

**SENATE LEGAL AND CONSTITUTIONAL AFFAIRS COMMITTEE  
INQUIRY INTO PROVISIONS OF THE COPYRIGHT AMENDMENT BILL 2006**

**RESPONSE TO SENATOR LUDWIG'S QUESTION ON NOTICE  
Professor Brian Fitzgerald and Dale Clapperton**

**QUESTION**

What is your response to evidence from the Department that the AUSFTA requires the TPM provisions to be drafted as they are currently drafted (ie that incorporating a linkage to copyright infringement would not meet the requirements of the AUSFTA)?

**ANSWER**

**Summary**

The incorporation of a link to preventing or inhibiting copyright infringement in the definition of TPM and Access Control TPM (ACTPM) is supported by the text of the AUSFTA, the findings of the Office of International Law (OIL), the findings of the House of Representatives Committee on Legal and Constitutional Affairs (HORSLACA) and US case law.

The Attorney-General's Department's (AGD) response to the Committee is not an obstacle to this interpretation. In substance, the Article cited by AGD (ie 17.4.7(d)) prevents Australia from requiring copyright owners to prove that an actual infringement has occurred (eg that someone has actually copied the work) to obtain protection under the TPM provisions. It does not limit the definition of TPM, or prevent Australia from enacting laws that require a copyright owner to prove that a technology "**was designed** to prevent or inhibit copyright infringement" for it to be a TPM.

**AUSFTA Provisions**

There are two principal statements in the AUSFTA which prescribe the boundaries of the definitions of Technological Protection Measure (TPM) and Access Control Technological Protection Measure (ACTPM) under domestic law.

Article 17.4.7(a) (the chapeau) insists on a connection with the exercise of the copyright owners rights:

7. (a) In order to provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that authors, performers, and producers of phonograms use **in connection with the exercise of their rights and that restrict unauthorised acts** in respect of their works, performances, and phonograms...

Article 7(b) defines an effective TPM as including both devices that protect copyright and devices that control access to a work:

(b) Effective technological measure means any technology, device, or component that, in the normal course of its operation, **controls access** to a protected work, performance, phonogram, or other protected subject matter, **or protects any copyright**.

**Our submission**

It is our submission that, taking both 17.4.7(a) and (b) into account, the correct interpretation of Article 17.4.7 requires a direct link between any effective TPM and the prevention of copyright infringement.

The statement in the chapeau is the principal statement of the Article, which provides its scope and sets the boundaries of its application. The definition of effective TPM in 17.4.7(b) is intended to assist in the interpretation of this provision, and must be read in the context of the chapeau's requirements.

Reading the two sections together, the AUSFTA clearly requires that protection be provided to any technology that fulfils all of the following requirements:

1. controls access to a protected work, performance, phonogram, or other protected subject matter, or protects any copyright; **and**
2. is used by authors, performers, and producers of phonograms in connection with the exercise of their rights; **and**
3. that restricts unauthorised acts.

Note that not only does this require a clear connection between the technology and the copyright owner's rights (ie copyright), it also requires that the technology be used to restrict unauthorised acts (ie preventing copyright infringement).

As is shown below, this interpretation is consistent with:

- the initial wording of the provision in the exposure draft released on 1 September 2006;
- the interpretation put forward by the Office of International Law (OIL) before HORSLACA during its 2005 *Inquiry into technological protection measures (TPM) exceptions*
- HORSLACA's findings at this same inquiry; and
- current US copyright law.

### **Attorney-General Department response**

In her response to Senator Lundy's question at Senate Committee hearings, Ms Haipola of AGD gave the following reasons for the alteration of the wording of the provisions after the exposure draft:

Comments made in response to the exposure draft indicated that there was substantial misunderstanding of the government's intention behind those exposure draft provisions. Article 17.4.7(d) of the free trade agreement requires liability for TPMs to be independent of copyright infringement.

Article 17.4.7(d) of the AUSFTA states:

Each Party shall provide that a violation of a measure implementing this paragraph is a separate civil or criminal offence and independent of any infringement that might occur under the Party's copyright law.

This clause is clearly intended to ensure that the act of circumventing etc a TPM gives rise to a separate cause of action, and does not require the copyright owner to prove **in addition** that a copyright infringement has actually occurred in order to obtain legal remedy. This is a reasonable restriction because, while it is relatively easy for a copyright owner to prove that a device is designed to circumvent their TPM, it would much more difficult for them to prove that a person had actually used the device to do so, and had then committed an infringing act such making an illegal copy.

Ms Haipola supports this interpretation of 17.4.7(d) when she states that the government was concerned that the exposure draft wording might be interpreted as requiring that “you had to show infringement of copyright for TPM liability to exist” (eg that the copyright owner would have to prove not only that the TPM had been circumvented, but also that an illegal copy had then been made).

