



Law Council
OF AUSTRALIA

Business Law Section

Ms Sabina Wynn
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Australian Law Reform Commission
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Sydney NSW 2001
Via email: copyright@alrc.gov.au

8 August 2013

Dear Ms Wynn,

Copyright in the Digital Economy DP79

The Intellectual Property Committee of the Law Council of Australia's Business Law Section (*IPC*) makes this submission in response to the *Copyright in the Digital Economy* Discussion Paper.

Given the scope of Discussion Paper and the time available for response, the IPC does not respond to all proposals or questions in the Discussion Paper. The IPC considers, however, that it is nonetheless appropriate to act on the proposals discussed below.

The case for Fair Use in Australia

The IPC notes that Proposals 4-1 and 4-2 refer to a fair use 'exception'. The IPC understands that it is intended the proposal will operate as a defence to copyright infringement and, as such, the person asserting 'fair use' will have the onus of proving the accused use is a 'fair use'. The IPC also draws attention to the crucial points from *Campbell v Acuff-Rose* made at 4.9 of the Discussion Paper:

just because a use falls into one of the categories of illustrative purpose, does not mean that such a use will necessarily be fair. It does not even create a presumption that the use is fair. In every case, the fairness factors must be 'explored, and the results weighed together, in light of the purposes of copyright'.

The IPC considers these propositions to be central to the proper and fair operation of the 'fair use' defence, which cannot be emphasised enough. The IPC also welcomes the potential of the ALRC's proposal to re-focus attention on the fairness analysis in light of limited discussion of fairness considerations in cases such as the *Panel* case.¹ In light of that understanding, the IPC agrees with Proposals 4-1, 4-2 and 4-3 for the reasons outlined in the Discussion Paper by the ALRC.

¹ *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235.

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The IPC notes that s 40(2)(c) of the *Copyright Act* 1968 currently also prescribes as a factor to be taken into account:

the possibility of obtaining the work, adaptation, audio-visual item or an authorised recording of the performance within a reasonable time at an ordinary commercial price,

which is not included in the ALRC's proposal.

The IPC is concerned that a court may infer from the omission of this factor from the fairness factors, given its current inclusion in s 40(2), that this factor is not intended to be taken into account in the fairness analysis. The IPC considers that this factor may be a consideration which may be relevant in some cases. However, the IPC does not consider it is necessarily relevant in all cases. For example, it would not be relevant where an extract was being used in connection with, say, a book review. The IPC notes also that such matters are taken into account (in appropriate cases) by US courts when considering the effect of the use on the potential market for, or value of, the copyright.² Accordingly, the IPC considers it is not necessary to include this in the list of fairness factors, but it should be made clear that such matters may well be a relevant consideration in an appropriate case.

Subject to the further comments below including in particular “non-consumptive use” and “judicial proceedings / professional advice”, the IPC agrees with the proposed non-exhaustive list of illustrative purposes included in Proposal 4-4.

The IPC submits below that a blanket defence for use in relation to judicial proceedings (including administrative proceedings) should be retained. In addition, the IPC submits that “professional advice by a legal practitioner, registered patent attorney or registered trade marks attorney” should be retained as an illustrative purpose. In this connection, the IPC notes that fair dealing for the purposes of “legal advice” is a fair dealing defence of long-standing. There is very often a need for material protected by copyright to be copied in the course of seeking or providing legal advice even when the advice does not relate or lead to judicial proceedings or copyright issues. A simple example might be a question whether a builder or sub-contractor has performed its contractual obligations to build something in accordance with a set of building drawings or the like. The types of situation where the need to reproduce some or all of material protected by copyright is not confined to such cases and will vary infinitely.

It is most important in the interests of parties being properly advised about their legal rights and obligations that it be clear that such use does not infringe copyright. In the IPC's submission, however, existing s 43(2) appropriately recognises that a fairness factor can and should be involved. The IPC is not aware of any particular reason why other subject matter should be treated more favourably than original works. As with the other “traditional” categories, therefore, fair use is the appropriate standard rather than a blanket defence.

The IPC also notes the questions raised about “third party” use. The IPC notes that the strict approach applied in *de Garis* was not adopted in the very different circumstances of

² For example, *Cambridge University Press Inc v Becker* 863 F Supp.2d 1190 at 1237 (ND Georgia, 2013) citing *Campbell v Acuff-Rose*.

the *Panel* case.³ As the case law has developed in the USA, however, the courts have been able to rely on the flexibility inherent in the defence and the fairness factors to make a better informed assessment of whether a third party can legitimately rely on the defence

Non-consumptive use

The IPC supports Proposal 8-1 and 8-3 insofar as it relates to caching, indexing or network-related functions. The IPC is not in a position, however, to support the recommendations in relation to data and text mining at this stage.

