence to a prosecution for the offence, if the defendant satisfies the court that she or he had no reasonable grounds for suspecting the copies to be infringing copies.**

### **Response:**

The Government does not accept this recommendation.

The possession of an infringing copy of a work is a criminal offence where a person has the copy in his or her possession for a relevant purpose and the person has the relevant knowledge. That is, they know, or reasonably ought to know, the article to be an infringing copy (subsection 132(2A)).

The present fault element for liability provides for either actual knowledge of the infringement on the part of the defendant (a subjective test) or the existence of some reasonable cause for the defendant to know this (a constructive knowledge test (but

note that this has not been taken to deny that it is the person's knowledge that is relevant, not that of some 'reasonable' person). The Government does not agree that it is necessary to alter this fault element.

In addition, it would not be appropriate to impose criminal liability on a person based on the knowledge of another person concerning the copyright status of goods in the defendant's possession. Commonwealth criminal law policy requires that the fault element for a physical element of an offence should normally address the state of mind of the offender.

Further, the Committee's recommendation, by removing the purpose element of the present offences at section 132 of the Copyright Act, could extend criminal liability to persons who merely purchase an infringing article. At present, criminal liability applies only to the distributors, sellers and those making (and in the case of software, the advertising of) infringing copies for sale or hire.

The Committee seeks to limit the potentially wide extension of criminal liability inherent in its proposal by way of a monetary threshold in respect of the value of the articles. The practical difficulties associated with determining the value of an infringing copy (which is usually much less than the value of the legitimate article) would make the offence extremely complex and hence difficult to enforce. Also there could be uncertainty that this mechanism would achieve its intended purpose of excluding 'ordinary citizens who possess infringing copies'.

The combined effect of the proposed changes would be that a person who buys or rents a pirate, or even a legitimate but parallel imported, copy of a video or DVD at their local shopping centre would, *prima facie*, be engaged in a criminal act. They would be required to establish their innocence in a criminal proceeding.

The Government does not believe it would be appropriate to introduce an offence of this nature and that the existing provisions of the Act are sufficient for this context.

## **Recommendation 12**

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

### **Response:**

This recommendation is not accepted.

The Government does not consider such an amendment would be justified. The seizure of property is a significant intrusion on individual rights and is currently restricted to a very limited range of circumstances and undertaken by law enforcement officials or others who have the authority of a court.

To provide private citizens with search and/or seizure powers would be inconsistent with Commonwealth policy and with the standards laid down by the Senate Standing Committee for Scrutiny of Bills. It is commonly accepted that copyright issues can be complex and difficult. The seizure of one form of property ostensibly legitimately in the hands of one party on the unproven assertions of the infringement of another form of property (the copyright) strikes at the essential balance of rights and obligations in property law.

The Government considers that consultation mechanisms between IP right owners and law enforcement authorities offers a more appropriate mechanism to ensure that action is taken against persons distributing infringing copies in these circumstances (see response to recommendation 21).

### **Recommendation 13**

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

#### **Response:**

This recommendation is not supported but will be maintained under review.

Section 72 of the *Supreme Court Act 1972 (UK)* was adopted following a House of Lords decision. It determined that the issue or scope of an Anton Piller order should not extend to circumstances where the order might require the defendant to disclose incriminating information, the disclosure of which would create the risk of a criminal prosecution.

While it is assumed that this reasoning might also apply in Australia, in practice, there have been very few occasions in Australia where the privilege against self-incrimination has been raised in a civil case for infringement of copyright. In this, it may be that copyright owners are assisted by the fact that a corporation may not claim the privilege.

In the event that the privilege was raised as a bar to compliance with an order or the issue of an order, there is a statutory procedure in the Federal Court, the Federal Magistrates Service, and in the courts of the Australian Capital Territory, New South Wales, Tasmania and Western Australia by which self-incriminating evidence may be adduced at trial. The court may grant an indemnity certificate to cover incriminating information. If it does, a party cannot refuse to answer.

Some academic commentary has questioned how or whether an indemnity certificate applies to discovery or documents and answering of interrogatories. To the extent that there are gaps, other court processes may apply to determine a claim to privilege.

While the Government does not consider action is necessary at present, it will continue to monitor the situation. Specific instances of concern should be brought to the attention of the Attorney-General's Department.