We agree that this would clearly be in breach of Article 17.4.7(d). We also agree that a provision that required, for example, that a TPM or ACTPM “**must prevent or inhibit** a copyright infringement” could be interpreted as requiring a copyright owner to prove that an actual infringement had occurred, and as such could be said to be confusing.

However, we do not agree that a provision that requires a copyright owner to prove that their technology is **designed to** prevent or inhibit a copyright infringement risks this confusing interpretation. It is a relatively simple matter for a copyright owner to provide the reasons that they were using the TPM, along with evidence as to the effect the TPM has (eg it prevents someone from copying the material). This is all that the original wording of the TPM provisions in the Exposure Draft required – they did not require any proof that an actual infringement occurred.

We are also unaware of any copyright owner submissions that have made this argument. Copyright owner arguments against a link to copyright infringement have generally centred on the interpretation of Articles 17.4.7(a) and (b).

As is discussed below, the change of wording between the exposure draft and the proposed Bill makes a substantive difference to the application of Australia’s TPM provisions, broadening their scope beyond that required by Articles 17.4.7(a) and (b) of the AUSFTA. If AGD is concerned regarding possible misinterpretations of the proposed provisions that would place Australia in breach of Article 17.4.7(d), we would suggest that clarification of the purpose of the provision in the Explanatory Memorandum of the Bill should be a sufficient response.

### **The interpretation proposed by the Office of International Law**

In its evidence before the HORSLACA hearings on 5 December 2005 OIL, the Government’s advisers on Australia’s international obligations, recognised that an explicit connection to copyright infringement was a requirement under the AUSFTA. At those hearings, OIL’s representative Mr Mark Jennings stated:

There are two elements in this text from the chapeau which are joined by the conjunctive ‘and’. The first is that an ETM is to be used in connection with the exercise of a copyright holder’s rights. The second is that an ETM is to restrict unauthorised acts in respect of the copyright holder’s works, performances or phonograms. I would just like to make some observations about that first element. The use of the words ‘in connection’ suggests that there is to be a relationship between the use of an ETM and the exercise of rights by a copyright holder. The word ‘rights’ is not elaborated upon. The broader context of the chapeau may support a reading that restricts rights to those comprising copyright. Article 17.4 deals only with rights comprising copyright, as I have mentioned. **In addition, the definition of an ETM refers to technology that protects any copyright, not that protects any right.**

In relation to the second element, the question arises as to the meaning of ‘unauthorised acts’. Are they acts which are not authorised by the copyright holder or do they extend to acts which are not authorised by law? If it had been intended that ‘unauthorised acts’ refers only to acts not authorised by copyright holders then the drafters may have made this clear in the text as follows: ‘that authors, performers, and producers of phonograms use in connection with the exercise of their rights and that restrict acts in respect of their works,

performances and phonograms not authorised by them'. The reference to 'the exercise of their rights' is immediate context for 'unauthorised acts'. If, as I have suggested, the term 'rights' reflects the rights comprising copyright then **unauthorised acts may be taken to mean acts in relation to copyright which are not authorised by the copyright holder or by law.**<sup>1</sup>

## **HORSLACA's findings and Government response**

In this inquiry, HORSLACA supported this interpretation, finding as follows:

### **Recommendation 2** (paragraph 2.61)

The Committee recommends that, in the legislation implementing Article 17.4.7 of the Australia-United States Free Trade Agreement, the definition of technological protection measure/effective technological measure clearly require a direct link between access control and copyright protection.

### **Recommendation 3** (paragraph 2.75)

The Committee recommends that, in the legislation implementing the Australia-United States Free Trade Agreement, the Government ensure that access control measures should be related to the protection of copyright, rather than to the restriction of competition in markets for non-copyright goods and services.

In its response to this report, tabled at the same time as the Bill, the Government accepted these recommendations without reservation<sup>2</sup>.

## **The position in the United States of America**

The interpretation of Article 17.4.7 which requires a strict link to copyright infringement is consistent with case law developed in the United States.

In *Storage Tech. Corp. v. Custom Hardware Engineering Consulting, Inc.*<sup>3</sup>, the United States Court of Appeals for the Federal Circuit, citing its own previous decision in *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, said:

in enacting the *DMCA*, "Congress chose to create new causes of action for circumvention and for trafficking in circumvention devices. Congress did not choose to create new property rights."<sup>4</sup> In [*Chamberlain v Skylink*] the Court held that the US anti-circumvention law "prohibits only forms of access that bear a reasonable relationship to the protections that the Copyright Act otherwise affords copyright owners."<sup>5</sup> A copyright owner alleging violation of section 1201(a) of the *DMCA* must prove that the circumvention of the TPM "infringes or facilitates infringing a right protected by the Copyright Act".<sup>6</sup>

In refusing to protect a password system which controlled access to maintenance functions on a series of mass storage devices, the Court of Appeals held that "the *DMCA* must be read in the context of the Copyright Act, which balances the rights of the copyright

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1 Hansard, House of Representatives, Monday 5 December 2005, LCA 25-6, per Mr Jennings <<http://www.aph.gov.au/hansard/reps/commttee/R8971.pdf>>.

