

ALRC Inquiry into Copyright and the Digital Economy
Submission in response to Discussion Paper No. 79 (DP 79)

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1. Outline of this Submission

This submission argues that the ALRC was right in Proposal 4-1 of its Discussion Paper to call for the introduction of a fair use defence into Australian law. Given expansions to owner rights, the inclusion of ‘large and liberal’¹ exceptions in copyright legislation is essential to promote important public interest values associated with research and education, access to information, new authorship, fair competition, technological and scientific progress, and cultural, economic and social development. After much thought, we believe that an open-ended, general provision is the best way to achieve this state of affairs in Australia, and that the preferable (although not only) model is a new exception following the US language of fair use.² We favour this approach because:

1. Fair use allows the law to respond to changing conditions without having to refer every detail back to the legislature. It lessens both the risk of legislative and of drafting errors.
2. Fair use can achieve better justice between individual parties than arbitrary rules, because of its fact-specific application.
3. Utilisation of fair use language will help connect any new Australian exception to well-understood and reasonably predictable factors. There is a rich body of jurisprudence from which guidance on ‘fairness’ can be found, including overseas case law, industry guidelines and codes of practice, and academic commentary. There are also steps the Commission and Government can take to signal their intentions in

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¹ To use language from *CCH Canadian Ltd v Law Society of Upper Canada* (2004) 236 DLR (4th) 395, [51].

² For a detailed explanation of our reasoning, see the comprehensive submission we made to this Inquiry in December 2012: Robert Burrell, Michael Handler, Emily Hudson and Kimberlee Weatherall, *Submission 278*, at <http://www.alrc.gov.au/sites/default/files/subs/278.burrellhandlerhudsonweatherall.pdf>.

relation to fair use, for instance through examples given in the ALRC's Final Report, and statements in explanatory materials and the *Copyright Act* itself.

4. Although a move to fair use may require some change to copyright management practices, the magnitude of that change should not be overstated. The introduction of fair use should not be seen as moving from certainty to flexibility: there are many ways in which the existing system is uncertain, and much evidence that fair use is predictable. We also believe that the concept of fairness is accessible to everyday users and their legal advisors, and can be readily connected to policy rationales for copyright and exceptions.
5. We are confident that many Australian users are well-placed to embrace a general exception. However, even for those who may be reluctant at first, the Commission and Government should be contemplating fair use with a long-term vision in mind. Fair use often involves incremental development to the law and practices, such that changes we make now build the foundations for new practices and understandings that may emerge five, ten or twenty years down the track.

We recognise that there are those who are implacably opposed to the ALRC's recommendations, and we call on the Commission and on Government to stand firm in the face of the inevitable tidal wave of obfuscation, mischaracterisation and political influence peddling that will be generated by vested interests opposed to this recommendation. The Government needs to embrace the opportunity to update Australian copyright law to include this important reform.

This submission has three further parts. Part 2 seeks to provide brief responses to the principal criticisms that have been levelled at fair use by those opposed to such a change. Our aim in this section is not to present a fully developed set of arguments but to provide a series of short rejoinders that demonstrate that the objections that are typically made to fair use can be answered.

Part 3 of this submission responds to some of the questions identified in the Discussion Paper as requiring further input and consideration. Specifically, we address the following:

- Question 4-1 'What additional use or purposes, if any, should be included in the list of illustrative purposes in the fair use exception?'

- Question 4-2 ‘If fair use is enacted, the ALRC proposes that a range of specific exceptions be repealed. What other exceptions should be repealed if fair use is enacted?’
- Question 6–1 ‘If the statutory licences are repealed, should the *Copyright Act* be amended to provide for certain free use exceptions for governments and educational institutions that only operate where the use cannot be licensed, and if so, how?’
- Question 11-1 ‘Should voluntary extended collective licensing be facilitated to deal with mass digitisation projects by libraries, museums and archives? How can the *Copyright Act* be amended to facilitate voluntary extended collective licensing?’

Part 4 of this submission looks at a number of issues separate from those contained in the questions specifically asked in the Discussion Paper. We first address the ALRC’s conclusion that no express statement should be inserted into the *Copyright Act* instructing Australian courts to look to US case law when interpreting fair use. We argue that such a conclusion fails to appreciate the importance of this issue and that the reasons given for concluding that an express statement is unnecessary are unconvincing. We then consider the wording of the third fairness factor as recommended in Proposal 4-3 (amount and substantiality of part used). We recognise the motivation to move away from the wording of the equivalent paragraph of s 107 of the US Act, given judicial interpretations that the use of an entire work can be fair. However, we are concerned that, as drafted, this provision may lack guidance for instances where the whole work is copied (for instance for images, short literary works and many private uses). We are also concerned about the failure to follow the US in making specific provision for the copying of unpublished works. Finally we ask whether the adoption of the *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* at WIPO on 27 June 2013 will have any impact on Australia adopting fair use and repealing provisions specifically designed to deal with use by or for persons with print disabilities.

2. Misplaced Objections to Fair Use

In this Part we address five key criticisms that have been made about fair use. To reiterate a point we made in the Introduction, our criticisms are not intended to be comprehensive; rather, they are put forward to show that the most commonly raised objections to fair use are largely unfounded.

2.1 The current system is working satisfactorily

The current system of exceptions, far from working satisfactorily, is broken beyond repair. As the Australian Copyright Law Review Committee noted in 1996, it is impossible for the legislature to predict the precise circumstances in which it would be desirable to make an exception available. Under the current system it is often impossible for a court to respond flexibly to technological developments or new artistic practices. It also embodies an approach that has resulted in the legislation becoming ever more complex as new exceptions are added over time. It is not enough for opponents of reform to deny loudly and repeatedly that change is required; they have to identify clearly and precisely how they would address the problems that the ALRC has identified.

2.2 Fair use would make the law less certain

In some respects this argument is correct. Additional uncertainty is not, however, always undesirable in life. Consider the patient in his hospital bed who has been told that his condition is terminal. On being informed that there is an experimental treatment that offers a chance at a cure the patient will become less certain about his future, but this additional uncertainty is not to be lamented. Australia's current system of exceptions only provides 'certainty' in the sense that we can be confident that a whole raft of socially desirable re-uses of copyright material are prohibited. Of course, opponents of fair use might argue that it is uncertain whether there is any need for more flexibility, but this is merely a slightly more moderate way of expressing the first objection set out above, that is, that there is no need for reform.

It is therefore important to recognise, first, that any increased uncertainty that is generated by the removal of an unjustified constraint on the actions of users is to be welcomed and, second, that arguments about uncertainty are often just another way of saying that reform is not required. In other respects, moreover, arguments about increased uncertainty are confused. In particular, it must be remembered that the principal argument that fair use is uncertain turns on the assertion that the test of 'fairness' is unpredictable. But Australia's most important exceptions (fair dealing for the purposes of research and study, criticism and review, parody and satire and news reporting) already turn on the application of a test of fairness. If anything, providing an illustrative list of fairness factors that will apply to all types of use and allow Australian courts to look to the vast body of American case law for guidance fair use should render the law less uncertain.

2.3 Less radical reform would be preferable: the existing system can be made to work

Identifying problems with Australia's existing exceptions is not necessarily enough to make the case for fair use, since there are other options for reform. In particular, the Government might focus on amending the existing provisions to make them more workable. It must, however, be borne in mind that the ALRC is merely the latest in a long line of official bodies to recognise that the current provisions are not working satisfactorily. Australia has tried tinkering with the current model, but this has not proven to be sufficient. The problem lies with the model itself, a model that Australia inherited from Britain without adequate thought or debate. It is a system that has always given rise to significant problems, but the advent of the digital economy has created a whole new set of strains. It is no coincidence that exceptions reform has become a perennial issue in copyright reform debates in Australia, and indeed elsewhere. The current model is broken and, with apologies to John Perry Barlow, 'cannot be patched, retrofitted, or expanded to contain digitized expression'.³ The time has come to embrace something different and fair use is the most promising candidate.

2.4 Fair use would be incompatible with the three-step test

One argument that has been repeatedly raised by opponents of reform is that fair use is incompatible with the so-called 'three-step test' contained in Article 13 of the TRIPS Agreement. That Article provides as follows:

Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

Concerns about the compatibility of fair use with the three-step test seem to have helped persuade the Government not to adopt such a defence in 2006.⁴ It is therefore important to reiterate why concerns about the three-step test are unfounded:

1. There is no reason to conclude that fair use would be incompatible with the second and third limbs of the test. Fair use could only conflict with a normal exploitation of the work and could only unreasonably prejudice the legitimate interests of the right holder if it were applied incautiously by the judiciary. The same is true of the existing

³ Cf John Perry Barlow, 'The Economy of Ideas' *Wired* (San Francisco), Volume 2.03, 1994, at http://www.wired.com/wired/archive/2.03/economy.ideas_pr.html

⁴ Issues Paper, [294]; Discussion Paper, [4.27].

exceptions. Fair use thus creates no new risk for Australia on the international stage as regards the second and third limbs.

2. The question of whether fair use is compatible with the three-step test is therefore really a question of whether it falls foul of the first limb of the test. This is not merely our view, it is also the view of the most prominent commentator to argue for the view that fair use is incompatible with the three-step test.⁵
3. In relation to the first limb the question is whether a ‘special case’ has to be identified in advance by the legislature or whether it is enough that the judiciary identifies special cases after the event. The latter interpretation is to be preferred: it is the view taken not merely by the US, but also by Israel,⁶ the Philippines,⁷ Singapore,⁸ Taiwan⁹ and the Republic of Korea,¹⁰ all of which have adopted fair use-style provisions over recent years. Moreover, if the former interpretation were correct Australia would already be in breach of its international obligations. This is because the flexible copying provision contained in s 200AB is already not confined to particular purposes. Here it must also be emphasised that the fact that s 200AB has been made expressly subject to the three-step test does not sidestep this issue, since this does nothing to spell out the uses that are permitted in advance of a judicial determination.

2.5 More economic evidence is required

Perhaps the most specious criticism that has been levelled against the ALRC’s recommendation is that the economic case for fair use has not been made out. We describe this argument as specious because its proponents generally have no desire to engage in meaningful debate about the economics of copyright and on closer analysis this criticism is clearly misconceived for at least three reasons:

1. This argument implies that we do not know enough about the economics of copyright to make an informed decision about the ideal state of the law. In fact there is a vast literature that examines copyright through the lens of theoretical economics. Much of this literature suggests that copyright protection is either not needed at all to incentivise the production of many types of work or, at the very least, there is a strong

⁵ Sam Ricketson, *The Three-Step Test, Deemed Quantities, Libraries and Closed Exceptions* (Centre for Copyright Studies, 2002) 153.

⁶ *Copyright Act 2007* (Israel), Art 19.

⁷ Intellectual Property Code of the Philippines, Art 185.

⁸ *Copyright Act 1987* (Singapore), s 35(1).

⁹ *Copyright Act 2007* (Taiwan), Art 65.

