

1992

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

*COPYRIGHT AMENDMENT BILL 1992*

EXPLANATORY MEMORANDUM

(Circulated by authority of the Attorney-General,  
the Hon. Michael Duffy MP)



## ***COPYRIGHT AMENDMENT BILL 1992***

### **GENERAL OUTLINE**

The purpose of this Bill is to introduce important changes to the *Copyright Act 1968* ('the Act') which will -

- give effect to the Government's response to the Report of the Prices Surveillance Authority on the Prices of Sound Recordings. In accordance with that decision, it is proposed to amend the Act to:
  - insert a schedule of countries to which ss.37, 38, 102 and 103 of the Act, which allow copyright owners to prevent the commercial importation of copies of their works and subsequent commercial dealings with such copies, will not apply in relation to imported non-pirate sound recordings;
  - include the United States, certain Member States of the European Community and New Zealand in the schedule with effect from 1 July 1994 (other countries may be added as appropriate);
  - ensure that copyright owners will retain control over the importation of non-pirate recordings of performances by performers who are, or groups of performers of whom the majority are, Australian citizens or residents;
  - allow the importation of all non-pirate records ie, new releases, re-releases and back catalogue sound recordings where they were ordered from a copyright owner and he or she has not filled the order within 30 days;
  - allow the importation of a non-pirate copy of a record to fill a documented order from a customer for his or her non-commercial use;
  - restrict the operation of the changes being made to the Act to non-pirate sound recordings imported into Australia from 1 July 1994;
  - extend copyright-owner-initiated Customs seizure of infringing copyright articles under s.135 to include infringing sound recordings and introduce new provisions relating to Customs seizure in this area;
  - bring the penalties for sound recording piracy offences into line with those provided for cinematograph film piracy;

- shift the burden of proof in civil sound recording piracy proceedings, in relation to the subsistence and ownership of copyright, from the plaintiff to the defendant where the plaintiff's claim of subsistence and ownership is established with appropriate evidentiary formality;
- remove the knowledge requirement in civil actions under ss.37 and 102 for copyright infringement by importation of all pirate articles;

with effect from 1 July 1993, allow the importation of goods which have copyright packaging or labelling and/or accompanying literature (other than computer software manuals) or warranties without infringement, provided that -

- (i) the copyright owner has consented to the use of material in connection with the goods; and
  - (ii) the material is only incidental to the normal use of the goods; and
- make the operation of the copyright infringement remedies of conversion damages and action for detention subject to the discretion of the courts.

## **FINANCIAL IMPACT STATEMENT**

The amendments effected by this Bill will have no direct impact on Commonwealth expenditure. However, the Bill is likely to lead to some reductions in prices of records, as well as goods which have copyright packaging or labelling.

## NOTES ON CLAUSES

### Clause 1 - Short title etc

1. When enacted, this Bill will be cited as the *Copyright Amendment Act 1992*.

### Clause 2 - Commencement

2. The provisions of the Bill, except paragraphs 3(b) and (d), 5(b), 7(b), 8(b), 8(c) and 14(j) and subclauses 6(2) and 9(2), are to commence 28 days after the Act receives Royal Assent (subclause 2(1)). The effect of the exceptions to this general commencement provision may be summarised as follows:

- minor 'tidying up' amendments in the Bill effected by paragraphs 5(b) and 8(c) will be taken to have commenced on 23 December 1991, immediately after the commencement of the *Copyright Amendment Act 1991* to which those paragraphs relate;
- the new provisions in the Bill which reform the law relating to copyright in packaging and labelling of imported products (paragraphs 3(b) and (d), 7(b), 8(b) and 14(j) and subclauses 6(2) and 9(2)) will commence on 1 July 1993. (The rationale for this is to take account of existing licensing arrangements and allow sufficient time for manufacturers/distributors of imported products to adjust to the changes to the law).

### Clause 3 - Interpretation

3. This clause amends s.10 of the Act (the interpretation provision) -
  - (a) by omitting from the definition of 'infringing copy' in s.10(1) all the words after 'importer' and substituting:
    - ' but does not include:
    - (f) a non-infringing book whose importation does not constitute an infringement of that copyright under section 44A or 112A; or
    - (g) a non-infringing record whose importation does not constitute an infringement of that copyright under section 44B or 112B'.

This amendment (insofar as it deals with records only) relates to changes being introduced the purpose of which is to expand the range of non-pirate products which may be more freely imported into Australia.

- (b) by adding at the end of the definition of 'infringing copy' a new paragraph (h) concerning non-infringing accessories. As mentioned above, this provision will commence on 1 July 1993 and relates to the reforms being introduced by the Bill dealing with packaging and labelling (see clauses 44C and 112C).
- (c) by inserting a definition of 'device' which will include 'plate'. The latter, which is defined in s.10(1), is considered to be too narrow in scope. The object of the amendment is to recognise that, as a result of technological developments, the means of copying works or subject matter have become many and varied and increasingly sophisticated and are no longer confined to appliances previously falling within the term 'plate'. The amendment relates to the changes being made to s.116 of the Act by clause 10 of the Bill.
- (d) by inserting in s.10(1) a definition of 'Geneva Phonograms Convention'. That expression will be defined to mean the Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of their Phonograms done at Geneva on 29 October 1971.
- (e) by inserting a definition of 'non-infringing record'. This definition is being inserted for the purposes of the new provisions being introduced by the Bill dealing with the importation of sound recordings.
- (f) by inserting a definition of 'Schedule 2 country' which will mean a country specified in Schedule 2 to the Act. This Schedule will contain the list of countries to which the importation provisions of the Act will not apply (after 1 July 1994) in relation to the importation of non-pirate sound recordings. Additional countries may be added by way of regulations made for the purposes of the definition.
- (g) by inserting a definition of 'accessory'. This definition is being added for the purposes of the amendments being introduced by the Bill with respect to the importation of packaged or labelled goods (see clauses 44C and 112C).
- (h) by inserting a definition of 'non-infringing accessory'. This definition is being inserted for the purposes of the amendments being introduced by the Bill dealing with importation of packaged or labelled goods.