The IPC is concerned that the terms “data and text mining” can cover a very wide range of activities which do or may not raise all the same issues. The IPC is also concerned that the issues raised by “data and text mining” are in many respects of recent emergence and not clearly understood. In this connection, the IPC notes that the exception proposed in the UK is very narrow:⁴

it is not an infringement of copyright for a person who already has a right to access a copyright work (whether under a licence or otherwise) to copy the work as part of a technological process of analysis and synthesis of the content of the work for the sole purpose of non- commercial research.

Accordingly, whether a particular use should be protected should be determined on a case by case basis under the general fair use analysis.

Further, the IPC is also concerned by the proposed definition on non-consumptive use as a ‘use that does not directly trade on the underlying creative and expressive purpose of the material’. This is likely to prove too vague and uncertain to be workable in practice. In this connection, the IPC notes that European Community directives often use the expression ‘acts ... which have no independent economic significance’. While this expression also has its difficulties, the recent and lucid discussion of this concept by Lord Neuberger in the UK Supreme Court appears to capture better the idea underlying this proposed illustration.⁵ Accordingly, the IPC strongly recommends that the definition proposed in Proposal 8-3 not be used and further consideration and elaboration be given to explaining the proposed concept of ‘non-consumptive use’.

Transformative use, Quotation and Fair Use

The IPC agrees with Proposal 10-1 that a new “transformative use” should not be introduced but, as proposed in the adoption of a general “fair use” defence, the extent to which a particular use is “transformative” should be one of the factors taken into account in determining whether the use is a fair use.

The IPC agrees with the ALRC proposal that quotation should be an illustrative purpose in the fair use exception in addition to “research or study”, “reporting news” and “criticism or review”. The IPC does not consider the illustrative purpose should be further constrained by quotation for one or more specified purposes. The specification of one or particular “approved” purposes will lead to arguments that other unspecified purposes were not

³ *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2002) 118 FCR 417 at [100] – [101].

⁴ <http://www.ipc.gov.uk/techreview-data-analysis.pdf>.

⁵ *Public Relations Consultants Association Limited v The Newspaper Licensing Agency Limited* [2013] UKSC 18

intended to be protected. Instead, it would be preferable for the nature, purpose and the extent of use to be assessed under the fairness criteria.

Use for judicial proceedings

The current defences in ss43(1) and 104A given for judicial proceedings, reports of judicial proceedings give a blanket exception for copying that is not dependent on proof of 'fairness'. For the reasons identified at 14.64 of the Discussion Paper, namely that these uses:

- a. have a purpose and character that is non-commercial;
- b. are necessary for activities that are central to the operation of democratic government; and
- c. are not likely to have an impact on the market for the material,

the IPC considers that these blanket exceptions should be retained and not incorporated into a defence of fair use. The undesirable potential to use copyright claims to delay litigation or increase the costs of conducting litigation outweighs any likelihood of any unfair use for those purposes. Consequently, the blanket exceptions should be retained.

An example of an attempted use of copyright claims to impugn pleadings in litigation in the United States is discussed at:

<http://copyrightlitigation.blogspot.com.au/2011/04/second-circuit-fair-use-doctrine.html>

While the attempt was unsuccessful and the reproduction in question permitted on the basis of fair use, the mere fact that the claim was made is an indication of the potential difficulties of reducing the level of protection currently provided.

Given government's increasing use of tribunals to resolve disputes, the defence should apply equally to administrative proceedings as well as judicial proceedings.

Statutory licences

The IPC considers that the proposal to repeal the Crown Use provisions in the *Copyright Act* is at odds with the existence of Crown Use regimes in the *Patents* and *Designs Acts*. The IPC considers it would not be desirable to treat copyright differently to patents and registered designs in this respect.

The IPC notes that schedule 1 of the *Intellectual Property Laws Amendment Bill* proposes to amend the Crown use regime so that it is available for services provided or funded by the Government. Rather than narrowing the scope for Crown Use, the Parliament appears to be contemplating extending, or at least clarifying, its operation. It would be anomalous for copyright to be treated differently to patents and designs. If the reforms proposed in the *Intellectual Property Laws Amendment Bill* are enacted, therefore, the IPC submits that the Crown Use regime in the *Copyright Act* should be amended in conformity.