¹⁰ *Copyright Act 1957* (Republic of Korea), Art 35-3 (effective 15 March 2012).

argument that for all but the most expensive works (such as large budget films) sufficient incentives could be provided through a much more limited set of rights than copyright law currently provides. Indeed, proponents of strong copyright protection who adopt an economic perspective have been very much on the back foot over recent years. They have increasingly had to shift their attention from the traditional ‘copyright as incentive’ justification to other still more controversial and contested explanations.¹¹ If economic theory provides us with good reason for thinking that copyright often overreaches then the presumption should be that liberalising doctrines such as fair use are to be welcomed.

2. This argument ignores real world evidence that fair use is economically advantageous. The copyright industries in the United States remain without peer. These industries have achieved global dominance against the backdrop of a domestic fair use defence. It is, of course, possible that this has occurred despite—rather than with the assistance of—fair use, but it is down to opponents of fair use to make this case. It is also important in this context to note the comments of the Hargreaves Committee in the UK. The Committee was keen to emphasise that fair use does not provide a complete explanation for why the US copyright industries have been so successful,¹² but concluded that it has contributed to the overall picture.¹³
3. This argument also ignores empirical studies that suggest that many of the claims that are made for the need for strong copyright protection are not borne out by the available evidence. For example, Paul Heald has tested the claim that once the copyright term has expired commercial actors will have no further interest in exploiting a work because they will have no means of capturing the benefits of their investment. Specifically, Heald compared best-selling works of fiction produced in the period 1913-1922 with those produced in the period 1923-1932. In the United States, works in the former category are all in the public domain, whilst works in the

¹¹ See, eg, William Landes and Richard Posner, ‘Indefinitely Renewable Copyright’ (2003) 70 *University of Chicago Law Review* 471. In this article Landes and Posner seek to cast doubt on the standard economic assumption that copyright works are non-rivalrous, arguing that some works may be subject to ‘congestion externalities’. From this they conclude that copyright protection should be potentially perpetual. This analysis has been subject to extensive and cogent criticism: see, eg, Stewart E Sterk, ‘Intellectualizing Property: The Tenuous Connections between Land and Copyright’ (2005) 83 *Washington University Law Quarterly* 417, 440; Dennis S Karjala, ‘Congestion Externalities and Extended Copyright Protection’ (2006) 94 *Georgetown Law Journal* 1065.

¹² Ian Hargreaves, *Digital Opportunity: A Review of Intellectual Property and Growth* (2011) (‘Hargreaves Report’) [5.17].

¹³ *Ibid* [5.16].

latter are all still in copyright.¹⁴ Heald demonstrates that public domain works are more likely to be in print than those still in copyright, with the divergence between the two groups of works having increased over recent years (something that Heald tentatively links to improvements in technology that have lowered the costs of producing new editions of public domain works). Whilst this study does not address the desirability of fair use per se it should be seen as adding to the weight of theoretical and real world evidence that tells us that current copyright law often overreaches. As regards more direct empirical evidence as to the impact of fair use it must be borne in mind that collecting truly robust empirical data is extremely difficult. Indeed, it has been said that ‘the empirical information necessary to calculate the effect of copyright law on the actions of authors, potential defendants and consumers ... is probably uncollectible’.¹⁵ In the copyright sphere policymakers always have to feel their way using the best evidence available. At present this evidence points to the desirability of Australia moving to the more flexible system offered by fair use.

There is a significant danger in allowing opponents of reform to hide behind calls for better economic evidence, ignoring what we already know and the obvious discrepancy between the evidence that is being demanded for fair use with that available to support the extensions of copyright that have taken place over recent years.

3. The Questions in the Discussion Paper

Question 4-1 ‘What additional use or purposes, if any, should be included in the list of illustrative purposes in the fair use exception?’

The illustrative purposes contained in the Discussion Paper are to be welcomed. The list reflects an eminently sensible attempt to codify fair use as it has been developed by US courts since 1976, without foreclosing further common law development. In this respect the list put forward by the ALRC is very much in the tradition of s 107 of the US *Copyright Act*: it tries to map the current contours of fair use, without attempting to set its future boundaries. There are, however, three areas that we feel deserve further attention, as set out below.¹⁶

¹⁴ Paul J Heald, ‘Property Rights and the Efficient Exploitation of Copyrighted Works: An Empirical Analysis of Public Domain and Copyrighted Fiction Bestsellers’ (2008) 93 *Minnesota Law Review* 1031.

¹⁵ Alfred C Yen, ‘Restoring the Natural Law: Copyright as Labor and Possession’ (1990) 51 *Ohio State Law Journal* 517, 542, 542-3.

¹⁶ See also Part 4.3 of our submission on a potential illustrative purpose for ‘facilitating access to works for persons with a print disability’.

(i) Adding Professional Advice

We believe that serious consideration should be given to adding ‘providing or seeking professional advice’ to the list of illustrative purposes. This recommendation accords with what we understand the ALRC is hoping to achieve. Specifically, we note that Proposal 7-1 of the Discussion Paper states that the ‘fair use exception should be applied when determining whether ... professional advice infringes copyright’. The Discussion Paper accordingly recommends that ss 43(2) and 104(b)-(c) of the *Copyright Act*, which deal with the giving of advice by a legal practitioner, be repealed. Adding the ‘giving or seeking professional advice’ to the list of illustrative purposes would therefore help ensure that the new exception works as intended. Our recommendation also chimes with the more general aim of codifying an illustrative list of purposes that accords with how fair use has developed in the United States since 1976. Specifically, we note that there are a number of US cases that have held that copying by professional advisors in the course of preparing for litigation constitutes fair use.¹⁷ The US cases, like the existing fair dealing exceptions, have admittedly tended to cluster around legal advice and the preparation of documents for litigation, but there is no reason of principle why advice provided by other professional groups such as accountants and doctors should not be treated in a broadly similar way, bearing in mind that in order to fall within fair use the defendant always has to demonstrate that the taking was ‘fair’.

(ii) Reconsidering ‘non-consumptive use’ as an illustrative purpose

The ALRC has proposed ‘non-consumptive use’ as either an illustrative purpose in fair use, or as a separate fair dealing exception. The Discussion Paper proposes a definition treating as ‘non-consumptive’ use that does not trade on the underlying creative and expressive purpose of the material. According to the ALRC, examples of non-consumptive use include caching, search engine indexing and (possibly) data mining.

We agree with the idea behind the proposal. As set out in our previous submission to the Issues Paper, we agree that the present exceptions for temporary copies and technical uses do not operate satisfactorily. We also agree that copyright principles do not require that creators and owners should be entitled to prevent or obtain remuneration for every possible

¹⁷ See, eg, *Tavory v NTP, Inc*, 495 F Supp 2d 531 (ED Va 2007) and see Pamela Samuelson, ‘Unbundling Fair Uses’ (2009) 77 *Fordham Law Review* 2537 and the cases cited therein.

copy or every possible technical processing of a copyright work.¹⁸ We agree that copyright owners should be entitled to prevent, or receive payment for, uses that could be termed expressive (in a broad sense). We also agree that a blanket exclusion from copyright protection for any and all ‘non-consumptive’ or ‘non-expressive’ uses (or whatever terminology is used) would be inappropriate in that it might allow for some uses that interfere too significantly with a copyright owner’s market for their creations, and thus that either inclusion in fair use or a standalone fair dealing exception is more appropriate.¹⁹

We are not entirely convinced, however, that it is appropriate to use one umbrella term (‘non-consumptive’) to cover what are at least two kinds of uses that ought to be excepted for reasons that differ. The two different kinds of uses referred to by the ALRC are:²⁰

1. Uses currently addressed (imperfectly) by ss 43A, 43B, 111A, 111B, 116AB, and 200AAA: that is, ‘technical’ uses that are an inevitable result of some other act to which copyright’s exclusive rights may be relevant (the reproductions and communications that may occur, for example, in the course of using a digital copy of a work such as a DVD or sending or receiving an email, including caching); and
2. uses such as search engine indexing or data mining which are not merely facilitative but which do not ‘trade on the underlying creative and expressive purpose of the material’.

First, we are not convinced that the term ‘non-consumptive’ captures both of these categories of uses. Commentators have struggled with terminology to capture the kinds of acts and activities with which the Discussion Paper is concerned. Although ‘non-

¹⁸ We disagree with the argument made by some copyright owners that they are entitled to remuneration for every possible use of a work, including non-expressive or technical uses, on the basis that wherever their works are used to create ‘value’ then some of that value should be returned to the copyright owner. Such arguments tend to be supported by references to ‘free riding’. As Gangjee and Burrell have pointed out, it is incorrect to assume that ‘free riding’, or obtaining benefit from others’ work, is always wrong: on the contrary, the existence of free riding is inevitable and in some cases positively beneficial: Dev Gangjee and Robert Burrell, ‘Because You’re Worth It: *L’Oreal* and the Prohibition on Free Riding’ (2010) 73 *Modern Law Review* 282.

¹⁹ In addition, some non-consumptive uses might involve ‘consumption’ of the expressive content of works: see, eg, Pamela Samuelson, ‘The Google Book Settlement as Copyright Reform’ [2011] *Wisconsin Law Review* 479, 528.

²⁰ Note that our division of uses into two categories here does not match the division in the Discussion Paper. The Discussion Paper distinguishes between network related functions on the one hand and data/text mining on the other (at [8.8]). In other words, the Discussion Paper treats search engine indexing together with our ‘technical copying’ (under the rubric ‘network-related uses’). In our view the grouping of the technical exceptions under the umbrella term ‘network-related uses’ suggests that the exceptions are intended to benefit network intermediaries. While this is true it ignores the fact that the exceptions may also be important to individual ‘end-users’ of both networks and digital copies of works sold in physical form rather than downloaded (DVDs, CDs, etc).

consumptive’ is a term that has been adopted by some commentators and review bodies,²¹ it has very real problems. On the one hand, it seems to suggest that all ‘consumptive’ uses fall within a copyright owner’s rights—which is clearly not true, since neither the ‘consumptive’ act of reading a book, nor viewing a movie in private, are acts that copyright owners may veto. In addition, there is the fact that (absent a specific definition) ‘consumption’ is term that is broad enough to encompass the use of material as data: in a sense, a computer operating a program that crunches large amounts of ‘data’ in the form of literary texts is ‘consuming’ that text even if it fails to ‘appreciate’ the text. It is for these kinds of reasons that other commentators have preferred other terms: Matthew Sag prefers ‘non-expressive uses’ (being uses that do not relate to ‘human appreciation of the expressive qualities of the work’²²). Pamela Samuelson refers to at least a subset of such cases as ‘information access cases’ justified by the fact that the use is for an ‘orthogonal’ purpose (ie, a purpose different from that of the original).²³

A further problem with the language of ‘non-consumptive use’ is that all of the academic and policy discussions to date referring to non-consumptive, or non-expressive, or ‘orthogonal’ uses focus on our category 2 type uses rather than the technical uses in our category 1. The examples specifically given by Hargreaves are data-mining and search engine indexing—uses falling under our category 2. Sag’s examples of non-expressive uses (parenthetically ‘non-consumptive’ uses) are copying literary texts (such as journal articles or books) in analysis that treats the texts as ‘data’ in relation to which things like frequency of words, or grammatical structure may be determined by automated methods;²⁴ indiscriminate copying by search engines for indexing purposes; plagiarism detection software; and library digitisation.²⁵ The Public Knowledge Report cited by Hargreaves in support of its

²¹ In particular, see the Hargreaves Report, above n 12, [5.24]; Jennifer M Urban, *Updating Fair Use for Innovators and Creators in the Digital Age: Two Targeted Reforms* (2010) (‘Public Knowledge Report’), at <http://www.publicknowledge.org/pdf/fair-use-report-02132010.pdf>.