2 *Government Response to the House of Representatives Standing Committee on Legal and Constitutional Affairs report "Review of technological protection measures exceptions"* <[http://www.ag.gov.au/agd/WWW/rwpattach.nsf/VAP/\(4341200FE1255EFC59DB7A1770C1D0A5\)~Government+response+to+LACA+TPMS+\(final\).DOC/\\$file/Government+response+to+LACA+TPMS+\(final\).DOC](http://www.ag.gov.au/agd/WWW/rwpattach.nsf/VAP/(4341200FE1255EFC59DB7A1770C1D0A5)~Government+response+to+LACA+TPMS+(final).DOC/$file/Government+response+to+LACA+TPMS+(final).DOC)> at 30 October, p.4.

3 421 F.3d 1307 (Fed. Cir. 2005).

4 381 F.3d 1178 (Fed. Cir. 2004), 1203. Rehearing en banc was denied by *Chamberlain Group, Inc. v. Skylink Techs.*, 2004 U.S. App. LEXIS 27232 (Fed. Cir. Oct. 22, 2004).

5 *Ibid*, 1202.

6 *Ibid*, 1203; quoted with approval in *Storage Tech. Corp. v. Custom Hardware Eng'g Consulting, Inc.* 421 F.3d 1307 (Fed. Cir. 2005), 1318. Rehearing en banc was denied by *Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc.*, 2005 U.S. App. LEXIS 28931 (Fed. Cir. Dec. 14, 2005).

owner against the public's interest in having appropriate access to the work".<sup>7</sup> The Court held that even if accessing the maintenance functions constituted copyright infringement, the plaintiff would have to show that the TPM "facilitated that infringement".<sup>8</sup> The court concluded that "[i]f such a nexus were not required, the careful balance that Congress sought to achieve between the "interests of content creators and information users" would be upset".<sup>9</sup>

### Effects of the change in wording

The new definition of ACTPM requires only that the measure is used "in connection with the exercise of copyright". This differs significantly from the exposure draft, which required that the measure be "designed, in the normal course of its operation, to prevent or inhibit the doing of an act: (i) that is comprised in the copyright; and (ii) that would infringe the copyright".

Requiring only that the measure is used "in connection with the exercise of copyright" is much vaguer than the wording of the exposure draft. The new wording could arguably be interpreted to allow almost any restriction imposed by the copyright owner will be protected by anti-circumvention law. For example, any ACTPM applied when the copyright owner exercises their rights to publish or communicate their material would arguably be being used "in connection with the exercise of copyright", even if it acted primarily as a market control mechanism and did nothing to prevent or inhibit copyright infringement.

During the Senate Committee hearings Mr Gonsalves of the Interactive Entertainment Association of Australia suggested the following justification for the protection of "pure access controls . . . without a link to copyright infringement":

The playing of that computer game **may or may not involve a reproduction**. It may not involve a copyright right at all. Clearly there is a subscription model here—you pay to play the game online. If the access controls which are applied to that game to protect the subscription model can be freely circumvented then that is the end of that business. That is why those sorts of models need to be protected.

We do not agree with Mr Gonsalves that access control measures that act as market control mechanisms intended to enforce private business models should be protected by copyright law. These mechanisms may be protected through other legal mechanisms (eg contract law). The Copyright Act should only be used to protect mechanisms that prevent or inhibit copyright infringement.

Similarly, the definition of TPM in the new Bill has been amended so that it requires only that the measure, "in the normal course of its operation, prevents, inhibits **or restricts** the doing of an act comprised in the copyright". The addition of the word 'restricts' significantly loosens the definition, and enlarges the scope of measures which will be protected under this Bill. This is concerning, as it seems a deliberate step intended to by-pass the exposure draft's retention of the safeguards provided by the High Court in *Stevens v Sony* (*Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58). In this case, Kirby J emphasised the need to link any measure protected by the Copyright Act to the prevention and inhibition of copyright infringement, saying:

what is to be prevented or inhibited is not, as such, "access" to a work or subject matter that is entitled to copyright. It is the infringement of copyright in that work that is to be prevented or inhibited.<sup>10</sup>

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<sup>7</sup> Ibid, 1318.

<sup>8</sup> Ibid, 1319.

<sup>9</sup> Ibid.

<sup>10</sup> *Stevens v Kabushiki Kaisha Sony Computer Entertainment* [2005] HCA 58, at [203].