The IPC notes that some educational institutions may be able to benefit from the existing Crown Use provisions if Parts VA and VB are repealed. It is not clear to the IPC why such

educational institutions should be privileged in this respect over other educational institutions. Accordingly, the Act would need to be amended to prevent this.

The IPC further notes that s 107 of the *Copyright Act* of 1976 includes as an illustrative purpose “teaching (including multiple copies for classroom use)”. It would be consistent with the adoption of a fair use defence and the repeal of Parts VA and VB of the Act for the inclusion of a similar illustrative purpose or the addition of the words in parentheses to follow “study”. In this connection, the IPC notes that considerable guidance about the operation of this illustration has been given in *Cambridge University Press Inc v Becker* 863 F Supp.2d 1190 (ND Georgia, 2013), although it is understood that decision is under appeal.

Private and domestic use

The IPC supports Proposals 9-1 to 9-5 for the reasons advanced by the ALRC. In this connection, the IPC reiterates the importance of the propositions set out in paragraph 4.9 of the Discussion Paper, extracted above.

Repeal of existing defences

If fair use is enacted, the IPC supports the recommendations in Proposal 7-2, Proposal 8-2, Proposal 9-3, Proposal 13-3.

The IPC also supports the recommendation in Proposal 9-5 but, bearing in mind that the other provisions in Part III Division 4A were introduced in response to US case law ruling that such uses fell within fair use, the IPC considers that ss 47AB to 47G should also be repealed.

The IPC does not support Proposal 7-3 or 14-3. For the reasons set out above, the IPC considers a blanket defence for purposes of judicial (including administrative) proceedings should be retained. In addition, s 104(b) and (c) should be limited to “fair dealing”.

The IPC does not object to Proposal 7-4, if fair use is not adopted. It does not consider the proposal is necessary, however, as (as acknowledged in the Discussion Paper) the courts already effectively apply the approach indicated.⁶

If fair use is not adopted

Subject to the comments made above about non-consumptive use and judicial proceedings, if fair use is not enacted, the IPC broadly supports Proposals 8-3, 9-2, 10-3 consistently with the reasons why fair use for such purposes should be permitted.

The IPC notes, however, that this piecemeal approach is a very poor alternative which is likely to lead to much greater uncertainty and expense from the need to identify a particular category or pigeon hole in which to fit a contested use and argument over whether the use meets the criteria for that category. Further, as the *Panel* case⁷ shows, the need to consider multiple, overlapping defences can lead to considerable duplication of effort and confusion.

⁶ See e.g. *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235 at [49].

⁷ *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235 and, on appeal, (2002) 118 FCR 417.

The IPC notes the submissions discussed in the Discussion Paper seeking to limit the defence of fair dealing for the purpose of reporting news to a defence only for specific organisations such as a ‘news or information service’⁸ and that the ALRC does not appear to support such proposals. With the rise of freelance journalism and commentators through blogs, podcasts, videocasts and other online sources, the IPC also does not support such a limitation. The IPC submits that the defence should simply apply for a dealing for the purpose of reporting news and its validity be assessed in context through the fairness factors.

Orphan works

The IPC notes that much of the difficulty arising from “orphan works” results from the absence of a registration system for copyright.⁹

The IPC notes the recent publication of two studies by the UK Intellectual Property Office examining the operation of “orphan work” regimes around the world: *Orphan Works in the UK and Overseas*¹⁰ and *Copyright and the Regulation of Orphan Works*.¹¹

Proposal 12-1 adopts the ‘*ex post*’ approach rather than the ‘*ex ante*’ approach in terms of the second of those studies. One potential issue with the *ex post* approach is that a user will not know in advance what the fee for the use would be if a copyright owner does come forward. (Of course, in many cases, the expectation may be that a copyright owner will not come forward.) The IPC notes that, for this reason, there is some evidence discussed in *Copyright and the Regulation of Orphan Works* that the *ex post* approach may be well suited to the needs for non-profit entities while commercial users may find the *ex ante* approach provides greater certainty.

The IPC is not in a position to assess how great the need for an *ex ante* approach is in fact or the feasibility of implementing a dual scheme. In the absence of implementation of Proposal 12-1, however, it is clear that use of an orphan work without permission will infringe copyright (unless another defence is applicable). That in itself will be a significant barrier to many institutions from using the material. In addition, if a copyright owner does come forward and no other defence is applicable, it is clear that damages (at least) under s 115(2) will be available as of right. Further, it is unclear to what extent the Courts are willing to adopt a “reasonable royalty” basis for assessing the amount of the damages except in situations where the copyright owner has a practice of licensing. 12 Accordingly, the IPC considers implementation of Proposals 12-1 and 12-2 should make it clear that, assuming the conditions apply, the remedy is limited to payment of a reasonable royalty for the use in question.