Clause 4 - Infringement by importation for sale or hire

4. This clause amends section 37 of the Act -

- (a) by omitting the words 'section 44A,' and substituting 'Division 3,' (this amendment is being made for the purposes of the existing section 44A of the Act and new sections 44B and 44C being inserted by the Bill. Section 44C will commence on 1 July 1993 (see subclauses 2(3) and 6(2)); and
- (b) by adding a subsection at the end of that section the effect of which will be that copyright owners will not have to prove, in relation imported pirate products, that the importer knew, or ought reasonably to have known, that the products were pirate products.

Clause 5 - Infringement by sale and other dealings

5. Like the amendment being introduced to s.37 of the Act by clause 4(a), paragraph 5(a), in effect, will make s.38 (which, apart from the already existing exemption under s.44A, provides for copyright infringement by undertaking certain commercial dealings with unlicensed imported copyright materials) subject to the exemptions being introduced by new section 44B and, when in force, section 44C (see paragraphs 17-27 and 37-43 below).

6. Paragraph 5(b) will correct a drafting error introduced into s.38 by s.4(b) of the *Copyright Amendment Act 1991* which substituted 'if the importer knew, or ought reasonably to have known, that' for 'where, to his knowledge' in that section. The introduction of the reference to the actual or constructive knowledge of 'the importer' was unintended. The intention was that the 'constructive knowledge' of the person first referred to in s.38, namely, the person who does any of the things referred to in paragraphs (a) and (b) of s.38(1) was to be inserted as an alternative to the previously existing requirement of actual knowledge. The amendment will remedy this defect.

Clause 6 - Insertion of New Sections 44B and 44C

7. Clause 6 of the Bill inserts new sections 44B and 44C into the Act which, along with new sections 112B and 112C, are the most important changes being effected by the Bill.

A. New Section 44B

(i) Background - Importation of Sound Recordings (CLRC and PSA Reports)

8. The operation of the importation provisions of the Act was examined by the Copyright Law Review Committee (CLRC) which recommended, in its report of September 1988, a relaxation of the importation provisions in certain respects. Following publication of the CLRC's report, the issue of the prices of sound recordings was referred to the Prices Surveillance Authority (PSA) which reported its findings in December 1990.

9. The central conclusion of the PSA was that the prices which Australian consumers pay for sound recordings are too high.

10. Accordingly, it recommended that ss.37, 38, 102 and 103 of the Act be repealed in relation to parallel imports of records (ie, records made with the licence of the copyright owner) from countries providing comparable levels of protection for the reproduction of musical works and sound recordings.

(ii) Opening up the Market to Imports from Specified Countries

11. The PSA identified the restriction on competition from imports arising from the importation provisions of the Act as one of the factors underpinning higher prices. Australian record companies and performers expressed concern that their livelihood would be threatened by amendments to the importation provisions because they would facilitate the importation of cheap pirate product. Nonetheless, the PSA did recommend that importation should be restricted to non-pirate product from countries which provide adequate protection for copyright owners against piracy. In accepting the main thrust of its conclusions, the Government decided to open up the market to imports from the US, certain Member States of the EC (in particular the UK) and New Zealand. These countries have been identified as having lower record prices than Australia and presently provide adequate protection against record piracy.

(iii) Commencement of the Amendments

12. In its report, the PSA acknowledged that amendment of the importation provisions of the Act in the manner it recommended would have an effect on the way the Australian record industry operated. Accordingly, it recommended that the record industry be given 12 months to adjust to the change in the market that would be brought about by the removal of restrictions on importation of sound recordings. The

Government, therefore, decided that the amendments should come into effect on 1 July 1994 and the Bill will give effect to this.

(iv) Application to New Release and Re-released Sound Recordings

13. As the Australian market for sound recordings operates on an established contractual framework which reflects the rights copyright owners presently enjoy under the Act, it was considered that alterations to the Act, if they had a retrospective effect, could have an adverse effect on the value of currently standing commercial agreements between copyright owners and their Australian licensees. For this reason, the Government decided that the opening of the Australian market to imports is to be limited to new releases and re-releases published on or after 1 July 1994.

(v) Recordings by Australian Performers

14. Some Australian performers whose works are marketed internationally expressed concern at the possibility of unfair competition with sales of their records from sales of imported deletions thereby depriving them of the capacity to fully recoup the investment made to put their records on the Australian market.

15. The Government decided to protect Australian performers in these circumstances. Accordingly, both the copyright owner of the underlying work and the copyright owner of the sound recording are to retain the right to control the importation of non-pirate records where the recording is of an Australian performer who is, or a group of performers the majority of whom are, Australian citizens or residents. The right to control importation of such recordings is to apply in respect of all recordings whether made in Australia or elsewhere.

(vi) Back Catalogue Items

16. In its report, the CLRC identified availability of titles and particular versions of sound recordings to be a particular problem in the specialist sector of the market. Opening the market to new releases will go only part of the way to solving availability problems with sound recordings as back catalogue items not released or no longer available in Australia are often available overseas. For this reason, it is proposed that back catalogue releases of sound recordings should also be available to Australian consumers within a reasonable time. The amendments in this area will also take effect from 1 July 1994.