²² Matthew Sag, ‘Orphan Works as Grist for the Data Mill’ (2012) 27 *Berkeley Technology Law Journal* 1503, 1523.

²³ Samuelson, ‘Unbundling’, above n 17, 2610-15.

²⁴ Such as copying and analysis by scholars in the digital humanities for the purpose of extracting factual information about a work in terms of its linguistic structure or the frequency of the occurrence of certain words, phrases, or grammatical features: Sag, above n 22, 1526. The Google Book settlement also had a definition of ‘non-consumptive research’, being ‘research in which computational analysis is performed on one or more Books, but not research in which a researcher reads or displays substantial portions of a Book to understand the intellectual content presented within the Book’: Samuelson, ‘The Google Book Settlement’, above n 19, 527.

²⁵ Sag, above n 22. As Sag further notes at 1525 fn 111, in the Google Book litigation, the term ‘non-consumptive use’ was used in the Amended Settlement Agreement, where non-consumptive use was defined to include ‘Image Analysis and Text Extraction, Textual Analysis and Information Extraction, Linguistic Analysis, Automated Translation, and Indexing and Search (research on different techniques for indexing and search of textual content)’.

recommendation also discusses ‘non-consumptive’ uses in similar terms: referring to non-consumptive research and copying for indexing (whether by scholars or search engines). The Public Knowledge Report specifically states that it treats separately ‘incidental copying that is necessary to technological processes, such as running computer programs, transmissions over a network, or other automatic processes, through an exemption’.²⁶

In other jurisdictions where non-consumptive use has been discussed, this has been against a backdrop of other doctrinal mechanisms or exceptions that address category 1 technical uses. When the Hargreaves Report proposed that the UK Government should lobby the EU for creation of a new exception for ‘non-consumptive uses’, although it used language broad enough to cover acts such as caching²⁷ the recommendation was made in the context of a copyright system that already included a general (mandatory) exception for temporary reproductions made in the context of communications and lawful uses where such copies are ‘transient or incidental [and] an integral and essential part of a technological process’, and have ‘no independent economic significance’ (Article 5(1) of the *Information Society Directive*²⁸), and the exceptions in the *E-Commerce Directive*²⁹ for, inter alia, caching. In the US, too, although fair use is sometimes used to exempt temporary copies,³⁰ in other cases temporary and technical copies have been treated as falling outside the reproduction right entirely.³¹

It is not immediately apparent that ‘non-consumptive’ is appropriate terminology to cover all temporary and/or technical copies. Although it could be argued that ‘network uses’ (such as caching by internet intermediaries) is ‘non-consumptive’ in the sense that term is used in the Discussion Paper, it is less obvious that all the kinds of uses covered by ss 43B,

²⁶ Public Knowledge Report, above n 21, 18.

²⁷ For example, the phrase quoted above that an exception for non-consumptive use was intended to ‘encompass the uses of copyright works where copying is really only carried out as part of the way the technology works’.

²⁸ *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* [2001] OJ L167/10.

²⁹ *Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market* [2000] OJ L 178/1, in particular Arts 12-15.

³⁰ In *Field v Google Inc*, 412 F Supp 2d 1106 (D Nev 2006) copies in Google’s cache were held to be fair use: at 1124. See also *Kelly v Arriba Soft Corp*, 336 F 3d 811, 817-22 (9th Cir 2003). Fair use has been held to apply even where the source copies are infringing: *Perfect 10, Inc v Amazon.com, Inc*, 508 F 3d 1146, 1164 fn 8 (9th Cir 2007).

³¹ *Cartoon Network, LP v CSC Holdings, Inc*, 536 F 3d 121, 127 (2d Cir 2008). ‘Copies’ are defined in s 101 of the *Copyright Act 1976* (US) as ‘material objects in which a work is fixed by any method and from which the work can be reproduced’. The Act also provides that a work is ‘fixed in a tangible medium of expression when its embodiment is sufficiently permanent or stable to permit it to be reproduced for a period of more than transitory duration.’ The Court distinguished *MAI Systems Corp v Peak Computer Inc* 991 F 2d 511 (9th Cir 1993) which had held that temporary copies could ‘count’ for the purposes of copyright law. It may be worth noting that in *Cartoon Network* questions of fair use had been deliberately left out of the case by the parties: that is, the court was asked only to consider whether there was direct infringement.

47B and 111B—exceptions covering temporary copies incidentally made as part of a technical process of using a work—are ‘non-consumptive’. Are copies made in the memory of a computer while a film is viewed really ‘non-consumptive’, occurring, as they do, in the context of a use that is pure consumption?³²

The need for clarity of reasoning also suggests a need separately to exempt category 1 and 2 uses. Although there are commonalities, there are also differences in the justifications for treating these different types of acts as falling outside the scope of copyright owners’ rights. At a high level of abstraction the common justifications for excepting category 1 and 2 uses are that in both cases the need for an exception arises from the way copyright rights have been defined, by reference to acts (‘reproduction’ and ‘communication’) which have taken on a whole new meaning in the digital environment. You could similarly say that both warrant exceptions because in both cases ‘copying is really only carried out as part of the way the technology works’.³³ It could also be said that exceptions in both cases are justified by the overall goal of ensuring that copyright does not prevent the development and operation of new technologies.

However, there are also differences between uses falling under our categories 1 and 2. Exemptions for incidental or technical reproductions and communications are justified by our sense that copyright owners ought not to be able to either (a) ‘double dip’³⁴ or (b) expand the scope of their copyright into acts that have been treated by the Act as non-infringing, such as reading/private viewing copyright material. If a copyright owner sells a work on some digital medium, they ought not have the right to prevent subsequent uses or viewings of that work on that medium unless some other exclusive right is implicated.³⁵ In this context, the reference to an absence of ‘independent economic significance’ in the Article 5(1) exception in the European *Information Society Directive* makes sense.³⁶

³² Note too that it cannot be argued that ss 43B/111B uses will be covered either by ‘non-consumptive’ use or ‘private and domestic use’, since individual consumers are not the only ones who use digital copies of works and hence cause buffer copies to be made. If a company has bought a DVD for viewing by staff, individual views by individual members of staff would also involve the making of copies.

³³ Hargreaves Report, above n 12, 47.

³⁴ For example, by demanding money for multiple copies (for example, by demanding remuneration or claiming infringement for temporary copies necessary to be made from a digital copy sold by the copyright owner), or from multiple people where they have given permission for some act such as by making material available online (eg, by demanding money from not only an end-user who receives a communication but also from intermediaries over whose systems the content necessarily passes to reach that end-user).

³⁵ This logic is reflected in ss 43B and 111B as well as the equivalent provision in the computer program exceptions, s 47B. So, for example, a copyright owner who sells a movie on a DVD ought not be able to control or veto subsequent viewings of the DVD, unless another right—like the right to cause a film to be seen in public—is implicated for example by the use of the DVD to play the movie in a theatre.

³⁶ For a discussion of this concept as it has been developed in the European case law, see the discussion of Lord Sumption in *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd* [2013]

On the other hand, a different justification supports an exception for acts such as search engine indexing, data mining where journal articles are copied in whole into a database which is then analysed using automated software, or loading student essays into anti-plagiarism software. These acts treat copyright material not for its expressive value or purpose but as data in the pursuit of some other end. In these cases, not only does such use not compete with any to which a copyright owner might apply their work,³⁷ but a further, important justification for excepting such copying is that copyright does not protect facts or data or information as such.³⁸ Thus to the extent that such acts treat the copyright material *only* as data they ought not be treated as falling within the scope of a copyright owner's rights.

In short, we are concerned that using the term 'non-consumptive' as an umbrella term to cover both category 1 and category 2 uses, even if defined as proposed, may (a) cause Australian courts either to fail to apply fair use to the kinds of temporary and technical acts currently addressed by ss 43A, 43B, 47B, 111A, 111B and 200AAA, *or* (b) force Australian courts to develop case law and reasoning on such activities that differs significantly from overseas case law, reducing the benefits of having international case law and commentary to give content to a fair use exception. In addition, we think that it will be important in the Australian legislation explicitly to reference the fact that technical copies are intended to be exempted by fair use because Australian copyright law lacks other doctrinal mechanisms or exceptions, found in other jurisdictions, to prevent double-dipping and expansion of a copyright owner's rights to acts never historically subject to copyright owner control.³⁹

We would suggest that:

- A term other than 'non-consumptive' be adopted, perhaps 'non-expressive'; *and*

UKSC 18. It is notable that the effect of the EU case law, as developed through *Infopaq International A/S v Danske Dagblades Forening* (C-5/08) [2009] ECR I-6569; *Football Association Premier League Ltd v QC Leisure and Others* (C-403/08) and *Karen Murphy v Media Protection Services Ltd* (C-429/08) [2012] 1 CMLR 769 and *Infopaq International AS v Danske Dagblades Forening* (Court of Justice of the European Union, C-302/10, 17 January 2012) is that a temporary and transient or incidental copy, made as a necessary part of a technological process of transmitting material through intermediaries in a network, is allowed regardless of the lawfulness of the transmission. Temporary reproductions made in the course of use of a work are allowed as lawful regardless of whether authorised by the copyright owner.

³⁷ As Sag notes, 'if the data extracted does not allow for the work to be reconstructed, there is no substitution of expressive value': Sag, above n 22, 1526.

³⁸ See the submission of Professor Kathy Bowrey in response to the Issues Paper: Bowrey, *Submission 94*; Hargreaves Report, above n 12, [5.24].

³⁹ In the sense that the Australian copyright law concepts of reproduction and communication are remarkably broad as compared to many other jurisdictions and Australia lacks any equivalent to, say, Art 5(1) of the European *Information Society Directive*.

- Some terminology be included in the illustrative purpose(s) that makes it clear that technical/incidental copies are intended to fall within fair use, whether those uses occur in the context of network activities or individual lawful uses of digital material.