⁸ Discussion Paper [7.45].

⁹ *Berne Convention* art. 5(2).

¹⁰ <http://www.ipso.gov.uk/ipresearch-orphan-overseas-201307.pdf>.

¹¹ <http://www.ipso.gov.uk/ipresearch-orphan-201307.pdf>.

¹² Contrast the approach of Black CJ and Jacobson J in *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd (in liq.)* (2007) 71 IPR 437 at [29] to that of Rares J at [95] – [96] citing *Watson, Laidlaw & Co Ltd v Pott, Cassell and Willimason* (1914) 31 RPC 104 at 119-120 (HL).

Contracting out

The IPC agrees with the ALRC that in certain circumstances it may be appropriate to limit parties' ability to contract out of a copyright exception if that agreement undermines or threatens the public interests that are protected by copyright. However, the IPC is concerned that a blanket limitation on contracting out of certain copyright exceptions would unduly restrict parties' freedom of contract. It should not be presumed that an agreement to contract out of a copyright exception is unfair or contrary to the public interest, even if that exception has a clear public purpose. For example, an author provides his or her novel to a book reviewer, for the purpose of writing a review. However, a term of their agreement is that the review must not be published until 3 months later, when the novel is publicly released. This is a fair and reasonable contractual term that limits the fair dealing exception for criticism and review.

The IPC submits that it is important to protect exceptions with copyright purposes, but acknowledges that in some circumstances, it is fair and reasonable to contract out of these exceptions and that this it is necessarily not contrary to the public interests protected by copyright. The IPC submits that the ALRC should adopt a "middle ground" position on contracting out of copyright exceptions. The question should be whether a term of an agreement that purports to exclude or limit the operation of the relevant copyright exception is fair and reasonable in all of the circumstances. In this way, both freedom of contract and the public interests protected by copyright are protected. The provision would void those contracts that are of concern to the ALRC.

The IPC considers that the current drafting of s 47H of the Act is problematic and submits that any limitation on contracting out should be drafted differently. Section 47H applies to agreements that exclude or limit the operation of certain sections. Those sections provide that certain acts do not infringe copyright. Section 47H therefore purports to invalidate agreements that exclude or limit whether or not a particular act infringes copyright. No agreement can have that affect. Therefore, any contracting out provision should focus on the acts contemplated by the exception.

The IPC submits that the ALRC should propose the introduction of a provision that a term of a contract is void if (a) the term prevents a person from doing an act falling within one of the nominated exceptions; and (b) the term is unfair or unreasonable. The provision could set out factors to be taken into account in determining whether the term is unfair or unreasonable.

Assistance from foreign jurisdictions

The IPC notes that there have effectively been few substantive decisions interpreting the fair dealing provisions since the Act was enacted in 1968.¹³ It seems unlikely, therefore, that a very substantial body of case law interpreting the proposed general fair use defence will develop very quickly. In these circumstances, the IPC considers it is imperative that the Courts and practitioners be given strong encouragement to look to how fair use is applied in those jurisdictions overseas which have already adopted it, particularly the well-established body of case law under the US Act to assist in determining how the flexible

¹³ *de Garis v Neville Jeffress Pidler Pty Ltd* (1990) 37 FCR 99 and *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* (2001) 108 FCR 235 and, on appeal, (2002) 118 FCR 417 and *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* (2010) 88 IPR 11. There have also been a very small number of interlocutory decisions.

standard will apply. The IPC considers the need for such encouragement is all the greater in light of arguments, reported in the Discussion Paper, that US conditions are very different to conditions in Australia. The IPC notes further that, for example, the Explanatory Memorandum on the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* expressly stated that some concepts introduced by that Act into the patent law were adopted from and intended to be interpreted in accordance with UK or US developments.¹⁴

If you have any questions regarding this submission, in the first instance please contact the Committee Chair, Richard Hamer, on 03-9613 8853 or via email: richard.hamer@allens.com.au

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Frank O'Loughlin', with a stylized flourish at the end.

Frank O'Loughlin

¹⁴ See e.g. EM Item 6: Usefulness - 'specific, substantial and credible' and Item 8: Requirement to describe the invention fully.