## **Recommendation 14**

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

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

### **Response:**

This recommendation is supported in principle.

The Government notes that copyright owners in civil proceedings may be required to commit considerable time and money to establish that a particular person or corporation is the owner of a work. This may be so when that point either is not seriously in issue or the question of whether the copy is licensed might be resolved easily by the accused (by production, for example, of relevant evidence such as a licence).

The Government accepts the Committee's concern that it is desirable to amend the Copyright Act to simplify the conduct of civil proceedings.

The essential question addressed by the Committee was the difficulty and cost associated with the formal proof of ownership. It was to this issue that it addressed most of its remarks. Nevertheless, the form of proposed section 126A deals with the issue of the subsistence of copyright as well as ownership. The provisions for subsistence of copyright rely on the presence of markings on the article in question indicating the date and place of publication that would, if proved, support the existence of copyright.

This recommendation mirrors the Committee's recommendation in relation to proof in criminal matters (see recommendation 8). The amendments to implement this recommendation will need to be consistent with the form and approach of legislative action taken to implement the Government's response to recommendation 8. So far as statements relating to ownership are concerned the Government will give effect to this recommendation in light of the greater flexibility available in civil matters, than for criminal offences, for the introduction and probative value of evidence.

To the extent necessary in light of action to implement this recommendation, the Government will consider the recommendations in relation to penalty costs in the context of the further consideration of its response to the Australian Law Reform Commission report *Costs shifting - who pays for litigation* (ALRC 75).

## **Recommendation 15**

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

### **Response:**

The Government does not accept this recommendation but will keep this issue under review.

The Government believes that the measures to assist in the proof of ownership and subsistence of copyright provide a substantial basis for copyright owners to pursue their legal rights. The Government notes that the recommendations of the Spicer Committee – which reported in 1959 – were not adopted in the *Copyright Act 1968*, but instead the provisions were drafted and passed in substantially the form they are today. The knowledge requirement in these provisions is now not one of actual knowledge, but rather, one of actual or constructive knowledge. This is a standard of proof that has regularly been able to be satisfied in a range of cases and has not generally been raised as an issue with the Government, other than in the context of the Committee's Report.

The Digital Agenda Act reflects consideration of the difficulties of establishing secondary infringements in the digital environment and grants copyright owners the right to communicate their works. The right to communication would be infringed if a work is placed on a website without consent. It would not be necessary to show subsequent downloading. This should assist copyright owners to take action in regard to on-line use - where they are most at risk.

The Government is not convinced, therefore, that a case has been established showing that the provisions place too onerous a burden on plaintiffs. Given the longstanding nature of the requirement, the substantial lack of complaint and the other changes to the remedies provision, the Government considers that it should approach this issue with caution.

This matter will be maintained under review.

## Recommendation 16

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

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

### Response:

The Government proposes to implement the intent of this recommendation. That is, to provide greater opportunity for the award by a court in a civil matter of a remedy for flagrant infringement having a deterrent effect, and reduce the need to always prove actual damage.

The Government will give effect to the intent of this provision by making amendments to the operation of subsection 115(4) of the Copyright Act (additional damages) so as to encourage the award of relief under that subsection.

The Committee considered a number of possible means of relieving the burden of proof of damage and adding a mechanism for applying damages or compensation in a matter that provided an element of deterrence. These included schemes of statutory liquidated damages of varying types; different examples of which may be found in the Canadian and US copyright legislation. It favoured, however, an approach where an amount representing what might have been a relevant license fee is multiplied by a relevant factor, perhaps by 2 or 3 or more.

The recommendation in this respect was tentative. The report stated that there should be further discussion and consultation on the preferred form of a scheme, which, it suggested, might be facilitated by release of an exposure draft of a Bill.

It is desirable that the methods of assessment of damages be sufficiently flexible to set an appropriate level of damages in all situations.

In relation to compensation, the Australian cases show that there is no one fixed method of assessment that can be applied to all situations.

In some instances, damages are calculated according to the licence fee of which the copyright owner is deprived. The licence fee approach is appropriate where an inference may be drawn that consumers would have purchased genuine copies of the copyright material rather than the infringing copies. Licence fees are problematic in that they are difficult to set objectively.