(iii) Computer program exceptions

We note that the Discussion Paper identifies the computer program exceptions (Part III div 4A) as provisions that the ALRC has not examined at this stage ([4.173]), although we note also that the Discussion Paper does include a proposal to remove the exception for back-up copying (s 47J; Proposal 9-5) albeit in the context of a consideration of *private and domestic* acts. We would point out, first, that s 47J applies regardless of whether the use is ‘private and domestic’ or more commercial in nature, and would be concerned if the ALRC’s placing of this discussion in the context of private and domestic copying only were read as suggesting that *only* back up copying of that nature were likely to fall within fair use.

We considered the computer program exceptions in some detail in our earlier submission, in particular the exception addressing interoperability. We would hope that these issues may be dealt with in industry submissions, but would also be happy to provide further discussion should the ALRC make any proposals in this area. For present purposes we would like to point out that Australian copyright law relating to interoperability in particular appears to be out of step with law as it has developed in both Europe and the US. Although s 47D appears to be modeled on a similar provision in the European Directive on the legal protection of computer programs,⁴⁰ which was intended to allow the creation of competing, ‘drop-in’ replacement software,⁴¹ this does not appear to have been recognized in the most recent case to consider the issue.⁴² Fair use may provide some leeway to Australian courts to consider the competition-enhancing benefits of reverse engineering and other acts covered by the computer program exceptions such as security testing and error correction. On the other hand, it should be acknowledged that both Europe and the US have specific exceptions relating to software uses⁴³ (supplemented in the US case by fair use⁴⁴), as well as

⁴⁰ *Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs* [2009] OJ L 111/16, Art 6.

⁴¹ Pamela Samuelson, ‘The Past, Present and Future of Software Copyright: Interoperability Rules in the European Union and United States’ [2012] 34 *European Intellectual Property Review* 229, 234-235.

⁴² *CA, Inc v ISI Pty Ltd* (2012) 201 FCR 23. This is not to argue that the *result* in that case was inappropriate; rather, the discussion of the s 47D exception has problems, resulting in part from the fact that the application of the exception was not fully argued.

⁴³ *Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs* [2009] OJ L 111/16, Arts 5 and 6; *Copyright Act 1976* (US), s 117.

⁴⁴ See Samuelson, ‘Unbundling’, above n 17, 2605-10.

qualifications on the scope of protection lacking in the Australian legislation.⁴⁵ In addition, the current position in Australia may also partly result from Australia's differing approach to subsistence of copyright in computer programs and interfaces in particular: the impact of which should be considered carefully in conjunction with any discussion of these exceptions.⁴⁶ In summary, although we are inclined to think that these exceptions can be addressed through fair use, and are skeptical as to whether any specific drafting is possible which will provide the competition benefits which successive governments have long sought to further through copyright exceptions in this area, we think further careful consideration of the overseas case law and in consultation with industry is needed.

Question 4-2 'If fair use is enacted, the ALRC proposes that a range of specific exceptions be repealed. What other exceptions should be repealed if fair use is enacted?'

In the submission that we made in response to the Issues Paper we provided a detailed list of exceptions that might be candidates for repeal if fair use is enacted.⁴⁷ In light of the question asked in the Discussion Paper we have given considerable additional thought to this issue and have prepared a revised table, together with some brief comments to explain our reasoning. We have not considered here exceptions to copyright which might be contained in other legislation (not least because we are not confident of finding them all). It is possible, however, that other exceptions to copyright found in other legislation might also be able to be repealed in light of fair use, such as s 226 of the *Patents Act 1990* (Cth).

Before turning to our detailed response to Question 4-2, we wish to make some brief comments on why repeal of some of the detailed provisions is desirable. One possible model for the introduction of a general exception is a 'hybrid' approach in which fair use is added to the existing suite of specific exceptions. These latter provisions might be modified to remove ambiguous or unnecessary language, but would be largely retained in the statute. This approach is sometimes seen as offering the best of both worlds, in that the detailed exceptions can provide certainty and fair use a flexible safety net. Whilst we can understand the logic of this argument, we believe that there are some issues with a hybrid approach. We have already questioned whether the existing exceptions in fact provide certainty. More generally, there are important questions of statutory interpretation, and the relationship between specific and

⁴⁵ *Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs* [2009] OJ L 111/16, Art 1(2); *Copyright Act 1976* (US), s 102(b): although note that similar reasoning may (and in our view should) apply based on the Australian case law.

⁴⁶ Compare the discussion of subsistence in *SAS Institute Inc v World Programming Ltd* (C-406/10) [2012] 3 CMLR 4 with the discussion (and results) in *CA, Inc v ISI Pty Ltd* (2012) 201 FCR 23.

⁴⁷ Burrell et al, *Submission 278*, pp 63-5.

general provisions. With so many detailed exceptions, would it be anticipated that these be the primary focus for judges and users, with fair use as an occasional back-up? Or would fair use have more of a meaningful role? We support the emergence of fair use as the predominant exception in Australia, and are concerned that excessive doubling up between fair use and other exceptions might cause confusion about the interaction between different provisions, and only serve to muddy the signals from government as to the role for fair use.

Provisions that could be repealed if 'fair use' were implemented

<p>ss 40, 41, 41A, 42, 103A, 103AA, 103B, 103C (Fair dealing provisions)</p>	<p>These exceptions should unquestionably be repealed if fair use is enacted. The unnecessary complexity, shortcomings and drafting problems that dog these provisions provide one of the reasons why a move fair use is so desirable. We are pleased to note that the existing provisions have all been accommodated within the list of illustrative purposes:</p> <p>s 40 & 103C (research or study) cf. proposal 4-4(a) ✓ ss 41 & 103A (criticism or review) cf. proposal 4-4(b) ✓ ss 41A & 103AA (parody or satire) cf. proposal 4-4(c) ✓ ss 42 & 103B (reporting news) cf. proposal 4-4(d) ✓</p>
<p>ss 43(2), 104(b), 104(c) (Professional advice)</p>	<p>These exceptions relate to the giving of professional advice by legal professionals. Our recommendation is that professional advice be added to the list of illustrative purposes (see above). If this recommendation is followed there is no reason to retain the existing provisions and abolition would have the added advantage of removing the considerable discrepancies that exist between ss 43(2) and 104(b)-(c).</p>
<p>ss 43(1), 104(a) (Reporting of judicial proceedings)</p>	<p>Our recommendation is that the <i>reporting</i> part of these exceptions be removed, such that these exceptions would henceforth only apply to acts done for the purposes of judicial proceedings themselves. We see no reason why acts done for the purposes of judicial proceedings should be subject to a test of fairness and we imagine that including such acts under fair use might lead to frivolous claims by ill-informed litigants.⁴⁸ The proposed list of illustrative purposes would provide a clear signal that reporting of</p>

⁴⁸ A phenomenon that is not without precedent: consider for example *Ogawa v Spender* [2006] FCAFC 68.

	<p>judicial proceedings is the type of copying that might be capable of constituting fair use and we do not see any reason for concluding that the introduction of a test of fairness would impose any particular hardship on potential defendants.</p>
<p>ss 43A, 43B, 111A, 111B (Temporary reproduction / copy)</p>	<p>As we noted in our submission to the Issues Paper these exceptions contain unnecessary restrictions, are out of step with international practice and do not accord with stated policy objectives. These provisions should therefore be repealed and we are supportive of the aim of rolling the operation of these provisions into fair use, although we refer to our comments above where we note that we have some concerns with the category of ‘non-consumptive’ use.</p>
<p>ss 43C, 47J, 109A, 110AA, 111 (Private use exceptions)</p>	<p>These exceptions should be viewed in much the same light as the fair dealing provisions: the problems with these provisions provide one of the justifications for adopting fair use and private and domestic copying falls within the list of illustrative purposes.</p>
<p>s 44 (Educational collections)</p>	<p>This operation of this provision is tightly circumscribed and employs vague terminology. For example, this section refers to ‘a short extract’. Logically a ‘short extract’ must be more than a ‘substantial part’, but beyond this there would seem to be plenty of scope for disagreement as to what this concept might cover. Moreover, repeal of this section is unlikely to cause any hardship as it appears to be nothing more than an historical anachronism whose origins can be traced to the <i>Copyright Act 1911 (Imp)</i>, s 2(1)(iv). One thing that is noteworthy about this section, however, is that it is another provision that makes a mockery of claims that the existing approach delivers certainty for users.</p>
<p>s 45 (Reading or recitation in public)</p>	<p>This provision is generally understood to be aimed at allowing third parties to read or recite works in public and for such readings or recitations to be broadcast to the public. The existing exception allows for the use of an extract of ‘reasonable length’ (another nice example of the unpredictability that attaches to the current provisions) and there is no obvious disadvantage in replacing this highly uncertain standard with a structured test of fairness. Insofar as this provision can also be understood to</p>

	perform an author-protective function (like s 72, discussed below) there might be a case for a more generous carve out. However, in the absence of any evidence to the effect that a more generous carve out for authors is justified or required our recommendation is that this exception should simply be repealed.
ss 47AB, 47A, 47B, 47C, 47D, 47E, 47F, 47G, 47H (Computer program exceptions)	We dealt with these provisions at length in our submission to the Issues Paper. As we noted in that context, the existing provisions relating to computer programs are dogged by significant problems. As argued above, we are inclined to think that the answer is not to try to rewrite the detail of the current provisions, rather it is to move to the much more open-ended and flexible standard offered by fair use although further consideration may be required in light of overseas case law and industry views.
ss 48A, 104A (Parliamentary libraries)	We suggest repeal of these provisions. The conduct covered by these provisions falls within the general heading of fair use, and aspects may also be covered by s 49 and s 50. ⁴⁹ Moreover, if Members of Parliament were forced to rely on the ordinary rules of copyright in their working lives it might focus their minds on ensuring that Australia's copyright system works reasonably and efficiently.
ss, 51A, 51B, 52, 110B, 110BA and 112AA (A number of the libraries and archives provisions)	Sections 51A, 51B, 110B, 110BA and 112A set out exceptions for preservation, replacement and administrative copying; certain onsite uses of preservation copies; and the creation of reproductions of some manuscript and similar material 'for the purpose of research ... at the library or archives ... or another library or other archives'. We believe that collection management and preservation/replacement fall within fair use, and that separate exceptions for such practices are unnecessary. ⁵⁰ Indeed, empirical research suggests that many Australian cultural institutions are influenced by strong norms of best practice in relation to collection management and preservation copying, and

⁴⁹ If there were any concern that Parliamentary libraries do not fall within the definition of 'library' for the purposes of ss 49 and 50, this could be clarified by legislative amendment.

⁵⁰ We are fortified in this view by the fair use practices of leading US cultural institutions: see Emily Hudson, *Copyright Exceptions: The Experiences of Cultural Institutions in the United States, Canada and Australia* (PhD thesis, Law, University of Melbourne, 2011) 149-54.