(vii) Reforms

17. Having regard to this background, clause 6 of the Bill inserts a new s.44B which amends the Act in respect of the importation of sound recordings and gives effect to the Government's response to the PSA report on sound recording prices (see, generally, paragraphs 8-16 above).

18. New s.44B(1) provides an exception to copyright infringement where a person, without the licence of the owner of the copyright, imports into Australia for a commercial purpose a non-infringing record for the purposes of retail sale if:

- (a) the sound recording embodied in the record was first published or re-released on or after 1 July 1994;
- (b) the record was made in, and imported from, a Schedule 2 country; and
- (c) the record was not -
  - (i) of a performance by a person who is as Australian citizen or resident;
  - (ii) of a performance by persons the majority of whom are Australian citizens or residents;
  - (iii) of a performance by 2 performers one of whom is an Australian citizen or resident;
  - (iv) of a performance by persons one of whom is the featured artist and is an Australian citizen or resident;
  - (v) of a performance that includes 2 featured artists one of whom is an Australian citizen or resident; or
  - (vi) of a performance that includes 3 or more featured artists the majority of whom are Australian citizens or residents.

19. New s.44B(2) enables a person to import a non-infringing record into Australia for commercial distribution where the record was not able to be supplied by the copyright owner. The subsection will apply to all records, ie, new releases, re-releases and back catalogue records and, as with s.44B(1), have effect from 1 July 1994.

20. A number of important conditions need to be fulfilled before the exemption from copyright infringement under new s.44B(2) can operate:

- the record must be imported after 1 July 1994;
- the sound recording embodied in the record must have been published in Australia;
- the record must be imported from a country that is a party to the Geneva Phonograms Convention or is a 'Schedule 2 country';
- the person importing the record must have first ordered it in writing from the relevant copyright owner;
- the records ordered must not be second-hand or more in number than are needed to satisfy the person's reasonable requirements;
- at the time the person orders an imported record, the original order to the copyright owner, licensee or agent must not have been withdrawn or cancelled by the person;
- the copyright owner, licensee or agent must not have filled the person's written order and at least 30 days had elapsed since the person placed the order.

21. The importer may continue to import records for so long as those conditions prevail, ie, the person's written order to the copyright owner, licensee or agent remains current and unfilled.

22. As to what constitutes 'filling' an order, this is dealt with in new s.44B(6).

23. New s.44B(3) will provide that the copyright in a literary, dramatic or musical work is not infringed by a person who imports into Australia, after 1 July 1994, a single copy of a non-infringing record made for the purposes of retail sale if -

- (a) the importation is to fill a written or 'verifiable' telephone order from the person's customer; and
- (b) the order contains a signed statement by the customer that the record is not intended to be used for a commercial purpose or, in relation to a telephone order, contains a verifiable statement to that effect.

24. New s.44B(4) sets out the circumstances when a telephone order under subsection (3), or a statement under paragraph 3(b), is taken to be 'verifiable' without limiting the ways in which a telephone order or a statement may be verified. Such an order or statement is taken to be verifiable if the person who takes the order, or to whom the statement is made, makes a written note of the details of the order or statement when, or immediately after, the order is placed or the statement is made, as the case may be.

25. New s.44B(5) will affirm that, once a non-infringing record has been imported in accordance with new s.44B(1), (2) or (3), it will not be an infringement to sell or otherwise commercially deal with the non-infringing record in Australia (see s.38 of the Act).

26. New s.44B(6) provides for an interpretation of 'filling an order' for the purposes of new s.44B(2). By virtue of new s.44B(6), a copyright owner, licensee or agent will have filled an order only when he or she has sent to the person who placed the order the full number of copies ordered (bearing in mind the requirement for reasonableness in new s.44B(2)(b)).

27. The new s.44B(7) provides, in effect, a definition of 're-released'. A sound recording will be 're-released' for the purposes of s.44B when it is made available to the public after having been unavailable from the copyright owner, exclusive licensee or agent for a period of at least 12 months.

#### B. New Section 44C

##### (i) Background - Packaging and Labelling of Products

28. As indicated above, for many years, the importation provisions of the Act have been criticised on the basis that the right of copyright owners to control the commercial importation of copies of their material legitimately made abroad has restricted availability of imported articles and, where they have been available in Australia, inflated their price beyond what they sell for overseas (eg, books, sound recordings).

29. In its September 1988 report, the CLRC recommended relaxation of the importation provisions in certain respects. (The *Copyright Amendment Act 1991* (the Book Importation Act) gives effect to the CLRC's recommendations concerning the importation of books.)

30. The CLRC report not only reviewed the operation of the importation provisions with regard to the importation of books, sound recordings, films/videos and computer software, but also examined a number of ancillary issues. One of these was the use of copyright in packaging and labelling to control the marketing of goods.

31. In effect, importation into and distribution in Australia of a variety of goods can be controlled and exclusively licensed by the manufacturer by relying on ownership of copyright in the labelling or packaging of the goods. This has prevented importers from gaining and passing onto consumers the benefit of cheaper prices for the goods from alternative overseas suppliers.

32. A good example is the case of *Bailey v Boccacio* (1986) where the defendant imported for sale in Australia bottles of Bailey's Irish Cream otherwise than through the Australian distributor appointed by the manufacturer and at a lower cost. The NSW Supreme Court held that the importation infringed the copyright in the artistic work held by the manufacturer in the picture on the bottle label.

33. The CLRC criticised this use of copyright where the package or label in which the copyright subsists is only an incidental part of those goods. Subsequent to the CLRC report, complaints were made that copyright in instruction manuals or warranties accompanying goods have also been used to prevent parallel importation of the goods in the same way as copyright in packaging or labelling.