In other cases, different approaches have been considered more appropriate. Damages have been dealt with as a 'jury question' to be estimated by the court using all the evidence before it. In earlier copyright cases, the diminution in the value of the copyright as a chose in action has been chosen as the most appropriate measure of the

damage that has been proved to have been suffered. These different approaches reflect the complexity of calculating the actual loss suffered.

Such issues are appropriate in determining compensation. Compensation, however, is not at the heart of the additional damages provided for in subsection 115(4). This is a provision in the nature of punitive or exemplary damages. It has no direct equivalent in any of the legislation considered by the Committee as possible examples of an alternative approach to mere compensation.

Under subsection 115(4) of the Copyright Act, the court has a discretion where infringement of copyright is established, to award additional damages. It may do so if it is satisfied of a number of factors. These are that it would be proper to do so having regard to the flagrancy of the infringement, whether the infringement involved the conversion of a work into digital form (for which higher criminal penalties apply), any benefit shown to have accrued to the defendant by reason of the infringement and all other relevant matters.

In contrast to the licence fee approach, the Australian provision does not have a limit on the amount of damages that can be awarded. A number of international statutory damages schemes do not operate unless infringement was intentional or resulted from gross negligence whereas the Australian additional damages provision is not limited in that way. The Committee itself noted that several submissions expressed concerns that a system of statutory damages would not adequately accommodate varying circumstances of infringement.

Therefore, the Government sees advantages in the present damages provisions which allow the courts to exercise a degree of forensic discretion in calculating damages according to all the surrounding circumstances of the case. This approach seems more likely to provide a morally just result. The Government notes the willingness of the Federal Court in one recent case to award substantial additional damages of up to \$500,000. This substantially matched the amount of compensatory damages awarded by the Court based on the value of lost retail sales.

While not accepting that adoption of a statutory damages scheme for the above reasons, the Government has decided that it would be appropriate to introduce amendments to section 115 for the purpose of assisting copyright owners through encouraging courts to award damages based on flagrancy and deterrence in the civil provisions. Additional damages are available whether or not compensatory damages are awarded. On the judicial authority available, the additional damages provision is an independent self-standing power to award punitive or exemplary damages even though no loss has been suffered, or, rather, has been proved to have been suffered, by the copyright owner.

The Government will review the range of matters to which a court is required to have regard in deciding whether it is appropriate to award additional damages so as to emphasise that this consideration should be undertaken on a regular basis to address cases of serious infringement, and to indicate that not merely the flagrancy but the overall circumstances and context of the infringement are to be taken into account in determining whether to make such an award, and how much it ought to be. Factors to be considered for inclusion might include:

- (1) deterrence of further infringements; and
- (2) action taken by the defendant subsequent to the commission of the infringement or their being put on notice of a possible infringement - particularly in relation to copyright material claimed by the plaintiff to be owned or licensed by it.

### **Recommendation 17**

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

#### **Response:**

This recommendation is not accepted.

The Committee's recommendation is directed at the difficulty of a plaintiff enforcing a costs award where the defendant is a company that possesses few, if any, corporate assets. The Committee proposes that a plaintiff should be able in such circumstances to recover debts from the directors of the company.

The preponderance of legal authority, especially in the Federal Court, is that a director will be personally liable along with the company for infringement of copyright where the director expressly or impliedly procured or directed the infringing conduct. Consequently, it is open to a plaintiff to sue jointly a company and a director who has procured or directed an infringement of copyright. The Government does not accept that it would be appropriate to extend this general principle by making a director personally liable for a corporate tort where the director has no connection with the tortious conduct other than by being a director of the company.

The submissions and oral evidence provided to the Committee in the course of its inquiry primarily addressed the limitations of civil remedies in providing relief against impecunious individuals - not defaulting companies. This concern is consistent with statistics that indicate that the majority of new bankruptcies continue to be in the non-business (consumer credit) area.

Copyright owners' concerns about not being able to collect the fruits of costs orders have been drawn to the attention of the Insolvency and Trustee Service of Australia for consideration in the context of potential future reform of the bankruptcy law.