	<p>therefore overlook details in the statute that are inconsistent with those norms (such as the three copy limitation in the provisions for key cultural institutions). We also believe that provision of onsite access to preservation and access copies can be seen within the parameters of fair use.⁵¹</p> <p>Section 52 is a narrow orphaned works provision that applies to the publication of old, unpublished works from library and archival collections. Given the Commission’s recommendations for fair use and remedies limitations for orphaned works, it would seem that s 52 is no longer necessary and should be repealed.</p>
<p>ss 65, 66, 67, 68, 73 (Exceptions for uses of artistic works)</p>	<p>As we outlined in our earlier submission, these provisions are generally poorly drafted and unnecessarily restrictive. Removing these provisions would cause little harm to users, because the existing provisions are limited in their application. Moreover, owners might also benefit in that insofar as the existing provisions do bite, they are not subject to a test of fairness as would be the case if they were absorbed within fair use: in particular, we think visual artists would benefit from the repeal of s 65 which currently allows uncompensated commercial exploitation of images of some artworks.</p>
<p>s 200AB (Flexible copying)</p>	<p>The evidence suggests that this semi-flexible exception has failed to live up to its promise and we can see no justification for retaining it alongside fair use.</p>

Provisions that ought to remain if ‘fair use’ were enacted

<p>ss 39A, 104B (Prescribed notice provision)</p>	<p>The introduction of fair use would neither remove the need for this exception nor disturb its underlying logic: libraries and archives ought still to be protected from liability for having ‘authorised’ copyright infringement provided that they display the appropriate prescribed notice. The prescribed notices set out in Schs 3 and 9 to the <i>Copyright Regulations 1969</i> (Cth) would, however, have to be redrafted since these notices make explicit reference to ‘fair dealing’.</p>
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⁵¹ Ibid 156-8.

<p>ss 44A, 44C, 44D, 44E, 44F, 112A, 112B, 112C, 112D, 112DA (Parallel importation)</p>	<p>These provisions allow for the parallel importation of copyright protected products. Parallel importation is not necessarily something that can or should be fitted within fair use and our impression is that these provisions are working more or less as intended.</p>
<p>s 198A</p>	<p>This provision actually deals with non-infringement of trade marks. As such this provision is clearly outside the ALRC's terms of reference, but for the avoidance of doubt we have included it here as a provision that must be retained.</p>
<p>ss 44B, 44BA</p>	<p>The Discussion Paper specifically identifies these exceptions as examples of provisions where it considers it has too little information to make an informed decision as to whether or not to recommend repeal. In our submission in response to the Issues Paper we identified these provisions as <i>possible</i> candidates for repeal. In so doing we were motivated by concern about the complexity and uncertainty of these provisions (as demonstrated by litigation to date). We hope that the ALRC will receive detailed submissions on these points from industry actors. In the event that the evidence is inconclusive we recommend retaining the current provisions on the ground that (1) copyright in labels and product information is very much at the margins of copyright law, not least because there are few circumstances in which copyright's core functions (to provide an incentive to create and to protect the 'moral' interests of authors) are implicated as regards labels; and (2) there is a particularly strong public interest, demonstrated not least by recent legislative amendments, in ensuring that there is adequate competition for the products in question, and that copyright does not, for example, stand in the way of distribution of generic pharmaceutical products on the expiry of patents, such that the precautionary principle suggests that these provisions should be retained in the event that the evidence is unclear. We note also that the case law on such material in the US (under fair use) is mixed.⁵²</p>

⁵² See Samuelson, 'Unbundling', above n 17, 2601-02.

<p>ss 46, 106 (Conduct at premises where persons reside or sleep)</p>	<p>These provisions modify the scope of ‘performing rights’ (broadly conceived) so that they do not apply to premises where people reside or sleep. As such these provisions are narrowly tailored and we are not aware of any particular problems with the current provisions. We also note that exceptions of this <i>general type</i> are not covered by fair use in the United States, but rather are the subject of separate provision (see, in particular <i>Copyright Act 1976</i> (US), s 110: ‘Limitations on exclusive rights: Exemption of certain performances and displays’).</p>
<p>ss 47, 47AA, 47A, 70, 107, 108, 109, 110C (Special broadcasting / simulcasting provisions)</p>	<p>These provisions form a complex set of industry specific exceptions. Subject to contrary submissions from the sector we would suggest that these provisions should remain in their current form.</p>
<p>ss 49, 50, 51, 51AA, 110A</p>	<p>Sections 49, 50, 51, 51AA and 110A permit qualifying libraries and archives to provide request-based copying services for patrons and to supply other institutions with copies of collection items. The symmetry between Part III and Part IV is imperfect as there is no equivalent to ss 49 and 50 for subject matter. There are strong arguments that request-based copying can fall within fair use (and even fair dealing⁵³). However we understand that this reading may be contested, and therefore recommend the retention of these provisions to provide comfort to cultural institutions that their longstanding user request practices can be continued. For clarification, it may be useful to revise these provisions to provide that they do not affect rights of fair use (similar to s 108(f)(4) of the <i>Copyright Act 1976</i> (US)).</p>
<p>ss 54, 55, 57, 59, 60, 61, 64 (Cover versions)</p>	<p>Compulsory licences for cover versions: there is a debate to be had about whether these provisions ought to be retained and one that would need to take account of evidence from the UK and other jurisdictions that have abolished equivalent provisions. However, in the absence of a fully informed debate on this particular issue it would be prudent to retain these provisions, at least for the time being.</p>

⁵³ *CCH Canadian Ltd v Law Society of Upper Canada* (2004) 236 DLR (4th) 395.

<p>s 72 (Copying by artist of earlier works)</p>	<p>This provision allows an author of an artistic work to copy portions of his or her earlier works even after he or she has assigned copyright in those works. Recognising that artists often draw on their own earlier work, the Act provides a mechanism whereby the author of an artistic work does not infringe copyright by copying a work in making another artistic work, provided that he or she does not repeat or imitate the main design of the earlier work. It has been suggested that such provisions might allow an architect to copy a particular design feature, such as a staircase, in a later building or it might allow the painter of a group portrait to reuse sketches to reproduce individual portraits.⁵⁴ Equally, however, it might allow an artist to reproduce a ‘trade mark’ object or motif.⁵⁵ Once the operation of this provision is understood it can be seen that it is a somewhat unusual example of a provision with a long lineage that is designed to protect authors vis-à-vis copyright owners. Retaining this provision is on all fours with more recent decisions to introduce moral rights and a <i>droit de suite</i> into Australian law. Indeed a case could be made for relocating this provision within the Act so to make its purpose and sphere of operation more immediately obvious, but on balance this provision is probably best left undisturbed.</p>
<p>ss 74, 75, 76, 77, 77A (Copyright / design overlap provisions)</p>	<p>Drafting a satisfactory set of provisions to demarcate the boundary between copyright and design protection is notoriously difficult. There is good reason to suggest that despite the amendments that were made to these provisions in 2003 they still suffer from certain defects, some of which may well place Australia in breach of Berne / TRIPS. In particular, there is a strong case to be made that the impact of these provisions on the subsistence of copyright in works of sculpture that have been replicated numerous times is in breach of international law. Identifying and addressing these problems is unquestionably important, but is best done in the context of a review that has as</p>

⁵⁴ These examples were provided in the UK Parliament during the debate on the equivalent provision in the *Copyright, Designs and Patents Act 1988* (UK): *Hansard*, HL vol 491, col 191; vol 493, col 1187.

⁵⁵ Such as Magritte’s chessmen or ‘bilboquets’.

	its remit the functioning of the design system and the issue of ‘industrial copyright’ as a whole such as that currently being undertaken by the Advisory Council on Intellectual Property.
s 105 (Section 89(3) sound recording)	This provision is tied up with s 89(3) and reflects the Australian government’s decision not to accord the right to broadcast or the right to cause a sound recording to be heard in public to recordings originating from countries that do not recognise an equivalent right for Australian sound recordings (see also <i>Copyright (International Protection) Regulations 1969</i> (Cth), regs 6 and 7 and Sch 3). As such the exception is more about defining the scope of copyright rights than an exception as such, and we would suggest it should remain.
s 110 (Special provisions for films)	This provision has a very specific field of operation: it serves to reduce the term of the public performance right in films that were intended to communicate news at the time they were made. Moreover the existing provision has been carefully drafted to ensure that is compliant with the Berne Convention.
s 112 (Reproductions of published editions of work)	Published editions of works have never been subject to fair dealing defences. Instead s 112 is designed to ensure that where use of ‘content’ is permissible under one of numerous exceptions, copyright in the ‘format’ of the content does not prevent the use. We would recommend retaining such a provision, although it would need to be substantially redrafted, to provide that the copyright in a published edition of a work or works is not infringed by the making of a reproduction of the whole or a part of that edition, if that reproduction is made in the course of the making of a fair use of the work or works contained in the edition.

Question 6–1 ‘If the statutory licences are repealed, should the Copyright Act be amended to provide for certain free use exceptions for governments and educational institutions that only operate where the use cannot be licensed, and if so, how?’

The case for repeal of the statutory licensing schemes in pts VA, VB and VII div 2 is addressed in detail by the Commission in chapter 6 of its Discussion Paper. At this stage we do not have anything we wish to add to the arguments made in that chapter and we will

therefore focus on the narrow question of whether repeal of these licensing schemes needs to be accompanied by the introduction of certain new free exceptions. We are not convinced that any new free exceptions are required at this stage. As we noted in our response to Question 4-2, above, it is important to understand that the addition of specific exceptions alongside fair use comes at a cost. Fair use needs to be allowed to take on a meaningful role within the copyright system. If specific problems surface these can be dealt with by separate legislative provision at a later date.

Question 11-1 ‘Should voluntary extended collective licensing be facilitated to deal with mass digitisation projects by libraries, museums and archives? How can the Copyright Act be amended to facilitate voluntary extended collective licensing?’

These questions relate to a phenomenon reported by many cultural institutions in relation to mass digitisation for public access purposes: that the transaction costs of individual licensing, combined with the absence of any relevant free exception,⁵⁶ have impacted strongly on the selection of material for such projects. Institutions repeatedly report that certain categories of material tend to be preferred for large-scale digitisation, especially:

1. material in the public domain (frequently the main focus of such projects);
2. works for which the institution already owns copyright or has acquired rights; and
3. works for which negotiating with the relevant rightsholder(s) will be straightforward (for instance where a small number of individuals can grant rights in relation to a large body of content).⁵⁷

This does not necessarily result in projects of lower value or quality. For instance, older and public domain works are often attractive candidates for digitisation because of their fragility and scarcity, making the access and preservation benefits of digitisation particularly high. However it does mean that much important material tends to be systematically avoided in mass digitisation projects because the rights are too expensive and challenging to negotiate. Given the length of the copyright term, a preference for public domain materials can result in large swathes of content being absent from digitisation projects.

⁵⁶ This statement assumes that s 200AB is not applicable to large-scale digitisation projects. Empirical research with 21 leading Australian cultural institutions in 2012-13 suggests this is the view of many in the sector, mainly due to the ‘special case’ requirement, which is understood as incompatible with mass digitisation: see Emily Hudson, ‘Implementing Fair Use in Copyright Law: Lessons from Australia’ (forthcoming 2013).