34. The issue is whether distributors (including a local subsidiary or exclusive licensee of an overseas manufacturer) should be able to control the market for particular imported goods by marketing them with a label or package and/or with literature, such as warranties or manuals, in which copyright subsists as artistic or literary works.

35. The CLRC came to the view that copyright should not be permitted to be used in this way. The purpose of copyright is to protect articles which are truly copyright articles (eg, books and films). Copyright in labels or packages should not be permitted to interfere with marketing of imported products.

36. Accordingly, the Government decided that the importation provisions of the Act should be amended to give effect to the CLRC's recommendations in this area to permit the importation of goods which have copyright packaging or labelling and/or accompanying literature or warranties without the consent of the owner of the copyright in such material, provided that -

- (i) the copyright owner has consented to the use of material in connection with the goods;
- (ii) the material is only incidental to the normal use of the goods; and
- (iii) the changes do not apply to computer software manuals.

(ii) Reforms

37. Thus, s.44C(1) amends the Act in respect of copyright subsisting in the packaging or labelling of imported articles. The new section will provide an exception to infringement where an article containing a non-infringing (ie, a legitimate or non-pirate) 'accessory' is imported into Australia for a commercial purpose without the consent of the owner of the copyright, and that owner has consented to the use of his or her work with the article. The word 'accessory' will be defined in s.10(1) to mean, among other things, a label affixed to or displayed on an article, packaging, containers, written instructions, warranties or instructional audio or video cassettes (see paragraph 3(d) of the Bill).

38. Secondly, new s.44C(2) will affirm that the operation of the Act in relation to a work embodied in an article is not affected by the operation of s.44C in relation to a work embodied a non-infringing accessory to the article.

39. New s.44C(3) will ensure that, once an article has been imported in accordance with s.44C(1), it will not be an infringement to sell or otherwise commercially deal with the accessory to the article in Australia and s.38 of the Act will not apply to the accessory.

40. The changes being introduced by the new s.44C will not apply to certain categories of 'accessories'.

41. By virtue of the definition of 'accessory' (see paragraph 3(d) of the Bill), the new provision will not extend to works (eg, pictures or patterns) that are incorporated into the surface of an article and are a permanent part of the article itself, for example, cooking pots. In such cases, the work itself may be a reason for its selection by the purchaser and not be incidental thereto like a package or label.

42. Similarly, the new provision will not extend to instruction manuals that accompany computer software. These manuals were also excluded from the reforms introduced by the *Copyright Amendment Act 1991* because all aspects of copyright protection of computer software are being examined by the CLRC which will be releasing a draft report on this issue soon. The Government decided that it would be

inappropriate to change the existing law in this area concerning computer software manuals pending the CLRC's report.

43. Clauses 7, 8 and 9 of the Bill introduce changes to provisions in the Act dealing with subject matter other than works which will mirror those applying to works by virtue of clauses 4, 5 and 6 the rationale for which is explained generally in paragraphs 4-42 above.

Clause 7 - Infringement by importation for sale or hire

44. This clause amends section 102 of the Act -

- (a) by omitting the words 'section 112A,' and substituting 'sections 112A and 112B,';
- (b) by omitting the words 'and 112B' and substituting', 112B and 112C'; and
- (c) by adding a subsection at the end of that section the effect of which will be that copyright owners will not have to prove, in relation to imported pirate products, that the importer knew, or ought reasonably to have known, that the products were pirate products.

These changes mirror the amendments being made to s.37 by clause 4 of the Bill (see paragraph 4 above).

Clause 8 - Infringement by sale and other dealings

45. Paragraph (a) of this clause, in effect, will make s.103 of the Act (which, apart from the already existing exemption under s.112A, provides for copyright infringement by undertaking certain commercial dealings with unlicensed imported copyright materials for commercial purposes) subject to the exemptions being introduced by new section 112B. This will mirror the amendments being made to s.38 by paragraph 5(a) of the Bill (see paragraph 5 above).

46. Paragraph 8(b) will amend s.103 of the Act by omitting 'and 112B' and substituting ', 112B and 112C'. Paragraph 8 (c) will correct a drafting error introduced into s.103 by s.7(b) of the *Copyright Amendment Act 1991* which substituted 'if the importer knew or ought reasonably to have known, that' for 'where, to his knowledge' in s.103 of the Act. The amendment will remedy this defect and will mirror the change being made to s.38 by paragraph 5(b) of the Bill (see paragraph 6 above).

Clause 9 - Insertion of New Sections 112B and 112C

47. Clause 9 of the Bill inserts new ss.112B and 112C into the Act. The new sections will provide the same exceptions to copyright infringement by importation and sale of published editions of works, sound recordings and films as will apply to underlying works under the new s.44B and s.44C.

48. New s.112B will provide the same exceptions to copyright infringement by importation and sale of sound recordings as will apply to underlying works under the new s.44B.

49. Accordingly, new s.112B(1) will provide that the copyright in a sound recording is not infringed where a person imports into Australia a non-infringing record for a commercial purpose if:

- (a) the sound recording embodied in the record was first published or re-released on or after 1 July 1994;
- (b) the record was made in, and imported from, a Schedule 2 country; and
- (c) the record was not -
  - (i) of a performance by a person who is as Australian citizen or resident;
  - (ii) of a performance by persons the majority of whom are Australian citizens or residents;
  - (iii) of a performance by 2 performers one of whom is an Australian citizen or resident;
  - (iv) of a performance by persons one of whom is the featured artist and is an Australian citizen or resident;
  - (v) of a performance that includes 2 featured artists one of whom is an Australian citizen or resident; or
  - (vi) of a performance that includes 3 or more featured artists the majority of whom are Australian citizens or residents.

This provision will mirror new s.44B(1) (see paragraph 18 above).