### **Recommendation 18**

**The Committee recommends that the *Copyright Act 1968* be amended so as to provide the following remedies in actions for the infringement of copyright:**

- a provision for the Court, in determining what other remedies it should grant, to take into account whether or not the defendant has apologised to the plaintiff; and
- an order that the defendant attends the plaintiff at a time and place specified in the order and listen to the plaintiff explain the significance of the work and its infringement.

**Response:**

These recommendations have already been implemented in part in relation to infringement of moral rights. Section 195AZA of the Copyright Act, inserted into the Copyright Act by the *Copyright Amendment (Moral Rights) Act 2000*, provides that one of the orders a court may make for infringement of a moral right is that the defendant make a public apology. Subsection 195AZA(2) lists certain matters a court may take into account in exercising its discretion concerning the appropriate relief to grant. These matters include: whether the defendant was aware or ought reasonably to have been aware of the author's moral rights; the effect on the author's honour or reputation resulting from any damage to the work; the number of people who have seen or heard the work; any mitigating action taken by the defendant and, if the right of attribution is infringed, any cost or difficulty that would have been associated with identifying the author and any cost or difficulty in removing or reversing any false attribution of authorship, or derogatory treatment, of the work.

These recommendations come particularly within the context of the Committee's deliberations on the intellectual needs of indigenous people. In consequence, the Government will consider the recommendation further in its examination of proposals for improved protection for indigenous arts and cultural expressions (see recommendation 2).

**Recommendation 19**

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

**Response:**

The Government does not accept this recommendation.

The exclusive rights in the Copyright Act are subject to statutory exceptions or qualifications in certain special circumstances. These can apply where public policy and practical considerations justify the transmutation of the exclusive right into a right to remuneration under statutory licence or a free-use provision. For example, Part VB of the Copyright Act provides a compulsory licence scheme by which educational institutions may make copies of certain materials for educational purposes provided that equitable remuneration is paid by the institution. There is a clear public policy benefit underlying such a compulsory licence. In contrast, the Committee's

recommendation would impose a much wider limitation on the exclusive rights of copyright owners without any apparent countervailing public benefit.

Under the proposal, a person could avoid the legal consequences of infringing copyright by paying a licence fee to a collecting society. The advantages to an infringer are obvious, providing a means to extinguish an owner's right to damages or an account of profits and conversion damages, as well as giving protection against the possible imposition of exemplary damages. This would produce an unfair result, particularly where the damage suffered by the copyright owner because of the infringement substantially exceeds the amount of the licence fee. In addition, the proposal would take away the right of copyright owners to control the uses made of their works and other subject matter.

It is also doubtful whether the present proposal would meet conditions under relevant treaties concerning exceptions to the right of reproduction.

The UK or Canadian provision referred to the Committee as being similar, and cited by it as similar to its proposal, are much narrower in scope. Section 136 of the *Copyright, Designs and Patents Act 1988 (UK)* deals with a situation where there is a licence for reproduction but uncertainty as to its scope. In that situation, the relevant collecting society may provide an indemnity. Section 38.2(1) of the *Copyright Act (Canada)* provides, within the context of its legislative scheme, that the liability of a relevant institution (school, library, archive or museum) where the owner has not authorised a collecting society to collect for them, is the relevant royalty charged by the collecting society. In other words, it is the means the Canadian legislature has chosen to implement a form of compulsory licence for certain specific institutions. The Australian Copyright Act implements such measures in a different manner.

## **Recommendation 20**

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

### **Response:**

The Government agrees to conferring appropriate jurisdiction under the *Copyright Act 1968* on the Federal Magistrates Service (FMS).

It is not intended that the FMS would hear criminal cases or complex civil matters and this would not change if the FMS were to have power to deal with copyright cases. As such, in terms of criminal enforcement, the FMS is not a suitable forum. Further, many copyright cases are complex, requiring the establishment of a complex interaction of facts and law that, if defended, would not be suitable for the FMS to hear.

There are, however, some less complex copyright matters that would be suitable for the FMS to hear, and the Government considers that this opportunity should be afforded to litigants. More complex matters that are within the jurisdiction of the FMS can be transferred to the Federal Court.

