

## DETAILED RECOMMENDATIONS ON AMENDMENTS TO THE COPYRIGHT ACT

### ONUS OF PROOF

The *Copyright Act* was changed in 1998 to allow parallel importation of CDs. The government, in response to arguments by the recorded music industry that opening up imports would increase piracy levels, introduced section 130A into the *Copyright Act*. This was to make it easier for copyright owners to establish infringement actions.

Section 130A of the *Copyright Act* 1968 (Cwlth) imposes a reverse onus of proof on any infringement of copyright in a work but only when the article concerned is "a copy of a sound recording".

In the case of civil infringement proceedings, Section 130A sets out that the owner of the copyright must first establish:

- proof of the subsistence and ownership of the copyright;
- the importation of the offending material;
- the lack of consent by the owner of the copyright to the importation;
- that the importation was for a commercial purpose; and
- that the importer ought reasonably to have known that if the recording had been made in Australia an infringement of the copyright would have occurred.

Once the owner of the copyright has established the above mentioned matters the onus is then, and only then, upon the importer to establish that the imported copies were non-infringing material. This means that the copyright owner must first establish a prima facie case before the defendant is required to respond

### **S.130A SHOULD BE OPENED UP TO ALL COPYRIGHT OWNERS.**

All copyright owners could benefit from a reversal of the onus of proof. Basically the provision puts the obligation on the importer to show that the imported copy is not an infringing copy. This saves the copyright owner having to prove the infringement. Instead the suspected importer is given the role of proving that he has not broken any copyright laws.

Section 130A should apply only in respect of civil proceedings, and it is not proposed that changes be made to the onus of proof in criminal cases.

By assisting the owners of copyright in this manner, civil proceedings would become more attractive meaning less involvement being required of the limited resources of the Australian Federal Police. The Police would then be able to concentrate on other criminal offences rather than infringement of copyright.

### **INFRINGEMENT BY COMPANIES**

The provisions relating to enforcement in the *Copyright Act* could be substantially enhanced by providing that when an infringement occurs by a corporation or an unincorporated association, each member of the governing body of that entity is taken to have committed the contravention and may be liable to a penalty.

Given the enormous value of intellectual property rights and the seriousness of breaches, individuals must be held accountable for their actions. It is submitted that the corporate veil should not be used as protection for individuals who infringe Intellectual Property Rights and the deterrent would be more effective if it related to the reputation of the individual rather than the company.

### **PUNITIVE DAMAGES**

The nature of the infringement will often dictate the type of remedy sought by a victim of the infringement given that an injunction and surrender of the offending material may be sufficient in some cases and damages may be awarded in others.

An intentional infringer is not normally faced with any substantial risk other than loss of profits made by committing the infringement whilst Section 115(4) allows for the award of "such additional damages as [the Court] considers appropriate in the circumstances", before that sub-section can be utilised the Court must be satisfied that it is proper to award additional damages having regard to:

the flagrancy of the infringement;

any benefit shown to have accrued to the defendant by reason of the infringement; and

all other relevant matters.

The inadequacy of this section can be demonstrated by a member of the ATA, Mattel, whose recent experience in the Federal Court where pirate copies of a range of toy model cars "Hot Wheels" had been imported and were available in retail outlets. Requests to withdraw sales due to an infringement of copyright were neglected and Mattel therefore instituted infringement proceedings. The damages which we expect will be awarded fell far short of the costs of prosecuting the action.

Another example is *Ownit Homes Pty Ltd v O & F Mancuso Investments Pty Ltd [1988] AIPC 38,235* ("the Ownit Homes Case") where copyright in Architects plans were blatantly breached. Initially the court ordered the sum of \$250 to compensate the copyright owner. In this case punitive damages were awarded and they were calculated by doubling the initial sum. Therefore the copyright owner received the grand sum of \$500 relief. As the award was so low, exemplifies the need for damages to be better related to the seriousness of the breach.

The triggering requirements set out in Section 115(4) (b) should be deleted from the Act leaving the Court with the authority to award such additional damages as it considers appropriate. Again, individuals must be accountable for their actions and an award of damages over and above potential profits will assist in this objective.

## **REGISTRATION**

Currently, in a copyright infringement action when a plaintiff alleges infringement, it is required to immediately prove ownership of copyright which creates cost and also uncertainty. An analogy can be drawn with the introduction of the Torrens Land Title System.

In Australia, two separate and distinct systems of title to land exist side by side, i) the General Law system; and ii) Torrens System. The Torrens System was introduced to institute a method of conveyancing which was more reliable, efficient and less expensive than that provided by the General Law. The originators of the Torrens system believed that the defects of the older system sprang from two major causes, i) its reliance upon chain of title deeds; and ii) the operation of the doctrine of notice.

Accordingly, the Torrens system substituted a Register Book for the chain of title deeds and abolished the doctrine of notice in favour of persons who registered their interests.

Undoubtedly the reliance of the General Law system upon chains of title deeds made conveyancing a slow, expensive and inefficient process. A purchaser of land was forced to carefully consider every deed and instrument through which the vendor derived title, making conveyancing a hazardous process as purchasers may not ultimately receive the relevant interest in land.

A similar problem is faced in trying to prove ownership of copyright.