50. Similarly, new s.112B(2) will mirror new s.44B(2) and provide an exception to copyright infringement of a sound recording where a person imports into Australia a non-infringing record for commercial purposes. The same conditions which will need to be fulfilled under new s.44B(2) with respect to works will also need to be complied with under new s.112B(2) in relation sound recordings (see paragraphs 19-22 above).

51. New s.112B(3) will provide that the copyright in a sound recording will not be infringed by a person who imports into Australia a single copy of a non-infringing record if -

- (a) the importation is to fill a written or 'verifiable' telephone order from the person's customer; and
- (b) the order contains a signed statement by the customer that the record is not intended to be used for a commercial purpose or, in relation to a telephone order, contains a verifiable statement to that effect.

Again, new s.112B(3) will mirror the provisions of the s.44B(3) (see paragraph 23 above).

52. New s.112B(4) will set out the circumstances where a telephone order under subsection (3), or a statement under paragraph (3)(b), is taken to be 'verifiable', without limiting the ways in which a telephone order or a statement may be verified. Such an order or statement is taken to be verifiable if the person who takes the order, or to whom the statement is made, makes a written note of the details of the order or statement when, or immediately after, the order is placed, or the statement is made, as the case may be.

53. New s.112B(5) will affirm that, once a non-infringing record has been imported in accordance with s.112B(1), (2), or (3), it will not be an infringement to sell or otherwise commercially deal with the non-infringing record in Australia and s.103 will not apply to the record.

54. New s.112B(6) will mirror the provisions of new s.44B(6) and provide an interpretation of 'filling an order' for the purposes of new s.112B(2) (see paragraph 26 above).

55. New ss.112B(7) will provide a mirror provision to new ss.44B(7) (see paragraph 27 above).



56. New s.112C amends the Act in respect of copyright subsisting in the packaging and labelling of imported articles.

57. New s.112C(1) will provide that the copyright in a published edition of a work embodied in a non-infringing accessory to an article, or in a cinematograph film that is a non-infringing accessory to an article, is not infringed by the importation of the article into Australia for commercial purposes if the owner of the copyright has consented to the use of the published edition or film with the article. This provision will mirror new s.44C (1) (see paragraph 37 above).

58. Similarly, new s. 112C (2) will mirror new s. 44C (2) and will affirm that the operation of the Act in relation to a published edition of a work embodied in an article, or in relation to a cinematograph film, is not affected by the operation of s.112C in relation to a published edition of such work embodied in a non-infringing accessory to the article or a cinematograph film that is a non-infringing accessory to the article.

59. New s. 112C (3) will also affirm that, once an article has been imported in accordance with s.44C (1) or (2), it will not be an infringement to sell or otherwise commercially deal with the accessory to the article in Australia and s.103 of the Act will not apply to the accessory.

#### Clause 10 - Rights of owner of copyright in respect of infringing copies

##### (i) Background

60. The purpose of the amendments to s.116 of the Act is to give effect to recommendations of the CLRC, which reported in July 1990, to amend the Act to make the availability of the two remedies of conversion damages and the delivery up of infringing goods (detention) subject to the discretion of the court, rather than automatic rights as currently exists under the present law.

61. However, the new provisions recognise that there are some cases where the award of conversion damages and the delivery up of infringing goods are merited, and that the decision as to whether they are appropriate in particular cases should be within the discretion of the court exercisable according to appropriate criteria. These criteria are set out in amendments of s.116.

62. The current law provides that, where a copyright owner is entitled to damages for conversion, the infringing copy or 'plate' is treated as if it had been taken out of the possession of the copyright owner, wrongfully detained in defiance of the

by way of sale or other disposition, destroyed, or dealt with in any other way whereby the owner is deprived of the use of possession of the copy. The quantum of damages is the value of the copies at the time of the deemed conversion.

63. Where the infringer has possession of any infringing copies or plates, the copyright owner may then bring an action for detention, for which the remedy is either delivery of the goods to the copyright owner or damages.

64. It makes no difference that the infringing copy is an insubstantial part of an article, eg, a badge on a soccer ball, or a few pages of a book. The whole article must be either delivered to the copyright owner or the value of the goods paid by way of damages.

65. With respect to these two remedies, the CLRC recommended changes to the Act to make their availability subject to the discretion of the court. Implementation of this recommendation will avoid possible abuse by copyright owners and unfairness to defendants. An albeit extreme example of the unfairness of the provision is the case of *W H Brine & Co v Whitton* (1981) where the defendant was ordered to pay damages amounting to the whole value of imported soccer balls even though the copyright work infringed consisted only of an emblem printed on the surface of the balls.

## (ii) Reforms

66. Clause 10 of the Bill amends s.116 of the Act by omitting subsection (1) and substituting new ss.116(1), 116(1A), 116(1B), 116(1C), 116(1D) and 116(1E).

67. New s.116(1) provides that the owner of the copyright in a work or other subject-matter may bring an action for conversion or detention in respect of:

- (a) an infringing copy; or
- (b) a device used or intended to be used for making infringing copies.

This provision is a substantial re-make of the existing s.116(1).

68. New s.116(1A) provides that, in an action for conversion or detention, a court may grant to the owner of the copyright all or any of the remedies that are available in such action as if the owner of the copyright had been the owner of:

- (a) the infringing copy since the time the copy was made; or

- (b) the device since the time it was used or intended to be used for making infringing copies.

69. New s.116(1B) will provide that any relief granted by a court in an action for conversion or detention is in addition to any relief that the court may grant under section 115 (actions for infringement). New s.116(1C) provides that a court is not to grant any relief to the owner of the copyright in an action for conversion or detention if the relief that the court has granted or proposes to grant under s.115 is, in the opinion of the court, a sufficient remedy.