The Government has not provided any compelling reasons for enlarging the scope of protected measures under this Bill. The differences in definition between the current Bill and the exposure draft greatly disturb the balance between the legitimate interests of copyright owners and the rights of users and consumers.

## **CONCLUSION**

In conclusion, it is our position that the wording of the definitions of TPM and ACTPM in the Copyright Amendment Bill be modified to require an explicit link between the technology in question and the infringement of copyright.

The preferred method of retaining this link involves reinstating the original wording of these provisions from the exposure draft of the TPM provisions ie:

(b) is designed, in the normal course of its operation, to prevent or inhibit the doing of an act:

- (i) that is comprised in the copyright; and
- (ii) that would infringe the copyright.

Alternatively, if concern remains that this wording does not comply with the AUSFTA, we would propose that the reference to “in connection with the exercise of copyright” in the definition of ACTPM in the current Bill be replaced with the equivalent language from the definition of TPM ie “prevents, inhibits or restricts the doing of an act comprised in copyright”. As this wording is part of the definition of TPM currently being proposed by the Government it presumably complies with the AUSFTA.

As the least desirable option, if the phrase “in connection with the exercise of copyright” is retained, we submit that the full wording of the chapeau should be used, such that the definition of ACTPM in s 10(1) requires that the technology in question must be used “in connection with the exercise of the copyright and [to] restrict unauthorised acts”.

Finally, we would note that we do not object to the amendments to the definition of TPM and ACTPM introduced in the final Bill which introduce new exceptions in relation to geographic market segmentation or restrictions on the use of goods and services.

## Response to Senator Lundy's question on notice

### Question:

I just have something that they could perhaps write a few notes on, and that is the impact on the capacity of software developers, particularly in the open source area, to be innovative and write new software in this complementary and competitive way that has been described – so we can get that insight.

### Response:

It is well established that in the United States, companies have used laws protecting TPMs (ie the DMCA) not to protect copyright material from infringement, but to protect themselves from competition. Unless such conduct would fall within the narrow and specific carve-outs in the definition of ACTPM and TPM within the Bill, a robust interoperability exception will be required to avoid these type of anti-competitive uses of TPMs.

Consider the example of Microsoft Word. This program holds a near monopoly in the market for word-processing software.

Several other programs compete with Word in this market, including several open-source programs such as OpenOffice.org Writer, KWord and AbiWord.

Because Microsoft Word is used by the vast majority of people currently using a word-processor, people acquiring a word-processor for the first time are only likely to acquire one that can work with (interoperate with) files created by Word. This is known by economists as a 'network effect'.

For the same reason, existing users of Microsoft Word are unlikely to change to competing programs unless they can interoperate with Word files. Existing users would also be in the situation of being unable to access (with the competing program) the files that they themselves had created using Word.

This type of switching cost would ensure that most current users of Word would not change to a competing program.

In short, the ability of competing programs to interoperate with Word files is **essential** for competition in this market. The same is true for software (and hardware) in any other market.

Current versions of Microsoft Word already include the ability to protect Word documents using a TPM, but this is optional and the user must specifically choose to do so.

Consider what would happen if Microsoft, in their next version of Word, made it mandatory that all Word documents be protected by this TPM? Unless there was an interoperability exception available to the producers of competing products, effective competition in this market would be eliminated almost overnight.

It is therefore essential that the interoperability exceptions contain the following elements to avoid damage to competition and consequent harm to consumer welfare:

1. That it allows **interoperability with data files** created by other programs, and not merely **interoperability with the other program** itself. This point was explained more fully in the submission of Mr Clapperton and Professor Corones at page 10.
2. That it not only allows the **production** of interoperable products, it allows the **use** of those products. An exception which allows the production of products that cannot be lawfully used is a useless exception. This was a shortcoming of the exposure draft which has been largely corrected in the current Bill. We understand however that some copyright holders are arguing for this change to be reversed, and refer the Committee to the submission of Mr Clapperton and Professor Corones to the Attorney-General's Department on this point.
3. The exception must not be able to be contracted out of.

To elaborate on this last point, when the government previously introduced specific exceptions for computer software in ss 47B to 47F of the *Copyright Act 1968*, it recognised that most End User License Agreements (contracts under which software is licensed) specifically prohibit the very activities which these exceptions were supposed to protect.

In response to that situation, the government provided protection against contracting out, in the form of s 47H which provides that:

An agreement, or a provision of an agreement, that excludes or limits, or has the effect of excluding or limiting, the operation of subsection 47B(3), or section 47C, 47D, 47E or 47F, has no effect.

If the exceptions to the TPM provisions are not protected from contracting out, this will invite copyright holders to contract out of them to preclude the development or use of competing products.