⁵⁷ This was observed in empirical research conducted with Australian cultural institutions: Emily Hudson and Andrew T Kenyon, ‘Digital Access: The Impact of Copyright on Digitisation Practices in Australian Museums, Galleries, Libraries and Archives’ (2007) 30 *University of New South Wales Law Journal* 12, 42-3.

One way that institutions can respond to transaction cost problems is through more forward-looking arrangements at their own end, for instance by collecting better data in relation to copyright; organising that information more efficiently; requesting non-exclusive licences and assignments at acquisition; and future-proofing licences for anticipated uses. However there is only so far such strategies can go to deal with the particular issues associated with mass digitisation. These issues generally come down to matters of scale: that a single project may require permissions from hundreds if not thousands of people, making prospective voluntary licensing (even in optimal circumstances) financially and logistically unviable.

Voluntary collective licensing is one obvious way to deal with problems of scale, and there are already examples of blanket licences being negotiated between Australian cultural institutions and copyright collectives for online uses of works. However we have reservations about the introduction of *extended* collective licensing as a mechanism to deal with mass digitisation.

To start with, we need to be clear about our motivations for such a move. For instance, are we seeking to promote ‘certainty’ for institutions? Or the fair remuneration of creators? Or some combination of these? We are concerned that extended licensing can bolster the view that so long as *someone* is paid, then everything is okay – even if that person is not the actual creator of the material or his or her heir. This is problematic for a number of reasons, including that it is arguably not about *fair* remuneration (to the extent the payment is never received by its rightful recipient), and can promote as a corollary the proposition that if no-one is paid, everything is *not* okay. This has the potential to implicitly reject a role for fair use in mass digitisation, which we believe would concede too much in terms of the capacity for a general exception to cover some aspects of large-scale digitisation.⁵⁸

However, this leaves the question of certainty for institutions, and of whether this explanation can itself justify extended collective licensing. In order to answer that question, we need to start by asking why certainty is important. One response might be that certainty gives institutions and their funders the confidence to dedicate time and resources to large-scale projects involving in-copyright works, which would lead to greater diversity in digitisation projects. But if increasing the utilisation of in-copyright works is our goal, then

⁵⁸ Indeed, the Commission seems to accept fair use as a possible avenue for at least some mass digitisation projects: see its remarks at [11.62] of the Discussion Paper that ‘much will depend on how well the project maps to the contours of the fair use and the fairness factors’. Empirical work with US institutions also demonstrates how fair use is understood as relevant to the inclusion of images in online collection databases, and in projects involving the digitisation of orphaned works: Hudson, above n 50, 164-173.

there are a number of challenges for extended collective licensing to achieve such an aim. An obvious first question relates to the pricing model. Even a seemingly nominal payment per work could be prohibitive when aggregated across a project involving thousands (or even hundreds of thousands) of individual items. It would also be important to know whether any fee was one-off, or whether the licence would need to be renegotiated at regular intervals. In this regard it should be borne in mind that if our goal is to incentivise institutions and their funders to undertake mass digitisation with in-copyright works, the relevant cost comparison may not be between ‘extended collective licensing scheme versus lots of individual negotiation’, but rather ‘extended licensing scheme versus public domain works’. In short, if the price is too high, then institutions may simply stick with the current model of public domain and copyright-easy works.

Secondly, one would need to know the works and creators that might potentially be covered by the scheme. For instance, if extended licensing required evidence that the collective was already representative of affected rightsholders, how would that class be identified? Would membership of a collective by (say) professional photographers mean that all photographs could be licensed?

More generally, if the aim of extended licensing is to confer a form of insurance on institutions, one might ask whether there are better mechanisms to achieve this aim. Whilst the extended licensing model suggested by the ALRC is voluntary, it nevertheless raises concerns about the anti-competitive and monopoly effects of collective administration, and may sit uncomfortably with other recommendations of the Commission (especially fair use and remedies limitations for orphaned works). The ALRC would therefore be wise to exercise caution in relation to extended collective licensing, and to consider other possibilities before recommending this approach.

4. Other Issues

In the final part of our submission, we wish to deal with two issues that arise out of the Discussion Paper, and one issue that has arisen subsequently, all of which relate to the ALRC’s recommendation that Australia adopt fair use.

4.1 Interpreting fair use: the importance of referring to US law in extrinsic materials

The first issue we wish to consider relates to the ALRC’s recommendation, contained in [4.182] of the Discussion Paper, that if fair use is enacted ‘an express statement about the

extent to which US or other countries' jurisprudence should be taken into account by Australian courts is unnecessary'. The Commission went on to say:

It is well-established that foreign case law may be used by Australian courts, to the extent that the reasoning of such decisions is persuasive. If fair use is enacted, the ALRC would expect that Australian courts may look to US case law, in particular, as one source of interpretative guidance, but would not be bound by such decisions.⁵⁹

While this might appear to be a minor point, we are concerned that the ALRC's view misunderstands the recommendations of a number of submissions to the Issues Paper on this issue, and underestimates the possible impact of the presence, or the absence, of an express statement as to the relevance of US and related foreign law.

In our submission to the Issues Paper, we suggested that if fair use is enacted, Australia should use the exact language of s 107 of the US *Copyright Act* and that the introduction of the amending legislation should be 'accompanied by a statement in the Explanatory Memorandum to the Bill ... that the interpretation of the Australian fair use provision is to be shaped by the approach taken under US law'.⁶⁰ We said that this 'would send the strongest possible signal that Australian courts are to refer to US case law in understanding the provision'.⁶¹ Others recommended 'some means of ... encouraging Australian courts to draw upon the considerable [US fair use] jurisprudence'.⁶² Importantly, neither we nor these other parties recommended that an express statement say anything about the 'extent' to which US jurisprudence should be taken into account. Further, the call for an express statement to be included was not a call for a legislative response that would somehow make Australian courts 'bound' by US case law, a concern that seems to underlie the Commission's view that an express statement is unnecessary. Clearly, such case law can only ever be of persuasive value to an Australian court.

The value of such an express statement is that it would help to direct Australian judges to the rich fair use jurisprudence that has developed in the US over a considerable period of time. It would also help clarify that the purpose of introducing fair use is not obscure, or bound up with intractable questions of the overarching purpose of copyright law, but rather is intended to afford a flexible, open-ended defence focusing on the fairness of the

⁵⁹ Discussion Paper, [4.182] (footnote in text omitted).

⁶⁰ Burrell et al, *Submission 278*, p 62.

⁶¹ *Ibid.*

⁶² Law Council of Australia IP Committee, *Submission 284*, p 19.

defendant's conduct, not limited to earlier, legislatively-identified permitted purposes.⁶³ An express statement would also give legal advisors a greater degree of comfort in advising clients as to the likelihood of a fair use defence applying in the absence of Australian case law directly on point. This is particularly important, since it would help address concerns that fair use will be excessively uncertain in Australia in the absence of domestic litigation.⁶⁴

Of greater concern is that *without* such a statement, an Australian court might be given greater licence to take the view that US case law can be marginalised as affording little guidance, or even dismissed as being inappropriate, in the interpretation of the Australian defence. This is not a far-fetched prospect. A local court might be persuaded by an argument that the differences between US and Australian constitutional and copyright laws are so substantial that it should not rely too heavily, or even at all, on US fair use jurisprudence, and that it would be fortified in adopting such a position by the lack of an express statement directing it to take account of US law.

We believe that an Australian court would not be justified in adopting such a position. To do so would involve making too much of the differences between US and Australian law, and downplaying the value of US jurisprudence would only impoverish the development of an Australian fair use defence. To our mind, there are two key, potentially relevant differences between US and Australian law that need to be unpacked here. First, there is the explicit recognition of freedom of expression in the US Constitution, which is said to underpin US copyright law and the US judiciary's approach to fair use. Second, there is the presence of statutory damages for copyright infringement under US law. The argument in both cases seems to us to be that US courts will have different priorities in interpreting fair use that mean that they will be more likely to interpret fair use generously, even over-zealously, meaning that an Australian court should exercise great caution before placing much, if any, weight on such decisions.

Looking first at the differences between US and Australian safeguards for freedom of speech, we would accept that US courts are likely to recognise that copyright law can abridge the speech of a user of another's works, and thus raises First Amendment concerns.⁶⁵ However, far more significant for an Australian audience are what the practical consequences of such recognition might be.

⁶³ Cf *Acts Interpretation Act 1901* (Cth), ss 15AA and 15AB.

⁶⁴ Burrell et al, *Submission 278*, p 65, 66-7.

⁶⁵ In Barton Beebe's study of US fair use case law between 1978 and 2005, he observed that while free speech commentary appeared in approximately 25 per cent of fair use opinions studied, this included reference to the First Amendment as well as 'more general free speech concerns': Barton Beebe, 'An Empirical Study of US Copyright Fair Use Opinions, 1978-2005' (2008) 156 *University of Pennsylvania Law Review* 549, 573.

Putting aside the fact that the origins of the fair use defence are to be found in old English case law and not in First Amendment jurisprudence,⁶⁶ it is important to appreciate the limited role that the First Amendment plays in practice in US fair use decision-making. As Neil Netanel has noted, US courts have never actually imposed independent First Amendment scrutiny over copyright; instead, they have been content to say that freedom of expression concerns are built into and thus safeguarded by various internal copyright mechanisms, such as the idea/expression dichotomy and the fair use defence.⁶⁷ The First Amendment thus does not have a stand-alone sphere of operation in US copyright law, but rather is thought to embody a value that is protected within copyright. This view is borne out by empirical studies of US case law, where free speech concerns can be said to underpin judicial reasoning rather than having a more explicit limiting function. For example, Pamela Samuelson, in her qualitative analysis of fair use case law, identified a cluster of ‘free speech and expression’ fair use cases (covering uses such as criticism, news reporting and parodies). Importantly, she noted that within these cases free speech was often discussed obliquely, for instance where a court affirmed the value of critical commentary or transformative use, rather than specifically invoking or discussing the operation of the First Amendment.⁶⁸

The US experience, and in particular the generality of the way in which US courts have discussed freedom of expression concerns in copyright cases, should give an Australian court a high degree of comfort in looking to US case law for guidance on how an Australian fair use defence should be interpreted. This is because it cannot be said that the absence of a constitutional guarantee of freedom of expression in Australia means that freedom of expression is not an interest sought to be protected within the exceptions to copyright law. It seems clear that our existing fair dealing defences are justified on the basis that they safeguard freedom of expression,⁶⁹ and a fair use defence would do the same. There would be nothing untoward about an Australian court seeking guidance from US case law on a near identically-worded provision in order to ensure that such a valuable interest continues to be

⁶⁶ For recent consideration, see, eg, Matthew Sag, ‘The Pre-History of Fair Use’ (2011) 76 *Brooklyn Law Review* 1371.