70. Further, new s.116(1D) will provide the criteria that a court may have regard to. The court, in deciding whether to grant relief, may have regard to the following matters:

- (a) the expenses incurred by the defendant, being the person who marketed or otherwise dealt with the infringing copy, in manufacturing or acquiring the infringing copy;
- (b) whether the expenses were incurred before or after the infringing copy was sold or otherwise disposed of by the defendant; and
- (c) any other matter that the court considers relevant.

71. New s.116(1E) will also provide that, if the infringing copy is an article of which only part consists of material that infringes copyright, the court, in deciding whether to grant relief, may also have regard to the following:

- (a) the importance that the material that infringes copyright has to the article;
- (b) the proportion that the material that infringes copyright bears to the article;
- (c) the extent to which the material that infringes copyright may be separated from the article.

72. The clause also amends s.116(2) by omitting from paragraph (c) the word 'plate' and substituting the word 'device' which, in view of the fact that 'device' will now include 'plate', is broad enough to cover all the various means of copying works or other subject matter which have become available as a result of improved technology. Finally, new s.116(3) will provide a 'transitional' provision the effect of which will be that the new provisions in s.116 will only apply to actions for conversion or detention brought after the commencement of the provisions. This will ensure that the amendments will not have any unintended retrospective effect.

Clause 11 - Presumptions as to subsistence of copyright etc in sound recordings

(i) Background

73. Section 126 of the Act specifies presumptions in relation to the subsistence and ownership of copyright which can be summarised as follows:

- (a) copyright is presumed to subsist if a defendant does not put it in issue; and
- (b) if subsistence of copyright is established (by presumption or otherwise), a person claiming to be the owner of copyright shall be presumed to be the owner provided that the defendant does not put it in issue.

74. In relation to sound recordings, where defendants put these matters in issue, the plaintiff may be required to prove, among other things:

- (a) the recording contract and/or licence agreement;
- (b) the agreement(s) that establish the claim of title in Australia (where an Australian exclusive licensee is bringing the action);
- (c) the date of the recording;
- (d) the place(s) of the recording; and
- (e) the nationality of the person, or place of incorporation of the corporation, who or which was the maker of the recording at the time the recording was made.

75. In the past, some defendants have relied on this tactic in the hope that the cost or difficulty for the plaintiff of obtaining all of this information will result in the failure or abandonment of the proceedings.

(ii) Reforms

76. Accordingly, the introduction of new section 126A is designed to facilitate the enforcement of a copyright owner's rights in civil sound recording piracy proceedings where a claim of subsistence and ownership of copyright by the plaintiff is established with appropriate formality.

77. Clause 11 inserts the new s.126A into the Act which will provide, in an action brought under Part V of the Act in relation to a sound recording, that if the plaintiff files an affidavit stating that the date and place of first publication are specified on the sound recording label or container and specifying that date and that place of first publication, copyright is presumed to subsist in the sound recording (s.126A(1)).

78. New s.126A (2) will provide that, if the subsistence of copyright is presumed under subsection (1), the plaintiff is presumed to be entitled to bring the action under Part V in relation to the sound recording if the affidavit filed by the plaintiff asserts that the plaintiff is the maker of the sound recording and is specified as such on the sound recording label or container and that he or she has not assigned the copyright in the recording.

79. New s.126A(3) provides that, if the plaintiff is not the maker of the sound recording, the plaintiff is presumed to be entitled to bring the action under Part V in relation to the sound recording if the affidavit filed by the plaintiff asserts that the plaintiff is entitled to bring the action as the assignee or exclusive licensee of the copyright in the sound recording:

- (i) from the maker; or
- (ii) from a person other than the maker,

and lists all the persons through whom the plaintiff claims to have the assignment or licence of the copyright in the sound recording.

80. New s.126A(4) provides that the presumptions under subsections (1), (2) and (3) apply unless the contrary is established. (Section 126 of the Act will, in effect, be read subject to the new s.126A insofar as it relates to sound recordings (see the amendments being introduced by Schedule 2 to the Bill).

## Clause 12 - Penalties

81. This clause amends s.133 of the Act and provides, in effect, that the penalties prescribed under s.133 for offences under s.132(1), (2) and (2A) in respect of commercial dealings with infringing copies of cinematograph films should also apply to infringing copies of sound recordings. As shown below, the penalties imposed in relation to a conviction for an offence relating to the unauthorised commercial dealing in infringing copies of films are, at present, higher than those imposed in relation to other subject matter:

Unauthorised commercial dealings in, or possession of, infringing copies (s.132(1), (2) and (2A)):

<u>Offence</u>	<u>Penalty</u>
First conviction re work or subject matter other than a film	\$500/article (natural person - NP) \$2,500/article (body corporate - BC)
First conviction re a film	\$1,500/article and/or 2 years' imprisonment (NP) \$7,500/article (BC)
Subsequent conviction re work or subject matter other than a film	\$500/article and/or 6 months' imprisonment (NP) \$5,000/article (BC)
Subsequent conviction re a film	\$1,500/article and/or 5 Years (NP) \$5,000/article (BC)

Possession of plate: Unauthorised performance s.132(3), (5) and (5AA)

<u>Offence</u>	<u>Penalty</u>
First conviction	\$1,500 (NP) \$7,500 (BC)
Subsequent conviction	\$1,500 and/or 6 months (NP) \$15,000 (BC)

82. Australian performers and the major record companies have expressed concern that their livelihood would be threatened if the Australian market was opened up the importation of sound recordings from other countries with inadequate copyright laws because of the possibility that cheap pirate copies of sound recordings would be imported.