The second aspect of the recommendation concerns the procedural aspects of the conduct of copyright cases before the FMS. The FMS already has simplified procedures designed to deal with less-complex matters as quickly and cheaply as possible. As a judicial body exercising Commonwealth judicial power Constitutional limitations affect the procedures that the FMS can adopt, for example, in relation to dispensing with the rules of evidence. Nevertheless, the rules and the operation of the FMS provide for greater informality and a focus on early resolution of matters than is possible in a superior court.

### **Recommendation 20A**

**The Committee recommends that the Australian Customs Service dedicate staff to work on the enforcement of intellectual property rights. The Committee further recommends that the Australian Customs Service also provide publicity about the nature of its role in copyright enforcement and how copyright owners can assist it in intercepting infringing goods at the border.**

#### **Response:**

The Government accepts this recommendation.

The Australian Customs Service is responsible for the development, implementation and review of nationally consistent policy and standards in relation to Customs enforcement of all consumer protection legislation. This includes the administration of the border provisions for intellectual property rights legislation.

The Australian Customs Service will continue to work to improve its provision of information concerning border interception of goods containing or bearing copyright and trade marks, including through access to information on the ACS website, provision of printed material and guides and closer liaison with relevant industry bodies and representatives.

### **Recommendation 21**

**The Committee recommends that the Minister for Justice and Customs, in conjunction with the Commissioner of the Australian Federal Police, establish a task force for the enforcement of intellectual property rights within the Australian Federal Police. The Task Force should seek the involvement of the representatives mentioned in, and have at least the responsibilities outlined in, paragraph 6.36.**

**The Committee recommends that section 67 of the *Australian Federal Police Act 1979* be amended so as to require the Commissioner to report specifically on the establishment and activities of the task force in his or her annual report. The amendment should require the Commissioner to report against performance outcomes that relate to the apprehension and prosecution of breaches of intellectual property rights, including copyright.**

**Response:**

The Government accepts this recommendation in part.

The Committee indicated that it did not have a concluded view as to the form that a 'task force' should take. The Government proposes to adopt this recommendation through the establishment of a law enforcement and industry consultative group. The tasks of this group will be broadly in line with the Committee's recommendations. That is, to consider and review the sharing of intelligence on criminal activity on intellectual property and consideration and review of a range of other relevant high level issues including coordination mechanisms for investigation of IP offences and broader administrative and education measures in enforcement.

This Consultative Management Group would not be an AFP police task force. Since 1995, the Australian Federal Police have adopted the National Teams Model, which has enabled it to eliminate rigid organisational compartments thereby maximising the efficient, effective, cohesive and flexible use of resources. The Government does not consider it necessary to provide for a specific report to the Parliament on this issue. The Group would, however, be supported at a senior level within the Australian Federal Police and mechanisms will be pursued to carry forward its activities and proposals. It is anticipated that reporting of the Group's outcomes would, as appropriate, form part of the AFP's annual report.

This response has been informed by further consideration of the issue of intellectual property offences and the extent of organised crime involvement in such offences in Australia. On 6-7 June 2001, in response to the Committee's findings on organised crime and copyright, the Australian Federal Police arranged a Critical Issues Workshop on that topic. The Workshop was held to seek clarification of the nature of available intelligence concerning criminal activity in this area and to share such intelligence. The workshop included representatives of most State police services and enforcement representatives of various trade mark and copyright owners who had given evidence to the Committee. All industry enforcement bodies that gave evidence before the Committee were invited.

Participants supported the suggestion for further high-level consideration. Specific topics for possible consideration supported the thrust of the Committee's areas of suggested coverage. They included coordination mechanisms for investigation of IP offences, education issues, mechanisms to facilitate improved intelligence gathering and sharing, coordination of industry input and further examination of possible means of providing greater resources to respond to the concerns in this area.

The Australian Federal Police are facilitating this process by acting as the initial convenor of this Consultative Management Group, consistent with the

recommendation of the Committee. A number of meetings of the Group have already been held.

**Recommendation 22**

**The Committee recommends that sections 48A and 104A of the *Copyright Act 1968* be amended so that each section concludes:**

**‘...being a library the principal purpose of which is to provide library services for the members of a Parliament.’**

**Response:**

A response to this recommendation will be provided in the context of the Government’s response to Part 1 of the report of the Copyright Law Review Committee titled *Simplification of the Copyright Act 1968: Exceptions to the Exclusive Rights of Copyright Owners*.