By implementing a Register many of the costs associated with proving ownership in an infringement action could be avoided and it would have the added advantage of certainty.

A form of registration previously existed in an optional form under earlier Acts such as the *Copyright Act 1912* (Cwlth) Division 2, Part 4.

We note that as a signatory to the Berne Convention, Australia cannot establish a Register for foreign work, however observance of this obligation has led the Commonwealth Parliament to dispense with such requirements of registration in Australia also.

It is submitted that formalities are not completely excluded by the Berne Convention so long as they are optional and do not interfere with the existence and exercise of copyright protection. To the extent that they are simply conditions for the enjoyment of enhanced levels of protection allowing, for example, access to additional remedies or other procedural advantages, they may still be consistent with Berne. This was the position taken by the United States in its accession to Berne in 1988 whose precedent gives Australia the option to retain full formalities or to introduce full formalities with respect to its own nationals and works first published in its own country. In the United States of America belief in the efficacy of registration systems remains strong even after accession to Berne.

Although the absence of formalities has become an established part of Australian copyright, the advantages offered by systems of formalities should not be overlooked. Registration can provide clear public records of the existence of copyright and persons entitled to protection, particularly after a lapse of time when rights may have become fragmented and passed through different hands, the Register can then easily prove ownership. The Register would also make proof of infringement easier and thereby reduce the cost of enforcement.

A registration system would provide many benefits to Australian copyright owners in that it would create certainty and help in proving those aspects required for infringement actions. Further, this type of system would not be difficult to introduce as it could come under the auspices of IP Australia to maintain the Register.

If adopted, a registration system like the one proposed in this submission would break even or even produce a profit for IP Australia given that it could involve search fees, registration fees, and renewal fees all payable to IP Australia to cover the administration costs. These fees would not be a burden to copyright owners but could be seen as an efficient use of copyright owners' funds considering the benefits that would flow from registration.

## **CRIMINAL OFFENCES**

Division 5 of the *Copyright Act* contains provisions relating to "offences and summary proceedings". These provisions allow for criminal proceedings to be taken against offenders by the Australian Federal Police in the Federal Court.

In respect of these provisions, three (3) matters are submitted to the Committee:

### **Civil Proceedings**

If the above mentioned proposed changes in relation to civil proceedings are implemented, there ought to be a reduction in the time and cost of involvement of the Australian Federal Police. Clearly, it is the owner of the copyright which has the vested interest in prosecuting offenders. If the legislation were to facilitate easier and more cost effective civil prosecutions by the owners it would itself provide yet another illustration of the advantages of co-operative regulation.

### **Section 132**

Whilst there is an extensive range of offences under Division 5, there is no offence for a person merely possessing infringing material. Section 26 of the *Summary Offences Act, (Vic)* creates an offence in respect of "any person having in his actual possession or conveying in any manner any personal property whatsoever reasonably suspected of being stolen or unlawfully obtained...". Subsection 2 requires that person to give to the court "a satisfactory account as to how he came by such property". Unless that person provides a satisfactory account, he or she is guilty of an offence.

Division 5 could be strengthened by the inclusion of a provision relating to unexplained possession of material subject to copyright and which is reasonably suspected to be infringing material.

### **Level of Penalties**

The difficulty which is encountered in this area is that although the penalties prescribed in the legislation are adequate, rarely are substantial penalties imposed. It may be argued that the prosecution ought to present sufficient material to encourage the Court to impose a higher penalty or adopt a new approach to the seriousness of infringement cases, but as prosecutions are not undertaken by the industry, this is not an option. Therefore, Parliament can indicate its opinion by the insertion of minimum penalties.

### **Mandatory Sentencing and Damages Guidelines**

In its submission to the House of Representatives Standing Committee on Legal and Constitutional Affairs, the Business Software Association of Australia referred to the level of penalties and provided a comparison and

contrast between Australia and other countries where criminal penalties have been imposed. The Association stated that:

“the situation in Australia can be contrasted with the position in other countries where much harsher penalties have been imposed”

The toy industry support that submission and feel that the few Australian cases on the issue the level of penalties have been too low. In the "Ownit Homes Case" architects plans were infringed however the damages awarded were abysmally low and the damages of \$250 were merely doubled to \$500 to take account of the fact that it had been a deliberate and flagrant breach.

Unfortunately, this suggests that not only is there a culture in Australia in which copyright infringement is regarded as a trivial matter, there is also an apparent view amongst the judiciary that copyright infringement is not worthy of a penalty matching the magnitude or severity of the offences reflected in the low penalties imposed in Australian Courts.

The Government must educate the citizens of Australian that copyright infringement is a serious offence which will not be tolerated. They also need to educate the judiciary so that the penalties will provide sufficient deterrent to the continuation of copyright infringement. Mandatory guidelines for sentencing are needed to provide both consistency and a deterrent by penalty as the current fines and penalties are too low.

Wilful copyright infringement is theft and should be treated as theft. The offender is stealing the intellectual property of the rightful owner and without adequate deterrents, it will not be possible to reduce piracy to acceptable levels.

As the Business Software Association of Australia submitted to the Parliamentary Committee:

*“the most important reason for active criminal enforcement is that of deterrents.”*

It is necessary to provide guidelines for the sentencing of offenders so that the penalties which are imposed do act as a deterrent and are in accord with those imposed in other countries.