83. The Prices Surveillance Authority did not agree that the opening up of the market in the way that it proposed would encourage piracy or facilitate the importation of pirate sound recordings. Nonetheless, to further discourage piracy to the benefit of copyright owners, the Government has decided that the penalties for piracy of sound recording offences in the Act should be brought into line with those for cinematograph films.

### Clause 13 - Insertion of new heading

84. Clause 13 of the Bill will insert a new heading and section into Division 7 of Part V of the Act (after s.134A). The new section (s.134B) is an interpretation provision for the purposes of the new provisions being inserted on seizure of imported articles.

### Clause 14 - Restricted importation of printed copies of works and sound recordings

#### (i) Background

85. Section 135 of the Act provides that the owner of the copyright in a published literary, dramatic or musical work may give a written notice to the Comptroller-General of Customs stating that he or she is the owner of the copyright and objects to the importation into Australia of copy of the work. Where a notice has been given, the commercial importation of copies of the relevant work is prohibited and any such copies, if imported, may be seized as forfeited to the Commonwealth.

86. As currently drafted, the section only applies to printed copies of works; it does not apply to sound recordings. Moreover, the section applies to any copies the making of which would if they had been made in Australia by the importer have been an infringement. Accordingly, this could be interpreted as allowing the owner of copyright in a book which could be imported without his or her permission under s.44A to prevent that importation.

87. Accordingly, the Government has decided to strengthen the power of copyright owners to prevent the importation of pirate copies of their sound recordings and to make an exception to s.135 in the case of books which can be imported without the copyright owner's permission under s.44A and 112A.

#### (ii) Reforms

88. The purpose of clause 14 is, among other things, to extend the category of owners of copyright who may give a written notice to the Comptroller-General of Customs under s.135 of the Act to include owners of copyright in sound recordings.

89. This clause amends s.135 -

- (a) by omitting ss.135(2), (3) and (4) substituting three new subsections which substantially re-make the old provisions, but add a further requirement concerning the identification of the shipment of articles whose importation is objected to;
- (b) by inserting in s.135(5) after the word 'work' (whether occurring) the words 'or sound recording';
- (c) by omitting from s.135(5) the words 'as forfeited to the Commonwealth' and substituting the words 'by the Comptroller-General';
- (d) by inserting in s.135(6) the words 'or sound recording' after the word 'work';
- (e) by omitting from s.135(6) the words 'as forfeited';
- (f) by omitting s.135(7);
- (g) by omitting paragraphs 135(8)(d) and (e);
- (h) by inserting in s.135(9) the words 'or published sound recordings' after the word 'works';
- (i) by adding a new s.135(10) which excludes the application of s.135 to copies of books which are allowed to be imported without the copyright owner's permission under s.44A and s.112A and copies of sound recordings which are allowed to be imported without the copyright owner's permission under s.44B and s.112B; and
- (j) copies of published editions of works (ie, accessories) whose importation is not an infringement under s.44C and 112C. (This amendment will come into force on 1 July 1993).

The operation of s.135 has also been extended to include exclusive licensees as well as copyright owners.



### Clause 15 - Insertion of New Sections relating to Customs Seizure

90. Clause 15 of the Bill inserts new ss.135AA to 135AQ the object of which is to facilitate procedures for the seizure of imported sound recordings for the purposes of the changes being made to s.135.

91. To a great extent, the new provisions will mirror those which currently apply to trade marks under the *Trade Marks Acts 1955*.

92. New s.135AA will provide that the Comptroller-General may refuse to take any action under s.135(5) unless the owner of the copyright (or exclusive licensee) has deposited with the Comptroller-General a sum of money that, in the Comptroller-General's opinion, is sufficient to reimburse the Commonwealth for any reasonable expenses the Commonwealth may incur as a result of such action taken.

93. New s.135AB will provide that copies seized under s.135(5) must be taken to such place of security as the Comptroller-General directs.

94. New s.135AC(1) will require the Comptroller-General to give a notice to the importer and the owner of the copyright (or exclusive licensee), as soon as practicable after the copies were seized under s.135(5), that the seizure has taken place. The notices to both must be in writing and given either personally or by post and must identify the copies seized. New s.135AC(2) will specify further information which must be included in the notice. The notice must state that the copies will be released to the importer unless:

- (i) an action for infringement of copyright in respect of the copies is instituted by the owner of the copyright or exclusive licensee within the period of one month after the giving of the notice; and
- (ii) the owner of the copyright or exclusive licensee gives written notice within the period stating that the infringement action has been instituted.

95. New s.135AD will provide the means whereby copyright owners (and exclusive licensees) may inspect imported copies of articles which are suspected of being 'infringing copies' (s.135AD(1)). If the copyright owner, etc. gives the 'requisite undertaking' (ie a written undertaking as to return and reasonable care of sample seized copies), the sample copies may be removed and inspected (ss.135AD(2) and (3)). The Comptroller-General is not to be liable to the importer in respect of

specified loss or damage caused to the seized copies as a result of their inspection or removal (s.135AD(4)).

96. New s.135AE will set out the circumstances when the Comptroller-General may forfeit seized copies to the Commonwealth. Forfeiture to the Commonwealth may occur if:

- (i) the importer gives a written notice to the Comptroller-General that he or she consents to the goods being forfeited to the Commonwealth (s.135AE(1)); and
- (ii) the notice is given before any action or proceeding for infringement of copyright in relation to the copies is instituted (s.135AE(2)).

New s.135AE(3) will provide that, if the importer gives such a notice, the copies are forfeited to the Commonwealth and may be disposed of in such manner as is prescribed or as the Comptroller-General directs.