⁶⁷ Neil Netanel, *Copyright’s Paradox* (Oxford University Press, 2008) 169-70, referring to the US Supreme Court’s decision in *Harper & Row, Publishers, Inc v Nation Enterprises*, 471 US 539, 560 (1985). To this might be added the later Supreme Court decisions of *Eldred v Ashcroft*, 537 US 186, 219 (2003) and *Golan v Holder*, 132 S Ct 873, 890 (2012).

⁶⁸ Samuelson, ‘Unbundling’ above n 17, 2546-68.

⁶⁹ See Robert Burrell and James Stellios, ‘Copyright and Freedom of Political Communication in Australia’, in Jonathan Griffiths and Uma Suthersanen (eds), *Copyright and Freedom of Expression: Comparative and International Analyses* (Oxford University Press, 2005).

safeguarded. On the contrary, this should be encouraged by way of a statement in extrinsic materials.

Turning then to the issue of whether the presence of statutory damages in the US means that it would be inappropriate for an Australian court to rely on US fair use case law, the argument seems to us to run as follows. It might first be suggested that the availability of statutory damages, particularly with the prospect of very high damages for wilful infringement, operates as a significant deterrent to the use of copyright material, at least where would-be users undertake a risk analysis and determine that there is a substantial risk of their conduct not being held to be fair use. As a result, it might then be said that where a user is in fact sued and fair use is pleaded, US courts will be unwilling to further chill the effect of fair use and will be reluctant to make a finding of infringement given that to do so would lead to a potentially massive damages award. The effect of this might be said to be that US fair use decisions will be skewed towards defendants, in that courts will apply the defence in a manner that is overly generous to users, making such decisions of limited persuasive value in Australia.

This argument strikes us as being unfounded, for a number of reasons. First, the idea that the presence of statutory damages skews courts' decisions appears to be entirely anecdotal and unsupported by evidence from case law or literature.⁷⁰ It is inconsistent with how US courts have in fact dealt with statutory damages in cases where fair use has been pleaded. Pamela Samuelson and Tara Wheatland have shown, in a detailed study of how courts have awarded statutory damages, that in many cases there has been a surprising lack of correlation between the strength of a defendant's (ultimately unsuccessful) fair use case and the quantum of the statutory damages awarded.⁷¹ This strongly suggests that US courts interpret fair use and statutory damages sequentially, and in an unrelated manner.

Secondly, if the presence of statutory damages has the chilling effect claimed, then it would be expected as an empirical matter that parties that are exempt from awards of statutory damages would be more aggressive in making what they consider to be fair use of copyright owners' materials than parties that are potentially subject to statutory damages awards. Section 504(c)(2)(i) of the *Copyright Act 1976* (US) provides that '[t]he court shall remit statutory damages in any case where an infringer believed and had reasonable grounds

⁷⁰ We have spoken with a US copyright scholar who has produced some of the leading empirical work on the operation of fair use. His considered view is that the idea that the presence of statutory damages encourages courts to take a broader view of what is fair is implausible: email from Professor Barton Beebe to Robert Burrell, 25 July 2013, copy on file with authors.

⁷¹ Pamela Samuelson and Tara Wheatland, 'Statutory Damages in Copyright Law: A Remedy in Need of Reform' (2009) 51 *William & Mary Law Review* 439, especially at 459-60, 462-3, 500.

for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was ... an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords'. There is nothing in the available evidence to suggest that non-profit educational institutions, libraries and archives are more risk tolerant than other types of organisation when it comes to seeking to rely on fair use.⁷²

Thirdly, even if it is accepted that the presence of statutory damages, including higher awards for wilful infringement, shapes would-be users' behaviour in the US, the suggestion that this is entirely unlike the Australian experience strikes us as being a considerable oversimplification. In particular, it overlooks the fact that in Australia compensatory damages for copyright infringement can be awarded at large,⁷³ and that considerable additional damages (often well in excess of compensatory damages awards) can be awarded for flagrant infringements.⁷⁴ To the extent that these have deterrent effects, we are not convinced that such effects are sufficiently different from those that would be experienced in the US.

Fourth, accepting for the purposes of argument that there is something substantially and qualitatively different about statutory damages, and that the availability of statutory damages is likely to impact on would-be users and on judicial attitudes towards fair use, it must be asked why as a matter of logic this necessarily means that US courts are more likely to reach excessively generous fair use outcomes. If the argument is that the presence of

⁷² This is not to say that limitations on statutory damages are not relevant to US cultural institutions; on the contrary, they have been reported as relevant to fair use decision-making. However such limitations seem to have served to reinforce good faith behaviour, rather than encouraging some risk-happy free-for-all. As one interviewee commented, the remedies limitations for fair use serve as a 'clear reminder of what fair use is: a reasoned application of the four fair use factors'. See Hudson, above n 50, 228-229.

⁷³ See, eg, *Spotless Group Ltd v Blanco Catering Pty Ltd* (2011) 93 IPR 235; *Foxtel Management Pty Ltd v Mod Shop Pty Ltd* (2007) 165 FCR 149; *Columbia Picture Industries Inc v Luckins* (1996) 34 IPR 504; *Enzed Holdings Ltd v Wynthea Pty Ltd* (1994) 3 IPR 619.

⁷⁴ For some examples from Federal Court decisions over the past ten years where awards of additional damages have far outstripped the award of compensatory damages, see *Corby v Allen & Unwin Pty Ltd* (2013) 297 ALR 761 (total compensatory damages payable to applicants \$9,250; additional damages \$45,000); *Facton Ltd v Rifai Fashions Pty Ltd* (2012) 199 FCR 569 (compensatory damages \$14,213; additional damages \$25,000); *Aristocrat Technologies Australia Pty Ltd v Global Gaming Supplies Pty Ltd* (2009) 84 IPR 222 (compensatory damages US\$44,800; additional damages A\$450,000); *Futuretronics.com.au Pty Ltd v Graphix Labels Pty Ltd* (2009) 81 IPR 1 (compensatory damages nominal at \$10, additional damages \$10,000); *Deckers Outdoor Corporation Inc v Farley (No 5)* (2009) 262 ALR 53 (compensatory damages \$3.04 million; additional damages \$4 million); *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq)* (2007) 239 FCR 564 (compensatory damages \$80,000; additional damages \$200,000); *Microsoft Corporation v PC Club Australia Pty Ltd* (2005) 148 FCR 262 (compensatory damages of US\$188,950; additional damages of US\$350,000 against the corporate respondent and US\$350,000 against its director with day-to-day control); *Universal Music Australia Pty Ltd v Hendy Petroleum Pty Ltd* (2003) 59 IPR 204 (compensatory damages of \$299, additional damages of \$17,500). Similar relationships between compensatory and additional damages can be seen in decisions of the Federal Magistrates Court and the Federal Circuit Court.

statutory damages ensures that cautious users are less likely to engage in conduct that they consider might be unfair, this would seem to mean that those who do end up engaging in unlicensed use of copyright materials are the parties that are more cavalier about whether they are infringing and liable for large damages payouts. Assuming that if courts do in fact take these factors into account in assessing fair use, it seems to us that as a matter of logic they would be less likely to find in favour of the defendants, and would therefore be more likely to tighten the scope of fair use. Having said this, the point strikes us as being moot—to reiterate, our major objection to the entire argument is there is simply no evidence that US courts have linked statutory damages to the scope of fair use.

In summary, we would suggest that the arguments for not relying on US fair use case law based on the differences between US and Australian law are without merit. When the purported differences between US and Australian law are assessed critically, it becomes clear that there would be nothing inappropriate about an Australian court seeking guidance from US case law.

A further and final reason for adding an express statement into the extrinsic materials as to the relevance of foreign law is that it would help overcome the idea, which we have heard floated in a public forum, that an Australian fair use defence could potentially be interpreted as merely codifying the state of the law immediately prior to the introduction of the new defence.⁷⁵ This idea seems to assume that fair use only has work to do in situations not covered by the current exceptions (for example, the sorts of ‘transformative’ use not covered by the fair dealing defences, or private uses relating to novel forms of copying technology). This could have concerning consequences. On one interpretation, it might mean, for example, that if an Australian court were called on to assess whether a reproduction of a copyright work by a school teacher for the research purposes of her students is a ‘fair use’, that court would look to how s 40 of the Act was interpreted prior to the introduction of fair use. Seeing that the Federal Court had interpreted ‘fair dealing ... for the purpose of research’ as not extending to cover such conduct by the teacher,⁷⁶ such a court might consider that, consequently, such a use cannot be considered to be a fair use. An approach that sought to shackle a fair use defence to the pre-fair-use state of the law would be regrettable, given the manifold problems we and others have identified with both the current drafting of the defences and their interpretation by Anglo-Australian courts. It would effectively neutralise

⁷⁵ Michael Hall, paper delivered at UTS Communications Law Centre Copyright Inquiry Workshop, ‘Should We Learn to Stop Worrying and Love Fair Use?’, Sydney, 18 July 2013.

⁷⁶ *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99, 105-6.

one of the major advantages of the fair use test, namely its flexibility and responsiveness to situations falling outside the scope of detailed, purpose-specific exceptions. If an express statement directing Australian courts to foreign sources of law, which make clear that fair use operates in broader circumstances than those contained in the pre-fair-use law, does no more than steer courts away from the approach identified in this paragraph, such a statement must be worth including.

4.2 The fairness factors: copying the whole of the work or other subject matter; copying unpublished works or other subject matter

A second point that we suggest the ALRC ought to revisit is its recommendation in Proposal 4-3 of the Discussion Paper that the third fairness factor be framed in the following terms:

(c) in a case where part only of the copyright material is used—the amount and substantiality of the part used, considered in relation to the whole of the copyright material...

This is different from the third fairness factor contained in s 107 of the US *Copyright Act*, which is framed as follows:

(3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole...

There does not appear to be any explanation in the Discussion Paper as to why the Commission decided to adopt its preferred form of wording for the third factor, beyond the general statement the ‘[t]he ALRC proposes wording that closely paraphrases these similar factors [as those in s 107] but also seeks to improve the clarity of the language’.⁷⁷ It is, however, reasonable to suppose that that the Commission was trying to capture aspects of how the fair use defence has developed in US cases since 1976. This is consistent with the Commission’s general aim of codifying modern US fair use doctrine. Specifically, in framing the third factor in the way that it has, it seems that the Commission was trying to capture the effect of a series of US cases that have held that it can sometimes be fair to copy the whole of

⁷⁷ Discussion Paper, [4.152].

a work.⁷⁸ This is important as on a literal reading the third factor might seem to indicate that the reproduction of a whole of a work can never constitute fair use: the third factor directs the court to look at ‘the portion used’ and to compare this to the ‘work as a whole’. In trying to frame the third factor in a way that avoids this reading, the Commission is trying to achieve something significant. For instance, the US cases on point recognise that for forms of private copying and dealings with artistic works, fair use has to justify the copying of the entirety of the work in order to be meaningful.⁷⁹ The conclusion that there are times when an exception will justify the copying of the entirety of a work also reflects the existing position under the fair dealing exceptions.⁸⁰

There are, however, concerns with what the Commission is proposing. First, we believe that it would be far better to approach this point by means of a positive statement that makes it clear that fair use can at times justify the reproduction of the entirety of a work. The approach adopted by the Commission tends to suggest that fair use of the whole of a work must be possible, but we are not confident that in its proposed form a tribunal might not conclude that since the Act only provides guidance on the test to be applied in the cases where part of a work has been reproduced, the copying of the whole of a work must be unfair. Secondly, even on the assumption that the third limb is read in the way that the Commission apparently intends, it is notable that this means that the third limb disappears from consideration altogether. In contrast, in some of the US cases dealing with the copying of the entirety of a work, it has been held that the reference to ‘substantiality’ in the third limb permits courts to look at factors such as the size and quality of the copy made.⁸¹ While we appreciate that an Australian court could justify taking such considerations into account by reference to the first limb, we believe that it would be better to retain the link to US case law by replicating the third limb in the form found in s 107.