97. New s.135AF(1) will provide that the Comptroller-General must release copies seized under s.135(5), which have not been forfeited to the Commonwealth, to the importer where one month has elapsed after the notice required under new s.135AC has been given to the copyright owner unless the owner of copyright or exclusive licensee has, before the expiration of that period:

- (a) instituted an action or proceeding for infringement of the relevant copyright in respect of the copies; and
- (b) written notice has been given to the Comptroller-General that the action has been instituted.

98. S.135AF(2) will provide that the Comptroller-General must release the copies to the importer where, although an action or proceeding for infringement of copyright has been instituted in respect of copies seized under s.135(5), there is not, at the end of 3 weeks following the day on which that action or proceeding was instituted, an order of the court in which the action or proceeding was instituted restraining the release of the goods. Moreover, s.135AF(3) will require the Comptroller-General to release the copies to the importer where the copyright owner (or exclusive licensee) gives a written notice that he or she consents to such release.

99. New s.135AF therefore, places an onus on copyright owners and exclusive licensees, once the goods have been seized pursuant to the notice, to institute proceedings for infringement and then seek interlocutory orders for the continued

retention of the goods by Customs. If a copyright owner or exclusive licensee is not vigilant in pursuing the importer for infringement, then Customs will release the goods to the importer.

100. New s.135AG will provide that the court may permit a person to be joined as a defendant to the action or proceeding instituted in relation to copies seized under s.135(5).

101. New s.135AH will provide that where, in an action for infringement of copyright instituted by the copyright owner or exclusive licensee in respect of the copies seized under s.135(5), a court determines that the importation of the copies did not constitute an infringement of the copyright, and the defendant satisfies the court that he or she has thereby suffered loss or damage, the court may order the copyright owner or exclusive licensee to pay to the defendant such amount as the court determines as compensation for that loss or damage, other than any part of that loss or damage that is attributable to any period before the day on which the copies were seized.

102. New s.135AJ will provide that, where the Comptroller-General has seized copies under s.135(5), the Comptroller-General must not release or dispose of the goods, except in accordance with an order made under s.135AK(1)(a), and must not take any action in relation to the copies if the Comptroller-General is required or permitted, under any other law of the Commonwealth, to retain control of the copies.

103. New s.135AK(1) will provide, without limiting the relief that a court may grant apart from the section, that where a plaintiff has instituted an action for infringement of copyright in respect of seized goods, the court in which the action was instituted may:

- (a) at any time make an order, subject to such terms (if any) as the court thinks fit, requiring the copies to be released to the importer; or
- (b) order that the copies be forfeited to the Commonwealth.

104. Other procedural matters are specified in ss.135AK(2) and (3).

105. New s.135AL will provide that, if the court orders that the copies seized under s.135(5) be forfeited to the Commonwealth, the copies are to be disposed of in such manner as is prescribed or as the Comptroller-General directs.

106. New s.135AM will provide that the court in which an action for infringement of copyright is instituted in respect of the copies seized under s.135(5) must permit the Comptroller-General to appear and be heard.

107. New s.135AN will provide that, if the 'reasonable expenses' incurred by the Commonwealth in relation to seized copies exceed the sum deposited under s.135AA, the amount of the excess is a debt due to the Commonwealth (s.135AN(1)). Likewise, if the deposited sum exceeds such 'reasonable expenses', the amount of the excess is a debt due to the copyright owner or exclusive licensee, as the case may be (s.135AN(2)).

108. New s.135AP will provide that no action or proceeding lies against the Commonwealth in respect of any loss or damage suffered by a person by reason of either the copies being seized, or not being seized, under s.135(5) or being released or forfeited to the Commonwealth under Division 7.

109. New s.135AQ will provide that the Comptroller-General may delegate to a person who is an officer under the *Customs Act 1901* any or all of his or her powers under the section.

#### Clause 16 - Oath or affirmation of office

110. This clause amends s.144(1) of the Act by omitting the words 'the Schedule' and substituting the words 'Schedule 1'.

#### Clause 17 - Sittings of the Tribunal

111. This clause omits s.146(3)(a) and is consequential upon the repeal of s.148 of the Act in 1989.

#### Clause 18 - Adding countries to Schedule 2

112. This clause adds a new s.184A, new s.184A(1) of which will provide that regulations may be made designating a country to be a 'Schedule 2 country'.

113. New s.184A(2) will provide that a country may be designated as a Schedule 2 country if it is a party to the Geneva Phonograms Convention.

114. New s.184A(3) will provide that, where a country is not a party to the Geneva Phonograms Convention, it may only be designated as a Schedule 2 country if the Governor-General is satisfied:

- (a) that the country is included in Parts I, II or III of Schedule 1 to the Copyright (International Protection) Regulations; and
- (b) that the country's domestic legislation would fulfil its obligations under the Geneva Phonograms Convention if were a party to that Convention.

#### Clause 19 - Heading to Schedule

115. This clause omits the heading to the Schedule to the Act and substitutes the words 'Schedule 1'.

#### Clause 20 - Addition of Schedule

116. This clause amends the Act by adding the Schedule set out in Schedule 1 to the Bill (that is, Schedule 2 which lists the countries from which non-pirate records may be imported from 1 July 1994).

#### Clause 21 - Minor amendments of the Act

117. This clause amends the Act as set out in Schedule 2 to the Bill.

#### Schedule 1

118. This Schedule adds Schedule 2 to the Act which is inserted by clause 18. Schedule 2 contains a lists of the countries from which sound recordings may be imported pursuant to ss.44B and 112B. At present, these countries are: USA, New Zealand, Denmark, France and the United Kingdom. (The USA, Member States of the EC and New Zealand were identified by the PSA as having lower record prices than Australia).

#### Schedule 2

119. This Schedule effects minor 'machinery' and tidying up amendments to the Act, most of which are consequential upon the amendments being made by the present Bill.



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