If our proposal to revert to the language of s 107 is accepted this leaves the question of how to make it clear that fair use can at times justify copying the entirety of a work. We suggest that this can be done by adding a rider at the end of the fair use factors. Our preferred wording is set out at the end of Part 4.2, but in giving consideration to adding a rider to fair

⁷⁸ See, eg, *Sony Corporation of America v Universal City Studios, Inc*, 464 US 417 (1984); *Kelly v Arriba Soft Corporation*, 336 F 3d 811 (9th Cir 2003); *Bill Graham Archives v Dorling Kindersley Ltd*, 448 F 3d 605 (2nd Cir 2006); *Perfect 10, Inc v Amazon.com, Inc*, 487 F 3d 701 (9th Cir 2007).

⁷⁹ *Ibid.*

⁸⁰ *Hubbard v Vosper* [1972] 2 QB 84, 98; *CCH Canadian Ltd v Law Society of Upper Canada* (2004) 236 DLR (4th) 395, [56].

⁸¹ See, eg, *Kelly*, *Bill Graham Archives* and *Perfect 10*, above n 78.

use it is also worth addressing why the ALRC has not recommended adoption of the rider to s 107 of the US Act, which deals with unpublished works. This provides as follows:

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

The failure to make reference to the permissibility of copying unpublished works is also a matter of significant concern. Here it is necessary to clear up a common misconception. It appears that it is often thought that the exclusion of unpublished works from the scope of the exceptions is necessary in order to protect authors from having extracts of their works placed into the public domain before the work has been completed, such premature disclosure representing a serious threat to the creative process.⁸² However, a court would be extremely unlikely to conclude that taking an extract from an unfinished work was ‘fair’. The problem with an absolute exclusion of unpublished works is that the categories of unpublished works and ‘unfinished’ works are not coterminous. Some unpublished works are important to public debate, and for these works exceptions must be available. This was recognised in *Hubbard v Vosper*,⁸³ which remains a leading authority on fair dealing. In that case the UK Court of Appeal gave a strong indication that the defendant had been justified in quoting extracts from various unpublished works on Scientology written by L Ron Hubbard as the extracts in question raised matters that it was in the public interest to be made known.

There are therefore very good reasons for including a rider to make it clear that there is no absolute rule that copying from an unpublished work can never constitute fair use. Moreover, in the Australian context there is a real danger that by failing to include such a rider Parliament will be understood to have indicated that courts should adopt a more restrictive approach than applied under fair dealing.

The addition of an appropriately worded rider therefore has the potential to deal with two significant issues. Our recommendation is that such a rider should read as follows:

The fact that a work is unpublished or copied in its entirety shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

⁸² See William Fisher, ‘Reconstructing the Fair Use Doctrine’ (1988) 101 *Harvard Law Review* 1659, 1773-4 (arguing forcefully against the disclosure of creative works before their creators deem them finished).

⁸³ [1972] 2 QB 84. See also *Commonwealth v John Fairfax & Sons Ltd* (1981) 147 CLR 39.

4.3 The impact of the Marrakesh Treaty

The final point we wish to raise in our submission concerns an event that occurred after the ALRC issued its Discussion Paper, namely the adoption at WIPO of the *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* on 27 June 2013. This is an unusual treaty in that it *obliges* contracting parties to ensure that particular uses of copyright works are exempted from infringement (rather than merely giving parties the flexibility to adopt exceptions to certain exclusive rights). More specifically, Art 4(1) requires contracting parties to provide for a limitation or exception to the rights of reproduction, distribution and making available to the public of works,⁸⁴ in order to ‘facilitate the availability of works in accessible format copies’ for certain categories of persons with print disabilities,⁸⁵ and that such exceptions need not be subject to remuneration.⁸⁶ In addition, under Art 5(1) parties must provide that if an accessible format copy is made under a limitation or exception, that copy may be distributed or made available by an authorised entity⁸⁷ to a person with a print disability or an authorised entity in another contracting party.⁸⁸ Articles 4(2) and 5(2) set out specific, highly detailed exceptions that parties may choose to provide in their domestic laws which, if they do so, will be taken to fulfil Arts 4(1) and 5(1).⁸⁹ The treaty is not yet in force and Australia is not currently a signatory, although the treaty has been commented on by the Australian government. Immediately after the adoption of the treaty the Commonwealth Attorney-General noted the existence of the current provisions in the *Copyright Act* that allow for the reproduction, etc of works to assist those with print disabilities and indicated that Australia ‘will need to look at a specific exception for importing and exporting accessible format copies when we formally consider the treaty’.⁹⁰

It might be argued that the adoption at WIPO of the Marrakesh Treaty raises two issues for the Commission relating to its recommendations that Australia should enact a fair use defence and should repeal Part VB (which contains statutory licensing provisions covering reproductions of works for those with print disabilities) and s 200AB (subsections

⁸⁴ ‘Works’ being defined by reference to the Berne Convention: Marrakesh Treaty, Art 2(a).

⁸⁵ Marrakesh Treaty, Art 4(1)(a). Parties may also provide such an exception to the right of public performance: Art 4(1)(b).

⁸⁶ Marrakesh Treaty, Art 4(5).

⁸⁷ Defined as a government-authorised entity that provides education, instructional training, adaptive reading or information access to print-disabled persons on a non-profit basis: Art 2(c).

⁸⁸ See also Art 6, permitting the importation of accessible format copies.

⁸⁹ Marrakesh Treaty, Arts 4(2) and 5(2).

⁹⁰ Mark Dreyfus, Bob Carr and Amanda Rishworth, ‘Historic New Treaty to Help the Visually Impaired’ (Joint Media Release, 28 June 2013), at http://foreignminister.gov.au/releases/2013/bc_mr_130628.html.

(1) and (4) of which permit the use of copyright subject matter by or for a person with a disability). The first issue is that under its Terms of Reference the ALRC has been asked not to ‘duplicate work being undertaken on ... increased access to copyright works for persons with a print disability’. The second, related issue is that the Commission’s recommendation that existing, specific exceptions and statutory licences relating to print disabilities be repealed and replaced by an open-ended fair use defence might be thought to take Australia from being in a position where it complies with the Marrakesh Treaty to one where it might not comply, complicating the position for the Australian government if it wishes to sign up to the treaty at a later time.

We consider that neither of the above issues should have any impact on the Commission or its recommendations. As the Commission acknowledged in its Discussion Paper, the fact that it has made wide-ranging recommendations whose impact is such that they will broaden the scope of exceptions for those wishing to facilitate the availability of copyright material to those with print and other disabilities does not, of itself, take its recommendations beyond its terms of reference.⁹¹ The only potential problem would seem to be if the Marrakesh Treaty has been drafted in such a way that a contracting party can *only* comply with its obligations by way of a set of tailored exceptions, specifically targeting use of works for the benefit of those with print disabilities. This is clearly not the case. Articles 4(3) and 5(2) of the Marrakesh Treaty provide that a contracting party may fulfil its obligations under Arts 4(1) and 5(1) respectively through limitations or exceptions that are different from the specific, highly detailed exceptions set out in Arts 4(2) and 5(2), provided that the party complies with Arts 10 and 11. Of fundamental importance is Art 10(3), which provides:

Contracting Parties may fulfill their rights and obligations under this Treaty through limitations or exceptions specifically for the benefit of beneficiary persons, other limitations or exceptions, or a combination thereof, within their national legal system and practice. These may include judicial, administrative or regulatory determinations for the benefit of beneficiary persons as to fair practices, dealings or uses to meet their needs consistent with the Contracting Parties’ rights and obligations under the Berne Convention, other international treaties, and Article 11.⁹²

⁹¹ Discussion Paper, [6.24].

⁹² Emphasis added. Article 11 draws attention to parties’ rights under other international treaties, including Art 13(1) of the TRIPS Agreement.

This makes clear that a country is free to meet its obligations under the Marrakesh Treaty by way of a non-specific, open-ended defence subject to judicial interpretation such as fair use. There is no suggestion that ‘fair use’ could not be interpreted to fulfil a country’s obligations under the Marrakesh Treaty—on the contrary, it is noteworthy that the US Supreme Court had previously recognised that:

[m]aking a copy of a copyrighted work for the convenience of a blind person is expressly identified by the House Committee Report as an example of fair use, with no suggestion that anything more than a purpose to entertain or to inform need motivate the copying.⁹³

Similarly, in the recent US District Court decision in *Authors Guild, Inc v HathiTrust* it was said that:

[t]he use of digital copies to facilitate access for print-disabled persons is also transformative. Print-disabled individuals are not considered to be a significant market or potential market to publishers and authors. As a result, the provision of access for them was not the intended use of the original work (enjoyment and use by sighted persons) and this use is transformative.⁹⁴

If Australia were to become a signatory to the Marrakesh Treaty and the treaty were to enter into force,⁹⁵ an Australian court would be able to interpret the fair use exception in light of Australia’s obligations under the Marrakesh Treaty. The ALRC might consider it desirable to recommend adding ‘facilitating access to works for persons with a print disability’ as an illustrative purpose that may qualify as a fair use, and that the Explanatory Memorandum introducing fair use should also note that the defence is intended to ensure compliance with the Marrakesh Treaty.

As a final point, nothing in the ALRC’s recommendations thus far would foreclose Australia from taking a different line in the future: if it were thought that specific provisions for the benefit of visually impaired persons were needed to supplement a fair use defence (along the lines of s 121 of the *Copyright Act 1976* (US)), nothing would prevent these from being added to the *Copyright Act* at a later stage.

⁹³ *Sony Corporation of America v Universal City Studios, Inc*, 464 US 417, 455 fn 40 (1984). The ‘House Committee Report’ referred to is the House of Representatives, *Copyright Law Revision*, House Report No 94-1476, 94th Congress, 2nd Session, 73 (1976).

⁹⁴ 902 F Supp 2d 445, 461 (SDNY, 2012) (notes in original omitted).

⁹⁵ See Marrakesh Treaty, Art 18.